Offering Circular

Interest on the Bonds is not excludable from gross income for federal income tax purposes. Interest on the Bonds is not exempt from taxation in California.

$150,000,000
STANFORD UNIVERSITY
6⅞% Bonds Due 2024

The Bonds are being issued by the Leland Stanford Junior University (referred to hereinafter as "Stanford" or the "University"). The Bonds will mature on February 1, 2024. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 1994, at the rate of 6⅞% per annum. The Bonds are redeemable at any time prior to their maturity at the option of the University upon payment of the Make Whole Redemption Amount plus accrued interest to the redemption date, as described herein.

THE BONDS ARE BEING OFFERED PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, AND HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION.

Price: 99.240%
(Accrued interest from February 1, 1994 to be added)

The Bonds are offered subject to receipt and acceptance by the Underwriters, to prior sale and to the Underwriters' right to reject any order in whole or in part and to withdraw, cancel or modify the offer without notice. It is expected that delivery of the Bonds will be made on or about February 24, 1994, in New York, New York.

Goldman, Sachs & Co. **BT Securities Corporation**

The date of this Offering Circular is February 16, 1994

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO STABILIZING OR MAINTAINING THE MARKET PRICE OF THE BONDS AT LEVELS OTHER THAN THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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SUMMARY OF OFFERING CIRCULAR

This summary is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Circular and in the documents incorporated by reference.

The University

Stanford University is a privately endowed, coeducational, nonprofit, nonsectarian institution of higher education and research founded in 1885. Stanford University is one of a select group of American universities that has achieved eminence in both undergraduate and graduate education and in a broad range of academic disciplines. It is internationally recognized for the quality of its teaching and research, its distinguished faculty and its outstanding student body. Fall quarter enrollments for the 1993-94 academic year were 6,573 undergraduate and 6,601 graduate students. Applications for admission to undergraduate and graduate schools far exceed the number of available spaces.

The founding grant by Senator and Mrs. Leland Stanford conveyed to the University an endowment of approximately $20 million and the Stanfords' farm at Palo Alto. From this beginning, Stanford now has an endowment of $2.85 billion at market value and an extensive physical plant located on a portion of the 8,200 acres owned by the University.

The University maintains its accounts in accordance with generally accepted accounting principles. The financial statements of the University for the fiscal years ended August 31, 1993 and 1992, and the report of Coopers & Lybrand, independent accountants, with respect thereto are included in Appendix A hereto.

The Offering

Issue	$150,000,000 of 6⅞% Bonds due February 1, 2024.
Interest Payment Dates	February 1 and August 1, commencing August 1, 1994.
Redemption	Redeemable at the option of the University upon payment of the Make Whole Redemption Amount plus accrued interest to the redemption date. The Make Whole Redemption Amount, at the relevant redemption date, means the net present value of the remaining scheduled principal and interest payments on the Bonds (less accrued interest to the redemption date) discounted on a semi-annual basis at the Treasury Yield as described herein. The Make Whole Redemption Amount of a Bond may be less than or more than the principal amount of the Bond.
Ranking	Direct unsecured obligations of the University. As of August 31, 1993, $546,601,000 of notes and bonds payable by the University was outstanding, consisting of $137,643,000 in variable rate debt and $408,958,000 in fixed rate debt. The annual debt service on certain tax exempt bonds is collateralized by a pledge of annual tuition revenue of approximately $1,900,000 and investments of approximately $6,742,000 (at market). See Note 7 of the "Financial Statements."

DESCRIPTION OF THE BONDS

General

The Bonds will be unsecured obligations of The Board of Trustees of the Leland Stanford Junior University (''Stanford'' or ''University'') which will rank equally with other unsecured indebtedness of the University. The Bonds are to be issued under an indenture, dated as of February 1, 1994 (the ''Indenture''), between the University and Bank of America National Trust and Savings Association, as trustee (the ''Trustee''). The Indenture does not limit the amount of indebtedness that may be incurred by the University, whether secured or unsecured. In addition to the Bonds being offered, the University may issue from time to time other series of debt securities under the Indenture which will be separate and independent from the Bonds.

The Bonds will be issued in fully registered form only, in denominations of $1,000 and multiples thereof. The Bonds will mature on February 1, 2024, and will be limited in amount to $150,000,000. The Bonds will bear interest from February 1, 1994, at the rate of 6⅞% per annum, payable semiannually on February 1 and August 1 of each year, commencing August 1, 1994, to the holders of record at the close of business on the next preceding January 15 or July 15, respectively. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Principal and interest will be payable and the Bonds may be registered for transfer or exchange at the principal corporate trust office of BankAmerica National Trust Company, as paying agent and bond registrar, in New York, New York. At the option of the University, interest may be paid by check mailed to, or by wire transfer to the account of, the registered owner.

Interest on the Bonds is not excludable from gross income for federal income tax purposes. Interest on the Bonds is not exempt from taxation in California.

Redemption

The Bonds will be subject to redemption as a whole or in part, at any time, at the option of the University, upon not less than 30 days and not greater than 60 days notice as provided in the Indenture, at a price equal to the Make Whole Redemption Amount (as defined below) plus accrued interest to the redemption date.

The term ''Make Whole Redemption Amount'' is defined to mean, as of the redemption date, the net present value of the remaining scheduled principal and interest payments on the Bonds (less accrued interest to the redemption date) discounted to such redemption date on a semiannual basis at the Treasury Yield (as defined below). The Make Whole Redemption Amount of a Bond may be less than or more than the principal amount of the Bond depending on the relationship between the interest rate on the Bond and the Treasury Yield.

The Make Whole Redemption Amount will be calculated by an independent investment banking institution of national standing appointed by the University; provided, that if the University fails to make such appointment at least 10 days prior to the redemption date, or if the institution so appointed is unwilling or unable to make such calculation, such calculation will be made by Goldman, Sachs & Co. or, if such firm is unwilling or unable to make such calculation, by an independent investment banking institution of national standing appointed by the Trustee (in any such case, the ''Independent Investment Banker'').

For purposes of determining the Make Whole Redemption Amount, ''Treasury Yield'' means a rate of interest per annum, determined by the Independent Investment Banker as of the third Business Day preceding the applicable redemption date (the ''Quote Date''), equal to the weekly average yield to maturity of United States Treasury Notes having a constant maturity, as set forth in the most recent weekly statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated ''H.15(519) Selected Interest Rates'' (the ''H.15 Statistical Release''), corresponding to the remaining term of the Bonds from the redemption date (calculated to the nearest 1/12 of a year) (the ''Remaining Term''); such yield to be calculated by the Independent Investment Banker, by interpolation (unless the Remaining Term of the Bonds equals a constant maturity set forth in the H.15 Statistical Release) on a straight-line basis, between the weekly average yields (rounded, if necessary, to the nearest 1/100 of 1% with any figure of 1/200 of 1% or above rounded upward), on (a) the United States Treasury Notes with a constant maturity closest to and greater than the Remaining Term and (b) the United States Treasury Notes with a constant maturity closest to and less than the Remaining Term, or if such weekly average yields are not available, by interpolation of comparable rates selected by the Independent Investment Banker.

If less than all of the Bonds are to be redeemed, the Trustee will select the Bonds to be redeemed by lot or such other method as the Trustee shall deem fair and appropriate. The Trustee may select for redemption Bonds and portions of Bonds in amounts of $1,000 or whole multiples of $1,000, provided that if all of the Bonds of a holder are to be redeemed, the entire outstanding amount of the Bonds held by such holder, even if not a whole multiple of $1,000, will be redeemed.

Events of Default and Notice Thereof

The following events will be defined in the Indenture as ''Events of Default'' with respect to the Bonds: (i) default in the payment of interest on any Bond when it becomes due and payable and continuance of such default for a period of 30 days, (ii) default in the payment of the principal of any Bond at its maturity or of redemption price when due, (iii) default in the performance, or breach, of any other covenant or warranty of the University contained in the Indenture and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the University by the Trustee or to the University and the Trustee by the registered owners (each, a ''Holder'') of at least 50% in principal amount of the Bonds a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a ''Notice of Default'' under the Indenture, and (iv) the dissolution or liquidation of the University or the occurrence of certain events with respect to the University under the bankruptcy laws.

If an Event of Default with respect to Bonds at the time outstanding occurs and is continuing, then the Trustee or the Holders of not less than 50% in principal amount of the outstanding Bonds may declare the principal amount of all of the Bonds to be due and payable immediately; provided, however, that under certain circumstances the Holders of a majority in principal amount of outstanding Bonds may rescind and annul such declaration and its consequences.

The Holders of a majority in principal amount of outstanding Bonds will have the right, subject to certain limitations, to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Bonds and to waive certain defaults.

Modifications of the Indenture

Modification and amendments of the Indenture may be made by the University and the Trustee without the consent of Holders of the Bonds for the purposes set forth in the Indenture, including (i) to add to the covenants of the University for the benefit of the Holders of the Bonds, (ii) to add any additional Events of Default, (iii) to evidence and provide for the acceptance of appointment under the Indenture by a successor Trustee with respect to the Bonds and to add or change any of the provisions of the Indenture as shall be necessary to provide for or facilitate the administration of the trusts under the Indenture by more than one Trustee, or (iv) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising under the Indenture, provided such action shall not adversely affect the interests of the Holders of the Bonds in any material respect.

With the consent of the Holders of not less than a majority in principal amount of the Bonds if the Bonds are affected by such supplemental indenture, the University and the Trustee may enter into a supplemental indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of modifying in any manner the rights of the Holders of the Bonds under the Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each outstanding security affected thereby, (i) change the stated maturity of the principal of or interest on any Bond, or reduce the principal amount thereof or the rate of interest or the premium, if any, payable thereon, (ii) change any place of payment where, or the coin or currency in which, any Bond or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment, (iii) reduce the percentage in principal amount of the outstanding Bonds the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver of compliance with certain provisions of the Indenture or certain defaults thereunder and their consequences provided for in the Indenture, or (iv) modify the provisions of the Indenture relating to amendment or waiver of past defaults, except to increase any such percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the Holder of each Bond affected thereby.

Book-Entry Only System

When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry system maintained by the Depository Trust Company (''DTC'') or such other depository institution as may be designated by the University. The Bonds will be issued in the form of one global security (a ''Global Bond''). The Global Bond will be deposited with, or on behalf of, DTC and registered in its name or in the name of Cede & Co., as nominee of DTC. Because DTC or Cede & Co. will be the holder of record of the Global Bond, each person owning a beneficial interest in the Global Bond must rely upon the procedures of the institutions having accounts with DTC to exercise or be entitled to any of the rights of a holder of a Bond.

DTC is a limited-purpose trust company, organized under the New York Banking Law, a ''banking organization'' within the meaning of the New York Banking Law, a member of the Federal Reserve System, a ''clearing corporation'' within the meaning of the New York Uniform Commercial Code, and a ''clearing agency'' registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement of securities transactions among participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. Persons who are not participants may beneficially own securities held by DTC only through participants.

Upon issuance by the University of the Bonds represented by the Global Bond, DTC will credit, on its book-entry registration transfer system, the respective principal amounts of the Bonds to the accounts of participants as designated by the Underwriters. Ownership of beneficial interests in the Global Bond will be limited to participants or persons that hold interests through participants. Ownership of beneficial interests in the Bonds will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC (with respect to interests of participants in DTC), or by participants in DTC or persons who may hold interests through such participants (with respect with persons other than participants in DTC). Owners of beneficial interests in the Bonds will not be entitled to receive physical delivery of certificates representing their ownership interests in the Bonds except as specifically described below. The laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in the Global Bond. In addition, since transactions in the Bonds can be effected only through DTC, the ability of a beneficial owner to pledge Bonds to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such Bonds, may be limited due to a lack of a physical certificate.

As long as DTC, or its nominee, is the registered owner of the Global Bond, DTC or its nominee, as the case may be, will be considered the sole owner or holder of the Bonds for all purposes, including notices, consents and waivers. Payments of principal of and interest and premium, if any, on the Bonds will be made by the University through the Trustee to DTC or its nominee, as the case may be, as the registered owner of the Global Bond. The University expects that DTC, upon receipt of any payment of principal, premium or interest in respect of the Global Bond, will immediately credit the accounts of the related participants with payments in amounts proportionate to their respective holdings in the principal amount of beneficial interests in the Global Bond as shown on the records of DTC. The University also expects that payments by participants to owners of beneficial interests in the Global Bond will be governed by standing customer instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in ''street name,'' and will be the responsibility of such participants. None of the University, the Trustee or any paying agent or registrar will have any responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership interests in the Global Bond or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The beneficial owners of the Bonds will rely on DTC participants for timely payments and notices and for otherwise making available to the beneficial owner the rights of a beneficial owner.

If DTC is at any time unwilling to continue as depositary for the Global Bond and a successor depositary is not appointed by the University, or if the University determines that continuation of the system of book-entry transfers is not in the best interests of the beneficial owners of the Bonds, the University will issue Bonds in fully registered, certificated form in exchange for the Bonds represented by the Global Bond.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the University believes to be reliable, but the University takes no responsibility for the accuracy thereof.

THE UNIVERSITY

Stanford University is one of a select group of American universities that has achieved eminence in both undergraduate and graduate education and in a broad range of academic disciplines. It is internationally recognized for the quality of its teaching and research, its distinguished faculty and its outstanding student body. In the years since its founding in 1885, Stanford has grown to more than 1,300 faculty members and an enrollment of more than 6,500 undergraduate and 6,600 graduate students.

The founding grant (the "Founding Grant") by Senator and Mrs. Leland Stanford conveyed to the University an endowment of approximately $20 million and the Stanfords' farm at Palo Alto. From this beginning, Stanford now has an endowment of $2.85 billion at market value and an extensive physical plant located on a portion of the 8,200 acres owned by the University.

The University is governed by a Board of Trustees (the "Board"), which consists of a minimum of 25 and a maximum of 34 members, including the President of the University as Trustee ex-officio. Current membership of the Board is 34. The Board is responsible for the University's endowment and all the operations and properties of the University, including the adoption of the University budget, establishment of schools and departments, investment and accounting policies, debt policy, land use and development, faculty and staff appointments, benefits and gift development. The Board conducts its business through a number of committees.

USE OF PROCEEDS

The University intends to use the net proceeds of the offering of the Bonds for capital projects and deferred maintenance, including seismic repairs and improvements, and to retire approximately $48.5 million of outstanding commercial paper, the proceeds of which were previously used for such purposes.

SELECTED FINANCIAL DATA

The Financial Statements of Stanford University (the "Financial Statements") are presented in Appendix A. The Selected Financial Data below should be read in conjunction with the Financial Statements and accompanying notes. The tables presented below provide a Summary of Operations and Changes in Operating Equity and a Summary of Operating and Endowed Equity of the University for the five years ended August 31, 1993. The University maintains its accounts in accordance with generally accepted accounting principles. In order to comply with the internal and external restrictions placed on the use of the University's resources, its accounts are maintained in accordance with the principles of fund accounting. See Note 1 of the "Financial Statements" for a discussion of the University's significant accounting policies. Certain funds may not be available for payment of debt service on the Bonds. See "Management's Discussion and Analysis of Selected Financial Data ("Management's Discussion and Analysis")–Capital Resources–Limitations on Sources of Payments".

STANFORD UNIVERSITY
SUMMARY OF OPERATIONS AND CHANGES IN OPERATING EQUITY
For the Five Years Ended August 31, 1993

(In thousands of dollars)

	1993	1992	1991	1990	1989
Revenues and other additions:					
Tuition and fees	$ 216,573	$ 193,464	$ 180,260	$ 168,880	$ 154,400
Endowment income distributed for operations	141,383	99,708	99,310	101,398	88,392
Gifts	85,227	76,723	83,640	84,506	79,524
Grant and contract reimbursement:					
Direct costs	254,179	252,742	233,055	212,852	226,776
Indirect costs	81,543	74,991	75,004	99,007	92,403
Stanford Linear Accelerator Center	169,001	156,571	143,927	150,565	145,121
Auxiliary activities	181,289	180,722	162,210	145,658	133,547
Other	138,983	136,476	148,282	98,179	131,271
Total revenues	1,268,178	1,171,397	1,125,688	1,061,045	1,051,434
Expenses:					
Compensation and benefits	453,118	425,591	419,104	400,827	369,563
Student financial aid	97,328	88,029	80,839	72,271	64,650
Depreciation	71,454	71,760	65,040	59,423	61,378
Operations and maintenance	118,282	107,824	104,333	103,138	96,367
Stanford Linear Accelerator Center	169,001	156,571	143,927	150,565	145,121
Auxiliary activities	170,688	173,976	134,292	123,434	120,304
Administrative, professional services and other	118,129	157,841	134,036	105,943	97,658
Total expenses	1,198,000	1,181,592	1,081,571	1,015,601	955,041
Excess (deficit) of revenues and other additions over expenses	70,178	(10,195)	44,117	45,444	96,393
Other changes in operating equity	(28,750)	63,590	73,487	32,856	44,033
Net increase in operating equity	$ 41,428	$ 53,395	$ 117,604	$ 78,300	$ 140,426

SUMMARY OF OPERATING AND ENDOWED EQUITY
For the Five Years Ended August 31, 1993

(In thousands of dollars)

	1993	1992	1991	1990	1989
Total operating equity	$1,514,317	$1,472,889	$1,419,494	$1,301,890	$1,223,590
Endowed equity:					
Expendable	931,974	772,707	749,840	698,847	716,363
Non-expendable	1,921,392	1,661,877	1,557,192	1,351,172	1,370,233
Total endowed equity	2,853,366	2,434,584	2,307,032	2,050,019	2,086,596
Total equity	$4,367,683	$3,907,473	$3,726,526	$3,351,909	$3,310,186

MANAGEMENT'S DISCUSSION AND ANALYSIS OF SELECTED FINANCIAL DATA

Stanford's consolidated financial condition has improved significantly over the past five years, as shown in "Selected Financial Data." Total equity has grown to $4.37 billion at August 31, 1993, comprised of operating equity of $1.52 billion and endowed equity of $2.85 billion.

The University's "Summary of Operations and Changes in Operating Equity" for the five years ended August 31, 1993 includes the consolidated results of all activities other than those related to the endowment. Certain components of the summary are discussed below.

Revenues

Tuition and Fees

Tuition and fees are revenues derived from students attending classes at the University. Financial aid is recorded as an expense and is discussed under the caption "Student Financial Aid." Tuition and fees ranged from 14.7% of Operating Revenues in FY 1989 to 17.1% in FY 1993. Tuition and fee revenues increased 12% in FY 1993 as a result of a slight increase in enrollment and a 9.5% increase in tuition for the 1992-93 academic year. Tuition increases for the 1993-94 and 1994-95 academic years are 7.5% and 5%, respectively.

Endowment Income Distributed for Operations

The substantially increased endowment income for FY 1993 reflected the decision of the Board to increase the University's endowment payout rate for FY 1993 and FY 1994 while an expense reduction program for the University is implemented. See "–Capital Resources–Endowment Payout Policy."

Gifts

Only gifts to currently expendable funds are included in this category. Stanford depends heavily on gifts to cover operating expenses, to increase endowment funds and for construction of new buildings. See "–Capital Resources–Giving."

Grant and Contract Reimbursement

The University receives significant revenues in the form of reimbursement for its costs in the course of its organized research efforts. A significant portion of Stanford's research and graduate education program is supported by research and instruction contracts and grants. These agreements are primarily with federal government agencies. In addition, support is derived from philanthropic foundations, corporate sponsors and, to a lesser extent, from state and local governments. For the period from FY 1981 through FY 1991 (the most recent information available), Stanford has never ranked less than third in the National Science Foundation survey of federal obligations to universities for research and development.

Due to disputes with the federal government, reimbursement for indirect costs declined significantly in FY 1991 and remained at virtually the same level in FY 1992. Indirect cost reimbursements increased in FY 1993, principally due to an increase in the indirect cost rate established by the federal government for the University. Stanford also has disputes with the federal government over previous years' reimbursements back to FY 1981. Government auditors have raised questions about reimbursement of indirect costs and staff benefits costs in FY 1981 through 1989 in aggregate amounts which do not exceed $185 million. In addition, a *qui tam* suit has been filed alleging overcharges for FY 1981 through 1990. Stanford has filed claims against the government for FY 1991 and FY 1992 unreimbursed costs of approximately $56 million. These disputes and certain changes in the regulations governing cost recoveries, which changes may affect Stanford, are more fully described in "Litigation—Indirect Cost Recovery Disputes."

The University believes that, based upon results to date, the government's disputes with the University have not reduced the volume of sponsored research at Stanford. In fact, total Grant and Contract Reimbursements have increased in each of FY 1992 and FY 1993 as compared with the preceding fiscal year. No assurance can be given, however, that federal funding of sponsored research will not decrease nor that the federal government will not reduce direct or indirect costs which may be recovered or the proportion of federal government sponsored research allocated to Stanford. Such changes, alone or in the aggregate, could have a material adverse effect upon the operating revenues of the University.

Stanford Linear Accelerator Center (''SLAC'')

SLAC, a national research facility, is owned by the Department of Energy and operated by Stanford University on a cost reimbursement basis so that its revenues approximate its expenses.

Auxiliary Activities

Auxiliary activities include the activities of the Department of Athletics, Physical Education and Recreation, of Housing and Dining Services and of the Faculty Practice Program (''FPP'') and outpatient services of the University Clinic. Auxiliary activity expense includes all expenses related to these operations, including staff compensation, operations and maintenance costs and depreciation. While total auxiliary activities expenses have grown an average of 9.1% per year since 1989, expenses of the FPP have increased an average of 13.8% per year.

Efforts are underway that are expected to conclude in the combining of the FPP and operations of the University Clinic with the Stanford University Hospital to form Stanford Health Services. The FPP had revenues of $105 million in FY 1993. The University believes that the net impact of the combination on its operating income will not be significant.

Other Income

The income shown under Other Income in ''Selected Financial Data'' consolidates Special Program Fees, Other Investment Income, and Other. Special Program Fees include patent royalty receipts and income from continuing professional education programs. Other Investment Income includes dividends, interest, rents and capital gains from University assets, other than those assets included in the endowment. Other Investment Income has fluctuated significantly over the past few years due to a combination of factors, including market volatility, changes in asset allocation and size of portfolio.

Expenses

Compensation and Benefits

Over the past five years, compensation and benefits for all faculty and staff of the University have ranged from 36% of total operating expenditures to 39%. Benefits have grown from 27% of compensation in FY 1989 to 30% in FY 1993.

Student Financial Aid

Financial Aid reflects that portion of student tuition, living and other costs covered by scholarships and fellowship grants. Students also receive financial aid in the form of jobs and student loans. Depending on the nature of the services provided, salaries paid to undergraduate and graduate students appear either in the Compensation and Benefits or Auxiliary Activities categories. Student loans are reflected under Student Loans Receivable on the University Balance Sheet.

Administrative, Professional Services and Other Expenses

Such expenses increased significantly in FY 1991 and FY 1992 due to non-recurring fees paid for professional services in connection with the indirect cost dispute and due to certain settlements. These expenses decreased significantly in FY 1993.

Other Changes in Operating Equity

Other changes in operating equity include gifts for capital projects, net increases in Stanford University Hospital equity, transfers between operating and endowed equity and other changes, such as an extraordinary non-cash loss on defeasance of debt. In FY 1993, the University transferred $61 million from operating to endowed equity, as described in Note 5 of the ''Financial Statements.''

Capital Resources

Investments

Investments at August 31, 1993, are comprised of investments (excluding cash and short-term investments) of the operating accounts of $681 million and of the endowment funds of $2.68 billion. See Note 5 of the "Financial Statements". The endowment funds are invested primarily in three investment pools. Merged Pool A consists primarily of funds whose terms of gift allow only yield to be expended. Merged Pools B and C consist of funds whose terms of gift permit a prudent portion of the realized gain as well as the yield to be expended. The performance of the endowment funds for FY 1993 is depicted in the Statement of Endowment and Changes in Endowed Equity of the "Financial Statements." Over the last decade, Stanford's real return objective has been 6.75%. "Real return" for a period is the sum of (i) the difference between the market value of an investment at the beginning and end of the period plus (ii) interest and dividends, expressed as a percentage of the market value at the beginning of the period, as such percentage is adjusted for inflation by subtracting the Gross Domestic Price Deflator. The real (i.e. after adjusting for inflation) value of the endowment funds will be maintained if, over time, the target real return is achieved and it exceeds the annual payout to support operations. Over the past five fiscal years, Merged Pools A and B never constituted less than 80% of Endowed Equity. During that same period, the annualized real return of Merged Pools A and B was 9.6%. No assurance can be given that Merged Pools A and B will continue to meet the real return objective.

Giving

During the past ten years, Stanford ranked first or second nationally among colleges and universities in total gift receipts. During the last five fiscal years, the University received gifts of approximately $940 million of which 56% were expendable for current operating purposes, 16% for plant and 28% for the endowment and student loan funds.

Endowment Payout Policy

The University has a policy governing the amounts paid annually from the three merged endowment pools to support current operations. This payout policy is designed to protect the value of the three merged endowment pools against the expected impact of inflation and to provide real growth of the endowment funds while also funding a relatively constant portion of the University's current operating expenditures. The payout rate, set annually by the Board, is based upon an estimate of total investment returns and of the expected impact of inflation on the endowment funds. The sources of the payout are earned income on the endowment funds (interest, dividends, rents and royalties), previously reinvested income and a portion of realized capital gains from Merged Pools B and C.

Limitations on Sources of Payments

The principal and income of funds of the University restricted to purposes other than the general purposes of the University may not be available to make payments on liabilities including the Bonds or to meet the claims of general creditors. The University has not attempted to determine the amount of principal and income from the endowment funds and other restricted funds that may be available to make payments to any particular class of creditor including the Bondholders. In addition, the revenues and assets of the Stanford University Hospital are not available to make payments on the Bonds. The University believes that it has sufficient financial resources to meet its obligations generally and on the Bonds.

CAPITALIZATION

The following table sets forth the capitalization of the University at August 31, 1993, and as adjusted to reflect the issuance of the $150,000,000 aggregate principal amount of Bonds offered hereby and the application of the proceeds therefrom to reduce outstanding commercial paper.

	August 31, 1993 (In thousands of dollars)			
	Actual	%	As Adjusted	%
Short-Term Debt				
Commercial Paper(1)	$ 130,658	2.7%	$ 82,158	1.6%
Long-Term Debt (including current portion)				
Unsecured Debt:				
Tax-Exempt Revenue Bonds	361,592	7.3	361,592	7.2
Taxable Debt Securities	30,000	.6	180,000	3.6
Other	24,351	.5	24,351	.5
Total Debt	546,601	11.1	648,101	12.9
Total Equity	4,367,683	88.9	4,367,683	87.1
Total Capitalization	$4,914,284	100.0%	$5,015,784	100.0%

(1) The aggregate principal amount of the University's authorized commercial paper program is $200 million.

STANFORD UNIVERSITY

Academic and Research Programs

The academic program involves the education of undergraduate and graduate students in a broad array of disciplines and includes the collection, preservation and publication of scholarly materials. The University offers undergraduate degrees in a wide range of areas; master's degrees in the fields of arts, teaching, science, business administration, fine arts, legal studies and science of law; doctoral degrees in the fields of education, jurisprudence, science of law, musical arts, philosophy and medicine; and the degrees of educational specialist and engineer. The University, its Schools and academic programs hold all appropriate accreditations.

Schools

The program of instruction and research activities at Stanford is organized around seven Schools: Business, Earth Sciences, Education, Engineering, Humanities and Sciences, Law and Medicine. The faculties of the seven Schools constitute one University faculty, teaching both graduates and undergraduates. Resources of each School may be used by the students of others, which has facilitated the development of inter-School programs and experiments as the boundaries between fields have become less distinct. There are 66 departments within the seven Schools.

Selected Research Facilities

In addition to the Schools, Stanford has a number of institutes, centers, programs and laboratories with distinct identities. Among the better known are SLAC; the Hoover Institution on War, Revolution and Peace; the Program in Molecular and Genetic Medicine; the Institute for International Studies; the Hansen Experimental Physics Laboratories; the Center for Integrated Systems; and the Center for Computer Research in Music and Acoustics. The University research facilities include two main research libraries and twelve specialized branch libraries and contain altogether over 6 million volumes.

Faculty

The Academic Council comprises the main body of the faculty. For the 1993-94 academic year, it has 1,289 members who are full professors, associate professors, assistant professors, non-tenure line professors and associate professors, and certain academic administrators. Of the 1,398 member professoriate (which includes certain medical school professors who are not members of the Academic Council), 64% are tenured professors and associate professors and more than 98% hold doctoral degrees. The total student-Academic Council ratio is approximately 10 to 1.

The Student Body

For the academic year 1993-94, the University enrolled 6,573 undergraduates and 6,601 graduates. During FY 1993, 1,730 bachelors degrees and 2,607 advanced degrees were conferred. Both the undergraduate and graduate student bodies are among the most highly qualified in the country. The following table provides a summary for the last five academic years of undergraduate and graduate applications, admissions and enrollments.

Academic Year	Undergraduate(1)			Graduate		
	Applications	Admissions	Enrollments	Applications	Admissions	Enrollments
1989-90	16,123	2,770	1,680	23,288	4,341	2,168
1990-91	14,133	3,041	1,729	25,020	4,268	2,207
1991-92	14,833	2,866	1,645	27,735	4,626	2,210
1992-93	14,472	3,102	1,769	26,841	4,964	2,419
1993-94(2)	14,948	3,081	1,736	25,874	4,564	2,223

(1) Includes both freshman and transfer students. The University admits between 100 and 200 transfer students, entering either the sophomore or junior class each year.

(2) Fall 1993 only.

CAMPUS FACILITIES AND OTHER REAL PROPERTY

Stanford's exceptionally attractive main campus, dominated by unusual sandstone architecture, occupies part of the approximately 8,200 acres of University-owned land in the heart of the San Francisco peninsula near Palo Alto, California. At the present time, a significant portion of the University's lands remain undeveloped, used primarily for agricultural purposes. A substantial part of the University's land cannot be sold as a result of restrictions in the Founding Grant.

Approximately 800 acres of Stanford's real estate holdings have been commercially developed to produce lease income for the University. These income-generating properties include the Stanford Research Park, the Stanford Shopping Center, a professional/ administrative area and buildings occupied by service-oriented entities, offices and retailers.

Seismic Repairs and Improvements

As a result of damage caused by a major earthquake in October 1989 and the threat of future earthquakes, the University estimates that it needs to make approximately $160 million of seismic repairs, code upgrades and improvements to campus facilities. The University has identified $45 million which could be applied to these projects over the next five years and has received approximately $12 million from the Federal Emergency Management Agency ("FEMA"). The University is seeking further amounts from FEMA and the State of California. The University currently anticipates obtaining the remaining funding from a combination of University fund-raising and long-term debt.

Stanford University has determined that the best protection against earthquakes is to seismically retrofit and strengthen its facilities. Due to coverage limitations and its prohibitive cost, the University does not have earthquake insurance.

MANAGEMENT

Board of Trustees

The Board of Trustees currently consists of 34 members. Eight Trustees, who are elected pursuant to procedures for the election of alumni trustees, serve staggered, five-year non-renewable terms. Other Trustees serve five-year terms and are eligible for reelection to one additional five-year term. At the conclusion of that second term, such a Trustee would not be eligible for reelection until a lapse of one year has taken place.

The following table lists the current members of the Board of Trustees:

Officers

The Founding Grant provides that the Board shall appoint the President of the University. The President prescribes the duties of professors and teachers, sets the course of study and the mode and manner of teaching, and exercises all other necessary powers relating to the educational, financial and business affairs of the University. The President appoints, subject to confirmation by the Board, the senior officers of the University, except that the president of Stanford Management Company is appointed by its Board of Directors with concurrence of the President.

The following table provides a summary of Stanford's principal financial and business officers and the University Cabinet.

University Officers

Gerhard Casper
President

Condoleezza Rice
Provost

University Cabinet

A. Michael Spence
Dean, Graduate School of Business

W. Gary Ernst
Dean, School of Earth Sciences

Nel Noddings
Acting Dean, School of Education

James F. Gibbons
Dean, School of Engineering

John Raisian
Director, Hoover Institution

John B. Shoven
Dean, School of Humanities and Sciences

Paul A. Brest
Dean, School of Law

David Korn
Vice President and Dean, School of Medicine

Charles H. Kruger
Vice Provost and Dean of Research and Graduate Policy

Burton Richter
Director, Stanford Linear Accelerator Center

Vice Provosts

Geoffrey M. Cox
Vice Provost, Institutional Planning

Robert L. Street
Vice Provost and Dean, Libraries and Information Resources

Charles H. Kruger
Vice Provost and Dean of Research and Graduate Policy

Mary M. Edmonds
Vice Provost and Dean, Student Affairs

Vice Presidents

John B. Ford
Vice President, Development

Barbara Butterfield
Vice President, Faculty and Staff Services

David Korn
Vice President and Dean, School of Medicine

Financial Officers

Peter W. Van Etten
Chief Financial Officer

Joanne M. Coville
Controller

Laurance R. Hoagland, Jr.
CEO, Stanford Management Company

Chief Legal Officer

Michael Roster
General Counsel

Stanford Management Company

The Stanford Management Company ("SMC") was established in 1991 to manage all financial and real estate investment assets of the University. In addition to providing investment management services, SMC is responsible for special investment-related activities such as securities lending, and selection, liaison and oversight of custodians. SMC manages the University's debt portfolio and oversees several trusts and investment entities established by the Board.

SMC is a division of the University but separately governed by a Board of Directors (the "SMC Board") appointed by the Board of Trustees. The SMC Board consists of at least three University Trustees and up to eight investment professionals. SMC manages, directly and through external managers, approximately $3.8 billion of endowment trust assets, working capital and temporarily unexpended expendable funds and employs approximately 50 professional and support employees.

The following table lists the current members of the SMC Board:

Robert M. Bass	William C. Landreth
T. Robert Burke	John B. McCoy (Chairman)
Tully M. Friedman	Gregor G. Peterson
James C. Gaither	William F. Sharpe
Beverly Hamilton	Peter Van Etten
Laurance R. Hoagland	

EMPLOYEES

As of January 1, 1994, the University employed 6,805 non-academic staff members. Of these employees, over 785 were represented by the United Stanford Workers (U.S.W.) Local 680, S.E.I.U., AFL-CIO with a contract that expires August 31, 1994. In addition, Stanford's 34 police officers are represented by the Stanford Police Officer's Association.

The University has retirement and benefit plans covering substantially all of its regular employees. The University estimates its current unfunded medical benefits to current and future retirees at $105 million. See Notes 1 and 14 of the "Financial Statements" for additional information about accounting matters with respect both to accrued pension plan liabilities and accrued post-retirement medical liabilities.

LITIGATION

Indirect Cost Recovery Disputes

Background

Sponsored research includes revenues derived from sponsored research and from the management of SLAC. These revenues are reflected in "Selected Financial Data" under the headings Grant and Contract Reimbursement and Stanford Linear Accelerator Center. For FY 1981 through 1993 reimbursement for government-sponsored direct and indirect expenditures totaled $4.43 billion, almost all relating to federal government-sponsored research. Reimbursement for direct expenditures for this period was $3.57 billion and for indirect expenditures was $0.86 billion.

Sponsored research programs involve both those costs which are directly charged and those costs which cannot be directly charged but rather are indirectly accumulated and applied to such programs and projects by allocation and estimation. Direct costs are specifically related to the research work involved. Examples include wages, material, equipment and contracted support. Indirect costs are also incurred in the accomplishment of sponsored research but lack direct specificity due to practical limits encountered in allocating them among sponsored research and other uses. Examples include utilities, maintenance services and general management and administrative services such as accounting, purchasing, personnel and library. Reimbursable indirect costs for research contracts are charged at a rate (the "indirect cost rate") applied to certain direct costs.

The Office of Naval Research ("ONR") is the government's designated representative, or "cognizant agency," for establishing indirect cost rates that apply to all federal agencies which sponsor research at Stanford. Within ONR, the authority to establish indirect cost rates is delegated to an Administrative Contracting Officer ("ACO"). The Defense Contract Audit Agency ("DCAA") is responsible for audit activities at educational institutions for which ONR is the cognizant agency. DCAA serves in an advisory role to ONR, and the results of DCAA's audits are not binding on ONR.

Disputes Related to FY 1981 through 1990

DCAA's revised audits of the University's indirect costs and staff benefits for FY 1981 through 1989 question reimbursement of costs in aggregate amounts which do not exceed $185 million. The University believes that these costs were appropriately reimbursed by the government. The University has not received DCAA's final audit for any subsequent period.

The principal disagreements between the University and DCAA's positions on reimbursable costs for this period relate to the validity of written agreements between Stanford and the government, called Memoranda of Understanding ("MOUs"), a number of which prescribed the methods for calculating Stanford's reimbursement for indirect and staff benefit costs. Although a former ACO and certain government officials have suggested that the MOUs for fiscal 1981 through 1990 are not valid and binding on the government, ONR has not yet cancelled the MOUs for any period prior to September 1, 1990. ONR has not yet made any claims against Stanford for reimbursement of indirect costs with respect to FY 1981 through 1990, or any subsequent period.

It is possible that the federal government will assert a large claim against Stanford for excess indirect cost and staff benefit recoveries related to FY 1981 through 1990. The University believes that it has meritorious defenses to any such claim, including validity of the MOUs as binding agreements for the calculation of certain of Stanford's indirect and staff benefits costs. Stanford has received from Arnold & Porter, the University's special counsel for federal government contract matters, legal opinions that the MOUs were valid and binding agreements between Stanford and ONR, which, if cancelled retroactively by ONR, should subject the government to liability for damages that may be incurred by Stanford as a result of such cancellation. The University will vigorously contest any claim by the government. No assurance can be given that the University will not be held liable for a significant amount or that the University would prevail in a claim for damages based on retroactive cancellation of the MOUs.

Qui Tam Suit

On September 9, 1991, a former ACO filed a suit against Stanford in the United States District Court for the Northern District of California under the *qui tam* provisions of the False Claims Act. Under the *qui tam* provisions of this legislation, a private party (the "relator") may sue a government contractor on behalf of the United States and if successful, personally recover a portion of the proceeds of the litigation. *Qui tam* suits are filed under seal, on a confidential basis, until such time as the Department of Justice reviews the suit and decides whether to intervene in and take control of the suit. On December 21, 1993, the Department of Justice filed a notice with the court indicating it did not then intend to intervene in that suit.

The *qui tam* suit may now be pursued by the private party who initiated it. The relator's complaint on file with the court alleges overcharges for FY 1981-90 in "an amount unknown but believed to exceed $200 million." The overcharges alleged in that complaint are primarily related to the MOU issues. Media reports indicate that the relator intends to pursue this suit against Stanford, and to file an amended complaint in the suit.

Under the False Claims Act, violations, if proven, result in treble damages and substantial penalties. The relator may personally recover a portion of any such damages and attorneys' fees. The University is not able to predict the outcome of this litigation; however, the University believes that it has meritorious defenses to, and it will vigorously contest, the suit.

Claims Related to FY 1991 and 1992

In April 1991, ONR unilaterally cancelled all of the active MOUs retroactive to September 1, 1990 (except one cancelled effective September 1, 1991). At the same time it cancelled the MOUs, ONR unilaterally imposed on Stanford an indirect cost recovery rate of 55.5%. ONR also imposed a 55.5% rate for FY 1992.

Stanford filed claims against the government seeking approximately $56 million, plus statutory interest, to recover indirect costs foregone during FY 1991 and FY 1992. Stanford believes that most of this amount is attributable to ONR's April 1991 cancellation of the MOUs. ONR denied these claims, and Stanford appealed ONR's denials to the Armed Services Board of Contract Appeals. The outcome of this and any other litigation related to Stanford's disputes with the federal government regarding indirect cost recoveries will depend upon the resolution of numerous complicated legal and factual issues, and all such litigation may take considerable time to finally conclude. At this time, Stanford is not able to predict the outcome of this litigation.

Additional Information

The indirect costs which educational institutions may recover in connection with federally sponsored research are governed by Office of Management and Budget Circular A-21. In October, 1991, the government revised Circular A-21 to impose new limitations on cost recovery by educational institutions. The most significant of these changes was the imposition of a cap on the recovery of certain administrative costs beginning in Stanford's FY 1993. Stanford's reimbursement for indirect costs for FY 1993 reflects this cap.

Further revisions to Circular A-21 were made in July, 1993 imposing additional limitations on cost recovery, including changes in the reimbursement for certain indirect and direct administrative expenses and changes in definitions used to calculate indirect cost reimbursement. The changes are generally effective beginning in Stanford's FY 1995. While the University cannot presently determine the impact of the 1993 modifications to Circular A-21, it believes that the changes made will not significantly affect its operating revenues. The University cannot predict whether the government will make additional changes in cost recovery rules and, if so, their impact on the University.

For additional information concerning indirect cost matters, see Note 15 of the "Financial Statements" and the discussion in "Management's Discussion and Analysis–Revenues–Grant and Contract Reimbursement."

Antitrust Actions

In September 1989, the University was served with a civil investigative demand by the Justice Department as part of its investigation of the setting of fees, salaries and financial aid at 50 or more of the nation's top private universities and colleges. In addition, the University, along with 12 other colleges and universities, has been named in a private civil action alleging certain violations of the Sherman Act in connection with the setting of fees and financial aid. University management believes that both the Justice Department investigation and the civil action as they relate to the University are without merit and that neither the civil action nor the Justice Department investigation will result in material financial liability to the University.

Stanford Research Park Industrial Contamination

The University has been advised of certain instances of soil and/or groundwater contamination in the Stanford Research Park. State agencies have issued 18 different remedial orders covering various sites within the Stanford Research Park, which name as respondents former and/or current tenants and also, in most cases, the University as landowner. The University believes that, in most of these cases, the tenants or former tenants are primarily responsible for the costs incurred in connection with the contamination and complying with applicable orders. The tenants are proceeding to carry out the evaluation and/or clean-up activities prescribed by such orders. In one case, the University is voluntarily participating with certain of the other respondents in undertaking investigative and remedial actions. None of the orders is currently in default. The University does not believe that it will have liability associated with any of the orders which would materially adversely affect its financial condition.

UNDERWRITING

The University has entered into a purchase contract with Goldman, Sachs & Co. and BT Securities Corporation (the "Underwriters"), pursuant to which the Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the University at a price of 98.365% of the principal amount thereof plus accrued interest from February 1, 1994, to the date of delivery less an Underwriter's discount of $1,312,500. The Underwriters propose initially to offer the Bonds to the public at the public offering price set forth on the cover page of this Offering Circular. The Bonds may be offered and sold by the Underwriters to certain dealers and others at prices lower than such public offering price, and such public offering price may be changed from time to time by the Underwriters.

The University has agreed to indemnify the Underwriters against certain liabilities that may be incurred in connection with this offering.

J. Fred Weintz, Jr., a limited partner of the Goldman Sachs Group, L.P., is a member of the Board of Trustees of the University. William C. Landreth, a general partner of the Goldman Sachs Group, L.P., is a member of the Board of Directors of SMC.

FINANCIAL ADVISOR

Prager, McCarthy & Sealy has served as financial advisor to the University in connection with the offering of the Bonds.

LEGAL MATTERS

The validity of the Bonds offered hereby will be passed upon for the University by Michael Roster, General Counsel of the University. O'Melveny & Myers, San Francisco, California, is acting as counsel for the Underwriters in connection with certain legal matters relating to the Bonds.

INDEPENDENT ACCOUNTANTS

The financial statements of the University for the fiscal years ended August 31, 1993 and 1992 have been audited by Coopers & Lybrand, independent public accountants, as set forth in their report in Appendix A hereto.

MISCELLANEOUS

All quotations from and summaries and explanations of the Indenture and of other documents contained herein do not purport to be complete, and reference is made to said documents for full complete statements of their provisions. Copies in reasonable quantity of the Indenture may be obtained upon request directed to Goldman, Sachs & Co., or the Controller's Office of the University.

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APPENDIX A

FINANCIAL STATEMENTS
OF
STANFORD UNIVERSITY
FISCAL YEARS 1993 AND 1992

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Statement of Operations and Changes in Operating Equity A-2

Statement of Endowment and Changes in Endowed Equity A-3

Balance Sheet A-4

Statement of Cash Flows A-5

Notes to the Financial Statements A-6

Coopers
&Lybrand

certified public accountants

Report of Independent Accountants

To The Board of Trustees
Stanford University
Stanford, California

We have audited the accompanying balance sheets of Stanford University as of August 31, 1993 and 1992, and the related statements of operations and changes in operating equity, endowment and changes in endowed equity, and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stanford University as of August 31, 1993 and 1992, and the changes in operating equity and in endowed equity and cash flows for the years then ended in conformity with generally accepted accounting principles.

Note 15 discusses disputes between the University and the federal government, the outcome of which is uncertain. Accordingly, no provision for any potential liability has been made in these financial statements.

Coopers & Lybrand

San Francisco, California
December 6, 1993

Statement of Operations and Changes in Operating Equity

Years ended August 31, 1993 and 1992

(in thousands of dollars)	1993	1992
Revenues and other additions:		
Tuition and fees	$ 216,573	$ 193,464
Special program fees	55,284	50,075
Endowment income distributed for operations (includes the use of $60,391 and $20,000 available through the University's payout formula from endowed equity in 1993 and 1992, respectively)	141,383	99,708
Other investment income	57,387	64,887
Gifts	85,227	76,723
Grant and contract reimbursement:		
Direct costs	254,179	252,742
Indirect costs	81,543	74,991
Stanford Linear Accelerator Center (including SSRL)	169,001	156,571
Auxiliary activities	181,289	180,722
Other	26,312	21,514
Total revenues	1,268,178	1,171,397
Expenses:		
Faculty compensation and benefits	147,666	140,183
Staff compensation and benefits	305,452	285,408
Total compensation and benefits	453,118	425,591
Student financial aid	67,763	62,778
Student training stipends	29,565	25,251
Administrative and professional services	80,659	90,341
Depreciation	71,454	71,760
Materials and supplies	65,247	60,941
Utilities	31,036	25,565
Repairs and maintenance	21,999	21,318
Stanford Linear Accelerator Center (including SSRL)	169,001	156,571
Auxiliary activities	170,688	173,976
Other	37,470	67,500
Total expenses	1,198,000	1,181,592
Excess (deficit) of revenues and other additions over expenses	70,178	(10,195)
Other changes in operating equity:		
Capital gifts for loans and facilities	17,350	45,590
Loss on defeasance of debt	(204)	(14,632)
Net increase in Stanford University Hospital equity	15,404	27,800
Liquidation of (additions to) endowed equity	(61,300)	4,832
Net change in operating equity	41,428	53,395
Operating equity, beginning of year	1,472,889	1,419,494
Operating equity, end of year	$ 1,514,317	$ 1,472,889

The accompanying notes are an integral part of these financial statements.

Statement of Endowment and Changes in Endowed Equity

Years ended August 31, 1993 and 1992

(in thousands of dollars)	1993	1992
Investment returns:		
Earned endowment income (including $3,814 and $2,109 reinvested in endowment, as required by donor, in 1993 and 1992, respectively)	$ 83,600	$ 81,817
Change in net realized and unrealized appreciation of investments during the year	366,189	102,330
Total investment returns	449,789	184,147
Endowment income distributed for operations	(141,383)	(99,708)
Net investment returns reinvested	308,406	84,439
Other changes in endowed equity:		
Gifts	53,578	48,914
Additions to (liquidation of) endowed equity	61,300	(4,832)
Other deductions	(4,502)	(969)
Total other changes in endowed equity	110,376	43,113
Net change in endowed equity	418,782	127,552
Endowed equity, beginning of year	2,434,584	2,307,032
Endowed equity, end of year	$ 2,853,366	$ 2,434,584

The accompanying notes are an integral part of these financial statements.

Balance Sheet

at August 31, 1993 and 1992

(in thousands of dollars)	1993	1992
Assets:		
Cash and short-term investments (including $263,035 and $290,532 of endowment cash at August 31, 1993 and 1992, respectively)	$ 478,601	$ 638,798
Accounts receivable	93,376	86,318
Inventories and prepaid expenses	49,507	43,526
Investments of the operating accounts, at market	680,829	683,602
Investments of the endowment, at market	2,675,657	2,156,205
Student loans receivable	57,209	54,102
Other loans receivable (principally faculty mortgages)	71,004	86,061
Deposits with bond trustee	8,228	9,279
Plant facilities, net of accumulated depreciation	952,314	884,189
Net assets of Stanford University Hospital	283,557	268,153
Total assets	$ 5,350,282	$ 4,910,233
Liabilities and equity:		
Liabilities:		
Accounts payable and accrued expenses	$ 205,036	$ 195,234
Collateral for security lending agreements	194,096	248,800
US Government refundable loan funds	36,866	34,384
Notes and bonds payable	546,601	524,342
Total liabilities	982,599	1,002,760
Equity:		
Operating equity:		
Stanford University	1,230,760	1,204,736
Stanford University Hospital	283,557	268,153
Total operating equity	1,514,317	1,472,889
Endowed equity:		
Expendable	931,974	772,707
Nonexpendable	1,921,392	1,661,877
Total endowed equity	2,853,366	2,434,584
Total equity	4,367,683	3,907,473
Total liabilities and equity	$ 5,350,282	$ 4,910,233

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

Years ended August 31, 1993 and 1992

(in thousands of dollars)	1993	1992
Cash flow from operating activities:		
Tuition, fees, sales and services of auxiliary enterprises	$ 475,534	$ 450,262
Investment income	122,613	121,767
Gifts, grants and contracts	587,160	562,405
Cash paid to suppliers and employees	(1,086,471)	(1,057,640)
Interest paid	(26,026)	(24,428)
Net cash provided by operating activities	72,810	52,366
Cash flow from capital activities:		
Endowment gifts	53,578	48,914
Gifts, contracts and grants to student loan and plant funds	19,156	47,305
Investment income on unexpended plant gift funds	3,182	7,108
Interest on student loans	2,237	2,695
Endowment income reinvested per donor instructions	3,814	2,109
Payment to Lucile Salter Packard Children's Hospital at Stanford and HMP	(404)	(10,438)
Other	(4,437)	(1,210)
Net cash provided by capital activities	77,126	96,483
Cash flow from financing activities:		
Proceeds from borrowing	55,426	248,586
Repayment of debt	(33,371)	(197,051)
Net cash provided by financing activities	22,055	51,535
Cash flow from investing activities:		
Land, building and equipment purchases	(149,646)	(116,193)
Student, faculty and other loans:		
New loans made	(41,066)	(19,022)
Principal collected	52,375	29,575
Investment purchases, net	(131,947)	(191,044)
Security lending collateral received (returned)	(61,904)	27,868
Net cash used for investing activities	(332,188)	(268,816)
Decrease in cash and short-term investments	$ (160,197)	$ (68,432)
Cash and short-term investments:		
Balance at beginning of year	$ 638,798	$ 707,230
Decrease in cash and short-term investments	(160,197)	(68,432)
Balance at end of year	$ 478,601	$ 638,798

The accompanying notes are an integral part of these financial statements.

1. Significant Accounting Policies

Basis of Presentation: The financial statements include the accounts of Stanford University, all auxiliary activities and Stanford University Hospital (Note 2). Auxiliary activities include the Faculty Practice Program, Housing and Dining Services and Intercollegiate Athletics. In addition, the revenue and expenditures of Stanford Linear Accelerator Center (SLAC) (including Stanford Synchrotron Radiation Laboratory (SSRL)) are included in the statement of operations and changes in operating equity. The assets and liabilities of SLAC are owned by the Department of Energy and accordingly are not included in the balance sheet.

Basis of Accounting: The financial statements are prepared on the accrual basis of accounting. In order to comply with the internal and external restrictions placed on the use of the University's resources, the accounts are maintained in accordance with the principles of fund accounting. Under these principles, resources are classified into various funds in accordance with their specified activities or objectives. For example, externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds. In contrast, the governing board retains full control over other funds and may use them in achieving any of its institutional purposes. All of these funds have been summarized into two reporting categories, operations and endowment, which are explained below.

The operations category includes current, plant and loan funds. All of these funds are either available for the operation of the University or have been invested in plant. The student loan funds are not expensed, but rather are loaned to students as a portion of the financial aid package. As these loans are repaid, the principal and accumulated interest are loaned again. The Stanford University Hospital fund balances are separately reported in operations (Note 2).

The endowment category includes both expendable and nonexpendable endowment funds. Nonexpendable endowment funds are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and the income only be utilized in accordance with the terms of the gift. Term endowments are similar to endowment funds except that upon the passage of a stated period of time or the occurrence of a particular event, all or part of the principal may be expended. These funds are categorized as expendable. Funds subject to living trust agreements, included in term endowments, are trusts with living income beneficiaries and Stanford is the sole remainderman. These funds are recorded at fair market value at the date of gift, exclusive of any discount for the value of any income beneficiary interest. Expendable funds include funds functioning as endowment that have been established by the governing board for the same purposes as endowment funds. However, any portion of these funds may be expended and have therefore been categorized as expendable.

In June 1993, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 116 "Accounting for Contributions Received and Contributions Made" and No. 117 "Financial Statements of Non Profit Organizations". These pronouncements are effective for the University's 1996 fiscal year and will change significantly the format of the University's financial reporting and provide for the recording of pledges in the financial statements.

Cash and Short-Term Investments: Cash and short-term investments include U.S. Treasury bills, bankers' acceptances, commercial paper, certificates of deposit, money market funds, security transactions pending settlement and other short-term investments, carried at cost, which approximates market.

Investments: Investments are generally recorded at market value. Those investments that are not readily marketable are carried at cost, fair value at date of donation or at a nominal value. Developed real estate is valued based on cash flows of existing leases. Non-developed land is reported at cost or fair value at date of donation.

Plant Facilities: Plant facilities (including land), dedicated to educational purposes, are stated at cost or fair value at date of donation. Interest for construction financing is capitalized as a cost of construction. Art objects and collections are not capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the plant assets. The estimated useful lives are:

Buildings	40 years
Building improvements	15 years
Equipment	6 years

Depreciation related to auxiliary activities is recorded as an auxiliary expense.

Provision for Employee Benefits and Compensated Absences: The University self-insures unemployment and disability benefits. Annual provisions for estimated claims are charged to operating expenses. The provision includes an accrual for compensated absences.

In December 1990, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS No. 106). The standard is effective for the University's 1994 fiscal year. SFAS No. 106 requires the accrual basis of accounting for recognizing the cost of postretirement benefits other than pensions during the periods that employees render service to earn the benefits. SFAS No. 106 further provides that the accumulated obligation at the implementation date be recognized as a liability and may either be expensed immediately or amortized to expense over a period of 20 years. The University estimates its current unfunded obligation at $105,000,000. Further, the cost of retiree benefits for the year ended August 31, 1993 computed in accordance with SFAS No. 106, exceeds the cost as currently computed on a cash basis by $12,000,000.

Pledges: Gift and non-government grant pledges of approximately $158,000,000 and $154,000,000 as of August 31, 1993 and 1992, respectively, are not reported in the financial statements because it is impracticable to estimate the net realizable value of such pledges or the years in which payments will be received. Substantially all pledges are restricted as to use.

Indirect Cost Recovery: The University records reimbursements of indirect costs from grants, contracts, auxiliary activities and SLAC as operating revenues.

Reclassification: Certain amounts recorded in the 1992 financial statements have been reclassified to conform to the 1993 presentation. These amounts consist primarily of appreciation on investments ($9,651,000 in 1993 and $13,039,000 in 1992) and restricted gifts for operations ($14,841,000 in 1993 and $9,363,000 in 1992) which have been reclassified to revenues and other additions. Such reclassifications have no effect on net operating equity or net change in operating equity.

2. Stanford University Hospital

Stanford University Hospital (the "Hospital") is a separate and distinct California nonprofit corporation whose General Members are the members of the Board of Trustees of the University. The Hospital's net assets and equity are included in the University's financial statements. The University is not responsible for obligations and liabilities incurred by the Hospital.

Summarized financial information for Stanford University Hospital at August 31, 1993 and 1992 and for the years then ended, in thousands of dollars, is as follows:

	1993	1992
Total operating revenues	$387,355	$373,223
Excess of revenue over expenses	$ 13,702	$ 26,603
Increase in Stanford University Hospital plant funds	1,702	1,197
Net increase in Stanford University Hospital equity	$ 15,404	$ 27,800
Cash and short-term investments	$223,745	$213,968
Other assets (including $15,362 and $19,143 receivable from Stanford University at August 31, 1993 and 1992, respectively)	99,784	99,772
Property, plant and equipment, net of accumulated depreciation	222,212	217,659
Total assets	$545,741	$531,399
Long-term debt	$110,247	$104,151
Other liabilities (including $10,400 and $9,300 payable to Stanford University at August 31, 1993 and 1992, respectively)	151,937	159,095
Total liabilities	262,184	263,246
Net assets of Stanford University Hospital	$283,557	$268,153

Hospital long-term debt, in thousands of dollars, consists of the following:

	1993	1992
California Health Facilities Financing Authority issued tax-exempt revenue bonds:		
1984 Series due serially from 1991 to 2017; interest payable semi-annually, at rates from 4.25% to 7.2%; refinanced in 1993	$ —	$58,560
1990 Series due serially from 1991 to 2020; interest payable semi-annually, at rates from 5.25% to 6.75%; partially refinanced in 1993	9,170	41,065
1993 Series due serially from 1993 to 2002; interest payable semi-annually, at rates from 2.10% to 5.50%	99,605	—
Other, at rates from 4.9% to 7.2%	5,377	6,558
	114,152	106,183
Less current portion	3,905	2,032
Long-term debt	$110,247	$104,151

The tax-exempt Hospital revenue bonds were issued through the California Health Facilities Financing Authority. These bonds are collateralized by a security interest in the Hospital's gross revenues. Additionally, the loan agreements require the maintenance of certain debt coverage ratios and require that the Hospital set aside certain funds, as defined, as a debt service reserve account.

In February 1993, the Hospital defeased the 1984 revenue bonds and a portion of the 1990 revenue bonds by placing into escrow sufficient funds to service the bond principal and interest payments. The defeasance resulted in an extraordinary loss of $10,345,000.

At August 31, 1993, the fair value of the Hospital's debt instruments approximates the recorded value of the related debt obligations.

During the fiscal year ended August 31, 1993, the Hospital sold its Pediatric and Neonatal services unit to the Lucille Salter Packard Children's Hospital at Stanford, a separate corporation. The resulting $19,700,000 gain is included in Excess of revenue over expenses for the year then ended.

3. Accounts Receivable

Accounts receivable at August 31, 1993 and 1992, in thousands of dollars, are as follows:

	1993	1992
Faculty Practice Program — patient care	$ 56,935	$ 59,355
U.S. Government	26,200	27,103
Accrued interest on investments	14,838	14,478
Student and other	23,971	20,708
	121,944	121,644
Less allowances for losses, primarily related to Faculty Practice Program	28,568	35,326
	$ 93,376	$ 86,318

Determination of the fair value of student loan receivables, which include donor restricted and federally sponsored student loans with mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition, could not be made without incurring excessive costs.

4. Loans Receivable

In a program to attract and keep outstanding faculty and senior staff, the University provides home mortgage financing assistance. Notes amounting to $61,997,000 and $78,279,000 at August 31, 1993 and 1992, respectively, from University faculty and staff are collateralized by first and second deeds of trust on properties concentrated in the region surrounding Stanford University.

5. Investments

Investments at August 31, 1993 and 1992, in thousands of dollars, are reported at market as follows:

	1993	1992
Bonds	$ 869,652	$ 830,782
Corporate stocks	1,859,520	1,475,068
Assets held by other trustees*	65,456	74,221
Real estate and improvements:		
Stanford Shopping Center	124,377	114,731
Other*	66,967	63,085
Limited partnership investments	310,331	224,226
Participatory mortgage loans	31,337	31,659
Other loans receivable of the endowment*	7,830	7,189
Other*	21,016	18,846
	$3,356,486	$2,839,807

* *Stated at cost, or fair value at date of donation.*

Operating equity of $199,670,000 and $116,571,000 are invested with the endowment funds group at August 31, 1993 and 1992, respectively. Endowment investment income is linked principally to the performance of three major investment pools under which the endowment is administered. The Merged Pool A primarily serves those funds whose terms of gift allow only yield to be expended; Merged Pool B holdings may be invested for total return and a prudent portion of the realized gain may be expended. Merged Pool C primarily serves funds functioning as endowment for which the major objective is capital appreciation rather than current yield.

During 1993, the University transferred $61,300,000 from operating funds to funds functioning as endowment. This amount consisted principally of transfers of a portion of the earnings of the University's Expendable Funds Pool of the Operating Equity to the unrestricted President's Program Fund. The balance relates primarily to the investment of certain gifts and fees in Funds Functioning as Endowment.

The University's endowment payout discipline determines a payout rate that is based on total investment returns and on the expected impact of inflation on University expenses. The sources of the payout are endowment earned income (interest, dividends and rents), both current and previously reinvested income, and a portion of realized capital gains from Pools B and C.

The Board has approved an increased targeted payout rate of 6.75% for fiscal years 1993 and 1994 as a means of funding operating deficits resulting from reductions in the allowed rate for indirect cost recovery and costs that the University has incurred in responding to federal government audits of indirect cost recovery. In recent years, the rate had been set at 4.75%.

To meet the trustee-authorized expenditure rate, previously reinvested income and realized gains were withdrawn, net of reinvestment, (in thousands of dollars) as follows:

	1993	1992
Merged Pool A	$11,377	$ 3,300
Merged Pool B	45,819	15,200
Merged Pool C	3,195	1,500
Total Income Withdrawn	$60,391	$20,000

Individual funds subscribe to or dispose of shares of the endowment pools on the basis of market value per share as of the most recent valuation date. Information on shares and data per share for the merged pools are as follows:

	August 31, 1993	August 31, 1992
Merged Pool A shares:		
Total market value (in $000's)	$ 553,549	$ 461,672
Number of shares outstanding	11,790,000	11,313,000
Per share amounts:		
Market value	$ 46.952	$ 40.809
Current earned income	$ 1.374	$ 1.418
Previously invested income withdrawn	1.346	.362
Payout amount	$ 2.720	$ 1.780
Merged Pool B shares:		
Total market value (in $000's)	$ 1,955,586	$ 1,592,415
Number of shares outstanding	40,022,000	37,219,000
Per share amounts:		
Market value	$ 48.862	$ 42.785
Current earned income	1.409	1.425
Previously invested income withdrawn	1.481	.445
Payout amount	$ 2.890	$ 1.870
Merged Pool C shares:		
Total market value (in $000's)	$ 67,010	$ 61,004
Number of shares outstanding	4,639,000	4,819,000
Per share amounts:		
Market value	$ 14.445	$ 12.659
Current earned income	.165	.220
Previously invested income withdrawn	.675	.280
Payout amount	$ .840	$ .500

6. Plant Facilities

Plant facilities, at August 31, 1993 and 1992, in thousands of dollars, are as follows:

	1993	1992
Land and improvements	$ 70,035	$ 58,044
Buildings	870,893	787,539
Equipment and books	686,045	624,497
Construction in progress	69,930	71,333
	1,696,903	1,541,413
Less accumulated depreciation	744,589	657,224
Plant facilities	$ 952,314	$ 884,189

Fully depreciated assets, mainly equipment, that are still in use by the University amounted to $285,000,000 and $299,000,000 at August 31, 1993 and 1992, respectively.

7. Notes and Bonds Payable

Notes and bonds payable, at August 31, 1993 and 1992, in thousands of dollars, are as follows:

	1993	1992
California Educational Facilities Authority (CEFA) Revenue Bonds, Series B,C,F,G,H,I,J,K and Pooled Facilities due serially to 2019, with interest from 4 % to 8.0%	$352,786	$361,401
Stanford University Notes due 1998, with interest of 8%	30,000	30,000
Department of Education Bonds of 1959 to 1984 due serially to 2024 with interest from 3% to 3.5%	8,806	9,440
Clinic Loan due 1994, with interest of 8.95%	7,500	8,500
Note Payable to Stanford University Hospital, with interest of 7.2%	9,866	10,000
Commercial Paper with variable interest rates	130,658	98,470
Other, with variable interest rates	6,985	6,531
	$546,601	$524,342

At August 31, 1993, the fair value of these debt instruments approximates the recorded value of the related debt obligations.

The University incurred interest expense of $26,979,000 and $24,533,000 for fiscal years 1993 and 1992, respectively, of which $1,432,000 and $1,677,000, respectively, has been capitalized as a cost of construction. Scheduled principal and interest payments on notes and bonds for the fiscal years 1993 through 1997 are approximately:

Year	Principal	Interest	Total
1994	$17,888,000	$23,171,000	$41,059,000
1995	10,364,000	22,438,000	32,802,000
1996	10,751,000	21,795,000	32,546,000
1997	10,456,000	21,207,000	31,663,000
1998	42,384,000	20,586,000	62,970,000

The $9,866,000 Hospital note, which is callable under certain circumstances, is amortized in the above table over the full term of the note to fiscal year 2018.

The collateral for the annual debt service on certain CEFA Revenue Bonds consists of a pledge of annual tuition revenue of approximately $1,900,000, and investments of approximately $6,742,000 (at market) which were on deposit with a trustee at August 31, 1993. The CEFA bond agreements include covenants relating to the ratio of available assets to general liabilities (as defined in the agreements) and certain other specified conditions.

On March 1, 1993, the University issued $3,941,000 in CEFA Revenue bonds with an average interest rate of 5.1% to advance refund $3,737,000 of outstanding debt with an average interest rate of 7.2%. The net proceeds of $3,737,000 (after payment of $204,000 in underwriting fees, accrued interest and other issuance costs) were used to recall the bonds and extinguish the outstanding debt. Unamortized bond issue costs of $204,000 have been recognized in the financial statements for 1993. The University's advance refunding of the debt will reduce its total debt service payments over the next 7 years by slightly more than $270,000 and will result in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $205,000.

At August 31, 1993, the University had advance refunded and defeased a total of $203,590,000 in CEFA bond debt over a period of several years. At August 31, 1993, $194,485,000 of this debt remained outstanding. An escrow agent holds sufficient U.S. Government securities to meet all required debt service payments on these bonds. As a result, the liability for these bonds has been removed from the balance sheet.

The University has a commercial paper credit facility which provides for borrowings up to $200,000,000. Since April 1992, the University has issued commercial paper at various rates to refinance certain internal and external borrowings. The outstanding balance at August 31, 1993 was $130,658,000. The weighted average days to maturity is 63 and the weighted average effective interest rate is 3.19%.

8. Collateral for Security Lending Agreements

At August 31, 1993 and 1992, the University held $49,964,000 and $97,997,000, respectively, of collateral deposits consisting of short-term U.S. Government obligations and cash for certain securities loaned temporarily to brokers. Also, at August 31, 1993 certain security loans were collateralized by a line of credit of $58,872,000. Securities on loan at August 31, 1993 and 1992 had an estimated market value of $106,737,000 and $95,995,000, respectively.

The University lends securities under security repurchase agreements. As of August 31, 1993 and 1992, the University had received $58,559,000 and $137,123,000, respectively, of cash collateral deposits for certain U.S. Treasury notes and certain mortgage-backed certificates sold under agreements to repurchase the same or substantially similar securities. These transactions are not treated as sales of securities but rather are treated as financings, with the dollar amount of the underlying securities remaining in the balance sheet as assets and the obligation to repurchase securities being shown as a liability. Securities sold under these agreements had an estimated market value at August 31, 1993 and 1992 of $58,888,000 and $136,325,000, respectively. The cash collateral received was invested by the University in short-term securities and in money market funds.

The University records the change of ownership of bonds and stocks on the day a trade is made. Cash settlement generally follows five working days after the trade. During the period between trade date and cash settlement date, the cash receivable from the broker (sales) or due to the broker (buys) is recorded as a pending trade. As of August 31, 1993 and 1992, the pending trade position with brokers was a net payable for open security purchases and sales in the amounts of $14,000 and $8,897,000, respectively for the Endowment, and $3,419,000 and $4,759,000, respectively, for the operating accounts.

The University holds fixed income securities denominated in foreign currencies. As of August 31, 1993 and 1992, deferred currency gains (losses) associated with these securities amounted to ($417,000) and $2,871,000, respectively.

As of August 31, 1993 and 1992, the University held open option and futures contracts. The deferred market gain (loss) associated with these open trades amounted to $1,257,000 and ($375,000), respectively.

As of August 31, 1993, the Endowment held foreign-denominated bonds. These bonds were all issued by foreign governments. The foreign currency cost of these bonds converted to US Dollars at August 31, 1993 was $79,672,000 and their US Dollar market value was $81,838,000. These bonds are temporarily on loan to brokers, which have posted cash collateral of $81,980,000.

9. Current Restricted Funds

Externally restricted funds may only be utilized in accordance with the purposes established by the sources of these funds. The sources of revenue supporting restricted expenditures for the years ended August 31, 1993 and 1992, in thousands of dollars, are as follows:

	1993	1992
Investment income	$ 93,183	$ 64,508
Gifts and non-government grants	90,545	94,792
Government grants	154,379	146,610
Stanford Linear Accelerator Center (including SSRL)	169,001	156,571
Government and other contracts	71,881	79,431
	$578,989	$541,912

10. Operating Equity

The University has aggregated fund balances in its operating equity at August 31, 1993 and 1992 that consist of the following categories of fund balances (in thousands of dollars):

	1993	1992
Unrestricted:		
Current unrestricted funds	$ 3,168	$ 3,324
Current designated funds	207,966	191,243
Loan funds	4,823	4,716
Plant funds	50,898	58,398
Restricted:		
Current funds	288,448	287,201
Loan funds	32,406	32,453
Plant funds	62,656	79,755
Investment in plant	580,395	547,646
	$1,230,760	$1,204,736

11. Endowed Equity

Stanford's endowment consists of more than 4,000 separate funds established over many years for a wide variety of restricted and unrestricted purposes. Restricted purposes include named professorships, support of research, library book funds, and scholarships. The income from unrestricted endowments supports the general activities of the University. Endowed equity as of August 31, 1993 and 1992 consists of the following categories of fund balances (in thousands of dollars):

	1993	1992
Expendable funds:		
Funds functioning as endowment:		
Unrestricted	$ 254,139	$ 190,336
Restricted as to use of income	622,293	527,812
Term endowments subject to living trust agreements	55,542	54,559
	931,974	772,707
Nonexpendable funds:		
Endowment funds:		
Unrestricted	376,568	333,546
Restricted as to use of income	1,331,446	1,136,289
Endowment funds subject to living trust agreements	213,378	192,042
	1,921,392	1,661,877
	$2,853,366	$2,434,584

12. Gifts

Gifts were received in each of the fiscal years as follows (in thousands of dollars):

	1993	1992
Current funds:		
Unrestricted	$10,042	$4,614
Restricted	75,185	72,109
Non-government grants	26,745	23,812
Loan funds	16	64
Plant funds	16,805	35,782
Endowment funds	53,578	48,914
	$182,371	$185,295

13. Functional Expenses

Expenses for each of the fiscal years were categorized as follows (in thousands of dollars):

	1993	1992
Current funds:		
Instruction and departmental research	$ 322,683	$ 297,500
Organized research	368,812	365,442
Libraries	41,368	38,798
Student aid	67,763	62,778
Student services	28,146	26,187
Plant operations and maintenance	71,127	73,140
Administration	60,832	58,445
Development and general expense	30,310	52,676
SLAC construction	11,698	4,520
Auxiliary activities	154,865	151,199
Loan funds	308	132
Plant funds	40,088	50,775
	$1,198,000	$1,181,592

14. Pension Plans

The University provides retirement benefits, primarily through both contributory and noncontributory pension plans, for substantially all its employees. The University's policy is to fund pension costs accrued. Total pension expense for the years ended August 31, 1993 and 1992 is approximately $34,275,000 and $30,737,000, respectively, including expense of $4,258,000 and $3,522,000, respectively, for the University's defined benefit pension plan.

Retirement benefits for nonexempt employees are provided through a noncontributory defined benefit pension plan.

For the noncontributory defined benefit pension plan, net pension expense for 1993 and 1992, in thousands of dollars, included the following components:

	1993	1992
Service cost (benefits earned for the period)	$ 6,282	$ 5,485
Interest cost on projected benefit obligation	10,153	9,792
Actual earnings on plan assets	(21,028)	(8,665)
Amortization of transition asset	(902)	(902)
Prior service cost	23	23
Deferral of asset gain (loss)	9,730	(2,211)
Net pension expense	$ 4,258	$ 3,522

The difference between actual and expected return on plan assets is the gain or loss on plan assets. The gain or loss on plan assets has been deferred in accordance with the provisions of SFAS No. 87 and accordingly, is not considered in the calculation of pension expense for the current period.

The excess of the plan assets over (under) projected benefit obligation, in thousands of dollars, was as follows at August 31, 1993 and 1992:

	1993	1992
Plan assets at fair value	$150,683	$136,320
Actuarial present value of benefit obligation:		
Vested benefit obligation	135,577	114,152
Nonvested benefit obligation	1,868	1,330
	137,445	115,482
Additional benefit related to future compensation levels	17,438	18,865
Projected benefit obligation	154,883	134,347
Excess of plan assets over (under) projected benefit obligation	$ (4,200)	$ 1,973

The following table provides a reconciliation of the excess of projected benefit obligation over (under) plan assets to the amount recognized in the balance sheet, in thousands of dollars:

	1993	1992
Accrued pension cost recognized in the balance sheet	$(9,277)	$(5,019)
Not included in the balance sheet:		
Unrecognized net loss	(2,878)	(1,841)
Unrecognized portion of transitional net asset at September 1, 1987 (date of SFAS No. 87 adoption) being amortized to expense over 15 years	8,117	9,018
Unamortized prior service costs	(162)	(185)
Excess of plan assets over (under) projected benefit obligation	$(4,200)	$ 1,973

In 1993 and 1992, the discount rates used in determining the actuarial present value of the projected benefit obligation were 7.25% and 7.75%, respectively. The expected long-term rate of return on assets was 8.5% in 1993 and 1992. Increases in covered payroll were assumed to be 5.25% in 1993 and 1992. Mortality was assumed to follow the 1983 Group Annuity Mortality Table with ages set back two years.

The University offers a defined contribution pension plan to eligible faculty and staff. University and participant contributions are invested in annuities and mutual funds. University contributions under this plan amounted to $30,000,000 and $27,000,000 for the years ended August 31, 1993 and 1992 respectively.

15. Commitments and Contingencies

Contractual Commitments: The University had contractual obligations of approximately $19,000,000 in connection with major construction projects at August 31, 1993. Remaining expenditures on these projects are estimated to be $112,000,000 which will be financed with certain unexpended funds, gifts and debt. Of these amounts, $3,000,000 and $13,000,000 respectively, refer to earthquake damage discussed later in this note.

Contingencies Associated with Sponsored Projects: The University conducts substantial research for the federal government pursuant to contracts and grants from federal agencies and departments. The Office of Naval Research (ONR) is the cognizant federal agency for determining indirect cost rates charged to federally sponsored agreements at Stanford. It is supported by the Defense Contract Audit Agency (DCAA), which has the responsibility for auditing direct and indirect charges under those agreements. Total indirect costs recovered from the federal government were approximately $74,000,000 and $68,000,000 in each of the fiscal years ended 1993 and 1992, respectively.

During fiscal 1990, disagreements arose between the University and ONR and DCAA over the appropriateness of some of the University's indirect charges as well as the methods used to allocate specific indirect costs to those agreements. The government has audited fiscal years 1981 through 1988. The University has responded to those audits and the government is still analyzing the costs for those years. The disputes concern the extent of cost disallowances in the indirect cost pools and the methods of cost allocations covered by Memoranda of Understanding (MoUs) agreed to by the government and the University in prior years, each of which is explained below.

The major cost recovery questions center on the viability of the MoUs negotiated and in effect during the ten-year period. The University has received an opinion from its special government contract counsel supporting the legality of the MoUs.

In 1991, the government unilaterally canceled the MoUs that govern the allocation methods used by the University to compute its indirect cost rate, retroactive to September 1, 1990, the beginning of the University's fiscal year. A rate of 55.5% (fixed with carryforward) was established by the government for that year compared to an indirect cost rate of 72% submitted in the University's proposal to the government. This reduction from the University's proposal resulted in the University foregoing approximately $20,000,000 in revenue from indirect cost recovery during 1991. The final indirect cost rate for fiscal year 1991 was unilaterally established by ONR at 55.5% although no carryforward was determined. Therefore, future adjustments may be made to carryforward amounts related to fiscal year 1991. The University filed an administrative appeal on November 14, 1991 that challenged the government's reduction in the indirect cost reimbursement for fiscal year 1991 and the government's unilateral cancellation of the MoU's.

Although the University and ONR engaged in negotiations regarding the establishment of an indirect cost rate for fiscal year 1992, they were unable to reach agreement on either the rate or the process by which the University would be reimbursed for the difference between the negotiated rate and the 55.5% unilaterally imposed rate. Therefore, on August 31, 1992, the University filed an administrative appeal for fiscal year 1992 challenging the appropriateness of the unilaterally determined indirect cost rate.

The University has acknowledged prior year cost adjustments for the period 1981 through 1989 of $2,300,000 of which $1,400,000 has been reported as a reduction of income in 1991. Further reviews are being performed by the University and the government that may result in additional adjustments related to prior years. The University also believes that the difference between the 1991 and 1992 unilateral rate of 55.5% and its ultimate actual rate, and the difference between prior year negotiated and final actual rates, may result in significant judgments, settlements, or carryforwards relating to indirect costs that have not been recognized in the accompanying financial statements.

In addition, a *qui tam* action has been filed under the False Claims Act by a former government employee, alleging inappropriate allocations and billings of indirect costs for the years 1981 through 1990.

The ultimate resolution of the government's reviews regarding the appropriateness of costs recovered in prior years and the above disputes is uncertain. It is possible that the government will assert a large claim for past years' indirect cost recoveries. The University believes it has meritorious defenses and intends to vigorously contest any such claims or litigation. It is likely that the ultimate resolution of these matters will take considerable time and may require adjudication in the courts. Accordingly, at this time, no estimate can be made of the ultimate impact that might result from the resolution of these matters. Therefore, no accrual has been made in these financial statements.

General Contingencies: The University is a defendant in a number of other legal actions. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, resulting from these reviews or for these legal actions will not have a material effect on the University's financial position.

Facilities Renovations and Earthquake Damages: As a result of changes in federal regulations, state and local building codes and a major earthquake in October 1989, the University estimates that it needs to make up to approximately $157,000,000 of seismic improvements, code upgrades and repairs to campus buildings. A number of campus buildings suffered structural damage in the earthquake which forced their closure. In connection with state and local legislation, the University has submitted a plan to Santa Clara County to strengthen certain unreinforced masonry buildings by September 2000. The University has determined that certain other (non-seismic) improvements, while technically required only for new construction, are important to conform campus buildings to the current Uniform Building Code.

The University is identifying existing funds and budget reallocations that could be available to pay for these projects. In addition, the University has established a fund-raising campaign and will use receipts from previous debt financings to pay for additional projects. The University is seeking Federal Emergency Management Agency (FEMA) and State of California funding.

No dealer, salesman or other person has been authorized to give any information or to make any representations not contained or incorporated by reference in this Offering Circular in connection with the offer made hereby. If given or made, such information or representation must not be relied upon as having been authorized by Stanford University or the Underwriters. This Offering Circular does not constitute an offer of any securities other than the Bonds to which it relates or an offer to any person in any jurisdiction in which such an offer would be unlawful. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that the information contained or incorporated by reference herein is correct as of any time subsequent to the date of such information.

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$150,000,000

STANFORD UNIVERSITY

$6\frac{7}{8}\%$ Bonds Due 2024

LELAND STANFORD JUNIOR UNIVERSITY
ORGANIZED 1891

Offering Circular

Goldman, Sachs & Co.
BT Securities Corporation

MSRB

DO NOT STAPLE THIS FORM

43573

FORM G-36(OS) — FOR OFFICIAL STATEMENTS

1. NAME OF ISSUER(S): (1) Stanford University

   (2)

2. DESCRIPTION OF ISSUE(S): (1) 6 7/8 % Bonds Due 2024

   (2)

3. STATE(S) CA

4. DATED DATE(S): (1) 2/1/94 (2)

5. DATE OF FINAL MATURITY OF OFFERING 2/1/24 6. DATE OF SALE 2/16/94

7. PAR VALUE OF OFFERING $ 150,000,000

8. PAR AMOUNT UNDERWRITTEN (if there is no underwriting syndicate) $

9. IS THIS AN AMENDED OR STICKERED OFFICIAL STATEMENT? Yes ☐ No ☒

10. CHECK ALL THAT APPLY:

    a. ☐ At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every nine months until maturity, earlier redemption, or purchase by the issuer or its designated agent.

    b. ☐ At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every two years until maturity, earlier redemption, or purchase by the issuer or its designated agent.

    c. ☐ This offering is exempt from SEC rule 15c2-12 under section (c)(1) of that rule. Section (c)(1) of SEC rule 15c2-12 states that an offering is exempt from the requirements of the rule if the securities offered have authorized denominations of $100,000 or more and are sold to no more than 35 persons each of whom the participating underwriter believes: (1) has the knowledge and expertise necessary to evaluate the merits and risks of the investment; and (2) is not purchasing for more than one account, with a view toward distributing the securities

11. MANAGING UNDERWRITER Goldman, Sachs & Co.

16. MATURITY DATE	CUSIP NUMBER	MATURITY DATE	CUSIP NUMBER
2/1/24	525555 AB4		

MAR - 9 1994

17. MSRB rule G-34 requires that CUSIP numbers be assigned to each new issue of municipal securities unless the issue is ineligible for CUSIP number assignment under the eligibility criteria of the CUSIP Service Bureau.

☐ Check here if the issue is ineligible for CUSIP number assignment.

State the reason why the issue is ineligible for CUSIP number assignment: ______

18. Submit two copies of the completed form along with two copies of the official statement to Municipal Securities Rulemaking Board, 1818 N Street, NW, Suite 800, Washington, DC 20036-2491. Incomplete submissions will be returned for correction.