NEW ISSUE
BOOK-ENTRY ONLY

RATINGS: *Moody's: Aa1*
Standard & Poor's: AA
(See "RATINGS" herein)

In the opinion of Barnes & Thornburg, Indianapolis, Indiana, Bond Counsel, under existing law, interest on the Series 2003A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2003A Bonds. This opinion is based on certain certifications, covenants and representations of the Corporation and is conditioned on continuing compliance therewith. In the opinion of Bond Counsel, under existing law, interest on the Series 2003A Bonds is exempt from income taxation in the State of Indiana for all purposes except the Indiana financial institutions tax. See "TAX MATTERS" and APPENDIX C herein.

$94,975,000
THE TRUSTEES OF PURDUE UNIVERSITY
Purdue University Student Facilities System Revenue Bonds, Series 2003A

Dated: Date of Delivery **Due**: July 1, as shown below

The Trustees of Purdue University (the "Corporation") will issue its Purdue University Student Facilities System Revenue Bonds, Series 2003A, dated the date of delivery (the "Series 2003A Bonds"), in the original aggregate principal amount of $94,975,000. The Series 2003A Bonds are being issued pursuant to resolutions adopted and actions authorized by the Board of Trustees of the Corporation and under an Indenture of Trust dated as of January 1, 2003, as supplemented by a First Supplemental Indenture dated as of January 1, 2003, by and between the Corporation and Bank One Trust Company, National Association, as trustee (the "Trustee"), for the purposes of (i) refunding certain of the Corporation's outstanding obligations, (ii) paying or reimbursing a portion of the remaining costs of the acquisition, construction, renovation and equipping of certain housing and dining facilities of the Corporation, and (iii) paying or reimbursing certain costs incidental to the issuance of the Bonds, all as described in this Official Statement. See "THE REFUNDING PROGRAM" and "THE PROJECTS."

Interest on the Series 2003A Bonds is payable on January 1 and July 1 of each year, commencing July 1, 2003, by check or draft mailed to the registered owners. The Series 2003A Bonds are issuable only as fully registered bonds, and will be issued in denominations of $5,000 or any integral multiple thereof. The Series 2003A Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Series 2003A Bonds will be made in book-entry only form, and purchasers of a beneficial interest in the Series 2003A Bonds will not receive physical delivery of the certificates representing their interests in the Series 2003A Bonds. The principal of and redemption premium, if any, and interest on the Series 2003A Bonds will be paid to DTC or its nominee as the registered owner of the Series 2003A Bonds. Disbursement of such payments to owners of beneficial interests in the Series 2003A Bonds will be the responsibility of DTC and its participants and indirect participants. See "DESCRIPTION OF SERIES 2003A BONDS—Book Entry System."

Certain Series 2003A Bonds are subject to optional, extraordinary optional and mandatory sinking fund redemption prior to maturity as described in this Official Statement. See "DESCRIPTION OF SERIES 2003A BONDS -- Redemption."

The Series 2003A Bonds are special and limited obligations of the Corporation, secured exclusively by the Pledged Revenues and payable solely from the Pledged Revenues and the other Available Funds, all as defined in this Official Statement. The Series 2003A Bonds are not a general obligation, debt or liability of the Corporation or the State of Indiana, and no recourse may be had for the payment of the principal of or interest on the Series 2003A Bonds against the State of Indiana or the Corporation, or against the property or funds of the State of Indiana or the Corporation, except to the extent of the Pledged Revenues. The Corporation has no taxing power. See "SECURITY AND SOURCES OF PAYMENT FOR BONDS."

$78,275,000 Serial Bonds

Principal Amount	Due July 1	Interest Rate	Yield	Principal Amount	Due July 1	Interest Rate	Yield
$3,450,000	2004	4.000%	1.550%	$2,295,000	2015	5.375%	4.430%*
3,590,000	2005	4.000	1.850	2,425,000	2016	5.375	4.490*
3,755,000	2006	5.000	2.240	2,560,000	2017	5.375	4.550*
3,945,000	2007	5.000	2.630	2,700,000	2018	5.375	4.620*
4,140,000	2008	5.250	3.020	2,845,000	2019	5.375	4.700*
4,360,000	2009	5.250	3.380	3,005,000	2020	5.375	4.770*
4,590,000	2010	5.250	3.650	3,165,000	2021	5.000	4.930*
4,835,000	2011	5.250	3.880	3,325,000	2022	5.000	4.980*
5,095,000	2012	5.250	4.040	3,500,000	2023	5.000	5.030
5,360,000	2013	5.375	4.180	3,680,000	2024	5.000	5.050
5,655,000	2014	5.375	4.310*				

* Yield calculated based upon assumption that the Series 2003A Bonds in 2014 through 2022 will be called on first optional call date at par (July 1, 2013).

$16,700,000 5.000% Term Bonds due July 1, 2028 – Yield 5.100%

The Series 2003A Bonds are offered when, as and if issued by the Corporation and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by Barnes & Thornburg, Indianapolis, Indiana, Bond Counsel. Certain legal matters will be passed on for the Corporation by its counsel, Stuart & Branigin, Lafayette, Indiana, and for the Underwriters by their counsel, Ice Miller, Indianapolis, Indiana. It is anticipated that the Series 2003A Bonds will be available for delivery to DTC in New York, New York, on or about April 8, 2003.

LEHMAN BROTHERS

City Securities Corporation **Siebert Brandford Shank & Co., L.L.C.**

Dated: January 17, 2003

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

NO DEALER, BROKER, SALESMAN OR ANY OTHER PERSON HAS BEEN AUTHORIZED BY THE CORPORATION TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CORPORATION. THIS OFFICIAL STATEMENT SHOULD BE CONSIDERED IN ITS ENTIRETY AND NO ONE FACTOR CONSIDERED MORE OR LESS IMPORTANT THAN ANY OTHER BY REASON OF ITS POSITION IN THIS OFFICIAL STATEMENT. THE INFORMATION, ESTIMATES AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE AS TO THE AFFAIRS OF THE CORPORATION AND THE OTHER PARTIES REFERRED TO HEREIN SINCE THE DATE OF THIS OFFICIAL STATEMENT OR SINCE ANY EARLIER DATE AS OF WHICH INFORMATION IS STATED TO BE GIVEN.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL NOR THE SOLICITATION OF AN OFFER TO BUY THE SERIES 2003A BONDS IN ANY JURISDICTION IN WHICH OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2003A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2003A BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED IN ANY STATE AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR ANY OTHER GOVERNMENTAL ENTITY OR AGENCY WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT NOR APPROVED THE SERIES 2003A BONDS FOR SALE.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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SUMMARY STATEMENT

Subject, in all respects, to more complete information contained elsewhere in this Official Statement.

PURDUE UNIVERSITY. Founded in 1869, Purdue University is the land-grant university of the State of Indiana. The Trustees of Purdue University (the "Corporation") is a statutory body corporate created in 1869 by the Indiana General Assembly, with powers (among others) ". . . to organize said university . . . and to do all acts necessary and expedient to put and keep said university in operation . . ." The Corporation's governing body is a ten-member Board of Trustees, also created by Indiana statute.

The main campus of Purdue University is located in West Lafayette, about 60 miles northwest of Indianapolis; regional campuses are maintained in the Cities of Hammond and Westville, and two regional campuses are operated jointly with Indiana University in Fort Wayne and Indianapolis. The West Lafayette campus is organized academically into ten schools. Undergraduate and masters degrees are awarded in all schools with the doctorate degree awarded in all schools except the School of Technology. Purdue University's 2002 fall semester headcount enrollment for all campuses is approximately 64,000.

PURPOSES OF ISSUE. The Corporation's Purdue University Student Facilities System Revenue Bonds, Series 2003A (the "Series 2003A Bonds"), are being issued to refund all of the Corporation's outstanding Purdue University Dormitory System Revenue Bonds, Series 1993, to refund all of the Corporation's outstanding Dormitory System Tax-Exempt Commercial Paper Notes, Series 2000, to pay or reimburse a portion of the remaining costs of the Projects described in this Official Statement, and to pay certain costs of issuing the Series 2003A Bonds.

SECURITY. The Series 2003A Bonds are special and limited obligations of the Corporation, payable solely from the Pledged Revenues and the other Available Funds and secured solely by a pledge of and first lien on the Pledged Revenues. The Series 2003A Bonds are First Lien Bonds under the Indenture of Trust by and between the Corporation and Bank One Trust Company, National Association, as trustee (the "Trustee"), dated as of January 1, 2003, as supplemented by the First Supplemental Indenture by and between the Corporation and the Trustee, dated as of January 1, 2003 (such Indenture of Trust, as so supplemented, the "Indenture"). The Series 2003A Bonds are not a general obligation, debt or liability of the Corporation or the State of Indiana, and no recourse may be had for the payment of the principal of or interest on the Series 2003A Bonds against the Corporation or the State of Indiana, or against the property or funds of the Corporation or the State of Indiana, except to the extent of the Pledged Revenues. The Corporation has no taxing power. See "SECURITY AND SOURCES OF PAYMENT FOR BONDS."

PLEDGED REVENUES. Pledged Revenues include: (a) all revenues derived from the operation of the System and any investment income on the Revenue Fund (such revenues and investment income, "Gross Income"), less the sum of (i) all current expenses of operation, maintenance, insurance and repair of the System (such current expenses, "Operation and Maintenance Expenses") and (ii) certain financing costs (such costs, "Financing Expenses") (Gross Income less the sum of Operation and Maintenance Expenses plus Financing Expenses, "Net Income"), (b) any amounts held in the Project Fund and any investment income thereon, and (c) any amounts held in the Sinking Fund and any investment income thereon. See "SECURITY AND SOURCES OF PAYMENT FOR BONDS – Net Income."

AVAILABLE FUNDS. Available Funds include: (a) the Pledged Revenues; and (b) any other available income or funds of the Corporation, any transfer of which income or funds to the Sinking Fund or any use of which income or funds to pay any principal of or premium, if any, or interest on any Bonds does not violate, conflict with or breach, or constitute a default under, (i) any pledge, assignment, security interest, mortgage, lien, encumbrance, trust, appropriation, restriction or authorization to which such income or funds are subject, or (ii) any law, rule or regulation, any contract, agreement, indenture, lease, guaranty, bond, note or instrument, or any order, writ, judgment or decree to which the Corporation or any of its property is subject. **Generally, under Indiana law, state appropriated funds and mandatory student fees assessed all students may not, without General Assembly approval, be used to pay debt service on any bonds and, therefore, will not be Available Funds.** See "SECURITY AND SOURCES OF PAYMENT FOR BONDS – Available Funds."

SYSTEM. The System consists of certain dormitories and other housing facilities for single and married students and school personnel, certain food service facilities and certain other facilities. See "THE FACILITIES AND THE SYSTEM."

BOOK-ENTRY SYSTEM. The Series 2003A Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, and all payments of principal and interest will be made to Cede & Co. which will in turn remit such payments to DTC Participants and DTC Indirect Participants for subsequent disbursement to the Beneficial Owners of the Series 2003A Bonds. Purchases of the Series 2003A Bonds by investors will be made in book-entry form only and individual purchasers will not receive physical delivery of Series 2003A Bond certificates.

DEBT SERVICE COVERAGE. The following debt service coverage summary is based solely on Net Income for the Fiscal Years ended June 30, 2001, and June 30, 2002 (excluding any other Available Funds), and the Average Annual Debt Service on the Series 2003A Bonds (which are the only First Lien Bonds that will be outstanding upon issuance of the Series 2003A Bonds).

	Fiscal Year Ended June 30 (dollars in thousands)	
	2002	2001
Net Income	$13,838	$13,633
Average Annual Debt Service coverage	2.21x	2.17x
(Average Annual Debt Service - $6,269,933.95)		

RATE COVENANT. The Corporation covenants that it will establish and collect rents, fees, rates and other charges for the System so as to generate Net Income in each Fiscal Year equal to not less than 100% of the Annual Debt Service Requirement for such Fiscal Year and any other amounts reasonably required or anticipated to be paid from Net Income in such Fiscal Year, in accordance with the Indenture. See "SECURITY AND SOURCES FOR PAYMENT FOR BONDS–Rate Covenant."

NO RESERVE FUND. No Reserve Fund Requirement exists for the Series 2003A Bonds, and the Series 2003A Bonds shall not have access to any Reserve Fund.

ADDITIONAL OBLIGATIONS. The Corporation may issue: (a) obligations secured by a first lien on the Pledged Revenues on a parity with the Series 2003A Bonds (the Series 2003A Bonds and any such obligations, "First Lien Bonds"); or (b) obligations payable out of any of the Pledged Revenues (but only after making payment of principal of and interest on the First Lien Bonds then due), any lien on any of the Pledged Revenues securing which obligations is junior and subordinate to the lien on the Pledged Revenues securing any First Lien Bonds. First Lien Bonds may be issued if the Net Income during the immediately preceding Fiscal Year (including certain adjustments thereto) is not less than 100% of the Average Annual Debt Service to become due in all succeeding Fiscal Years for the payment of principal of and interest on the Bonds then outstanding and on such First Lien Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR BONDS -- Issuance of First Lien Bonds."

CONTINUING DISCLOSURE. Pursuant to the continuing disclosure requirements promulgated by the Securities and Exchange Commission in SEC Rule 15c2-12, as amended (the "Rule"), the Corporation entered into a Continuing Disclosure Undertaking Agreement dated as of July 1, 1996, as heretofore supplemented, to be further supplemented by an Eighth Supplement to Continuing Disclosure Undertaking Agreement to be dated as of January 1, 2003, with Bank One Trust Company, National Association, as counterparty (collectively, the "Undertaking Agreement"), pursuant to which the Corporation will agree to provide (i) on an annual basis to each nationally recognized municipal securities information repository ("NRMSIR") then in existence and to the Indiana state information depository then in existence, if any ("SID"), certain annual financial information, and (ii) notice to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB"), and to the SID, upon the occurrence of certain other material events more fully described herein. See "APPENDIX D: SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING AGREEMENT." The Corporation is in compliance with undertakings previously entered into by it pursuant to the Rule.

OFFICIAL STATEMENT

$94,975,000
The Trustees of Purdue University
Purdue University Student Facilities System Revenue Bonds, Series 2003A

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the appendices, is to set forth information concerning the issuance and sale by The Trustees of Purdue University (the "Corporation"), of $94,975,000 aggregate principal amount of its Purdue University Student Facilities System Revenue Bonds, Series 2003A (the "Series 2003A Bonds").

The Series 2003A Bonds are being issued under Indiana Code 20-12-8, 20-12-9 and 20-12-9.5, as amended (the "Act"), and pursuant to resolutions adopted by and actions authorized by the Board of Trustees of the Corporation (the "Board") and in accordance with the provisions of an Indenture of Trust by and between the Corporation and Bank One Trust Company, National Association, as trustee (the "Trustee"), dated as of January 1, 2003 (the "Original Indenture"), as supplemented by the First Supplemental Indenture by and between the Corporation and the Trustee, dated as of January 1, 2003 (the "First Supplemental Indenture") (the Original Indenture, as supplemented by the First Supplemental Indenture, the "Indenture").

The Indenture permits the Corporation to issue: (a) obligations secured by a first lien on the Pledged Revenues on a parity with the Series 2003A Bonds (the Series 2003A Bonds and any such obligations, "First Lien Bonds"); or (b) obligations payable out of any of the Pledged Revenues (but only after making payment of principal of and interest on the First Lien Bonds then due), any lien on any of the Pledged Revenues securing which obligations is junior and subordinate to the lien on the Pledged Revenues securing any First Lien Bonds. Certain terms of the Indenture, including provisions for the issuance of additional First Lien Bonds, are described in this Official Statement in the section entitled "SECURITY AND SOURCES OF PAYMENT FOR BONDS."

The Series 2003A Bonds are special and limited obligations of the Corporation, payable solely from the Pledged Revenues and the other Available Funds and secured exclusively by a pledge of and a first lien on the Pledged Revenues. The Series 2003A Bonds are not a general obligation, debt or liability of the Corporation or of the State of Indiana, and no recourse may be had for the payment of the principal of or interest on the Series 2003A Bonds against the Corporation or the State of Indiana, or against the property or funds of the Corporation or of the State of Indiana, except to the extent of the Pledged Revenues. The Corporation has no taxing power. See "SECURITY AND SOURCES OF PAYMENT FOR BONDS."

The Corporation has covenanted and agreed in the Indenture to pay Net Income to the Trustee on or before each principal or interest payment date (see "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Flow of Funds--Sinking Fund") in an amount sufficient to pay the principal of and interest on the Series 2003A Bonds and all other First Lien Bonds due on such date. Such amounts will be deposited in the Sinking Fund.

Certain Series 2003A Bonds are subject to optional, extraordinary optional and mandatory sinking fund redemption prior to maturity in the manner and at the times described herein. See "DESCRIPTION OF SERIES 2003A BONDS -- Redemption."

The Corporation has entered into the Undertaking Agreement for the benefit of the beneficial owners of the Series 2003A Bonds, obligating itself to provide certain continuing disclosure as described in "APPENDIX D: SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING AGREEMENT."

The information contained under the caption "INTRODUCTION" is qualified by reference to the entire Official Statement, including the Appendices hereto. This introduction is only a brief description and a full review should be made of the entire Official Statement, including the Appendices hereto, as well as documents summarized or described herein. The summaries of and references to all documents, statutes and other instruments referred to in this Official Statement do not purport to be complete and are qualified in their entirety by reference to the full text of each such document, statute or instrument.

PURPOSES OF SERIES 2003A BONDS

The Series 2003A Bonds are being issued for the purposes of (i) refunding all of the Corporation's outstanding Purdue University Dormitory System Revenue Bonds, Series 1993 (the "Refunded Bonds" or the "1993 Bonds"), and all of the Corporation's outstanding Purdue University Dormitory System Tax-Exempt Commercial Paper Notes, Series 2000 (the "Refunded Notes" or the "Commercial Paper"), as described under the caption "THE REFUNDING PROGRAM," and (ii) paying or reimbursing a portion of the remaining costs of the acquisition, construction, remodeling, improvement, equipping and furnishing of (a) Cary Quadrangle, and any property related thereto, and (b) any residence hall food service facilities, and any property related thereto (collectively, the "Projects"), all as described under the caption "THE PROJECTS." A portion of the proceeds of the Series 2003A Bonds will be used to pay for the costs of issuance of the Series 2003A Bonds.

DESCRIPTION OF SERIES 2003A BONDS

General

The Series 2003A Bonds will be issued in the principal amount of $94,975,000 and will be dated the date of delivery (anticipated to be April 8, 2003) (the "Original Issue Date"). The Series 2003A Bonds will bear interest, payable January 1 and July 1 of each year, commencing July 1, 2003 (each such date, an "Interest Payment Date") at the rates and will mature on the dates and in the principal amounts set forth on the cover page of this Official Statement. Interest on the Series 2003A Bonds will be computed on the basis of a 360-day year, consisting of twelve 30-day months.

Each Series 2003A Bond will bear interest from the Interest Payment Date next preceding the date on which it is authenticated, unless it is (i) authenticated after the fifteenth day of the month immediately preceding such Interest Payment Date (each fifteenth of the month immediately preceding an Interest Payment Date, a "Record Date") and on or before the following Interest Payment Date, in which case it will bear interest from such Interest Payment Date, or (ii) authenticated before the close of business on the Record Date preceding the first Interest Payment Date, in which case it will bear interest from the Original Issue Date. However, if, at the time of authentication, interest on any Series 2003A Bond is in default, such Series 2003A Bond will bear interest from the date to which interest has been paid.

Certain Series 2003A Bonds are subject to optional, extraordinary optional and mandatory sinking fund redemption prior to maturity as described in this Official Statement. See "DESCRIPTION OF SERIES 2003A BONDS -- Redemption."

The Series 2003A Bonds will be issued in fully registered form in the denomination of $5,000 or any integral multiple thereof (an "Authorized Denomination").

The Series 2003A Bonds will be registered on the books of the Corporation kept for that purpose at the designated corporate trust operations office of the Trustee, as Registrar. The principal of the Series 2003A Bonds is payable upon presentation and surrender thereof at the designated corporate trust operations office of the Trustee. Interest on the Series 2003A Bonds is payable when due by check or draft mailed by the Trustee to the registered owners as their names and addresses appear in the Corporation's registration books on the Record Date.

The person in whose name any Series 2003A Bond is registered will be deemed and regarded as the absolute owner thereof for all purposes, and payment of any principal of or interest on any Series 2003A Bond will be made only to or upon order of the registered owner thereof, or the registered owner's legal representative. The Corporation and the Trustee, Registrar and Paying Agent may deem and treat the registered owner of any Series 2003A Bond as the absolute owner of such Series 2003A Bond, whether such Series 2003A Bond is overdue or not, for the purpose of receiving payment thereof and for all other purposes whatsoever, and neither the Corporation nor the Trustee, Registrar or Paying Agent will be affected by any notice to the contrary.

Book Entry System

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 2003A Bonds. The Series 2003A Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Series 2003A Bond certificate will be issued for each maturity of the Series 2003A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, 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 1934 Act. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participant's accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2003A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2003A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2003A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2003A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2003A Bonds, except in the event that use of the book-entry system for the Series 2003A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2003A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2003A Bonds with DTC and their registration in the name of Cede & Co. or other such DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2003A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2003A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2003A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2003A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2003A Bond documents. For example, Beneficial Owners of Series 2003A Bonds may wish to ascertain that the nominee holding the Series 2003A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2003A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2003A Bonds, unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2003A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2003A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Trustee on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is 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 Participant and not of DTC, the Corporation or the Trustee, subject to any statutory or regulatory requirement as may be in effect from time to time. Payment of principal and interest to Cede & Co., (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2003A Bonds at any time by giving reasonable notice to the Corporation and the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificates for the Series 2003A Bonds are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates for the Series 2003A Bonds will be printed and delivered.

For every transfer and exchange of the Series 2003A Bonds, the Trustee and DTC and the DTC Participants will charge the Beneficial Owner a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

The Corporation and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Series 2003A Bonds, (ii) the delivery to any DTC Participant or any other person, other than a registered owner, of any notice with respect to the Series 2003A Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a registered owner, of any amount with respect to principal of or interest on the Series 2003A Bonds.

THE INFORMATION IN THIS SECTION "BOOK ENTRY SYSTEM" HAS BEEN FURNISHED BY DTC. NO REPRESENTATION IS MADE BY THE CORPORATION OR THE TRUSTEE AS TO THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF. NO ATTEMPT HAS BEEN MADE BY THE CORPORATION OR THE TRUSTEE TO DETERMINE WHETHER DTC IS OR WILL BE FINANCIALLY OR OTHERWISE CAPABLE OF FULFILLING ITS OBLIGATIONS, NEITHER THE CORPORATION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR THE PERSONS FOR WHICH THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2003A BONDS, OR FOR ANY PRINCIPAL OR INTEREST PAYMENT THEREON, OR PURCHASE PRICE THEREOF.

Redemption

Optional Redemption. The Series 2003A Bonds maturing on or after July 1, 2014 are subject to redemption prior to maturity at the option of the Corporation at any time on or after July 1, 2013, in whole or in part, in any order of maturity as selected by the Corporation (less than all of the Series 2003A Bonds of a single maturity to be selected by lot in any manner selected by the Trustee), at the redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption.

Extraordinary Optional Redemption. The Series 2003A Bonds are subject to extraordinary redemption, at the option of the Corporation, on any date, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption: (a) in whole or in part, in any order of maturity selected by the Corporation (less than all of the Series 2003A Bonds of a single maturity to be selected by lot in any manner selected by the Trustee), in the event of any damage, destruction or contamination of all or any part (if such damage, destruction or contamination of such part causes the System to be impracticable to operate, as evidenced by a certificate of the Treasurer filed with the Trustee) of the System by act of war or terrorism, fire or casualty, or loss of title to or use of all or any part of the System as a result of the failure of title or as a result of eminent domain proceedings or proceedings in lieu thereof, or any death or disability of all or any substantial party of the faculty of the Corporation (if such death or disability of all or any substantial party of the faculty of the Corporation causes the System to be impracticable to operate, as evidenced by a certificate of the Treasurer filed with the Trustee), or (b) in whole, upon any change in the constitution of the United States of America or of the State of Indiana or any legislative or administrative action, or any failure of any legislative or administrative action, by the United States or the State of Indiana, or any agency or political subdivision of either thereof, or upon any judicial decision, in either event, to such an extent that, in the opinion of the Board of Trustees of the Corporation (as evidenced by a resolution of the Board of Trustees of the Corporation filed with the Trustee), (i) the First Supplemental Indenture is impossible to perform in accordance with its terms without unreasonable delay or (ii) substantial burdens or liabilities not being imposed as of the date of the First Supplemental Indenture are imposed on the Corporation.

Mandatory Sinking Fund Redemption. The Series 2003A Bonds maturing on July 1, 2028 are subject to mandatory sinking fund redemption by lot prior to maturity on the dates and in amounts set forth below, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, without premium:

July 1	Amount
2025	$3,865,000
2026	4,065,000
2027	4,275,000
2028 (maturity)	4,495,000

Not less than 45 days prior to the dates set forth above, the Trustee will select the Series 2003A Bonds of the respective maturity to be so redeemed and will promptly give notice of redemption as set forth below, which notice shall state that Series 2003A Bonds are being redeemed by mandatory sinking fund redemption.

Selection of Series 2003A for Redemption. If less than all of the Series 2003A Bonds within a maturity are called for redemption, the Trustee will select the Series 2003A Bonds or portions thereof within a maturity to be redeemed in any manner the Trustee in its sole discretion deems appropriate.

Notice of Redemption. For so long as the Series 2003A Bonds are registered in the name of DTC or its nominee or its successor, any redemption notice will be given only to DTC or its nominee or successor, as described under "Book Entry System" above.

Notice of redemption of the Series 2003A Bonds or portions thereof will be given by the Trustee by mailing a copy of the redemption notice by first class mail not less than 30 days nor more than 45 days prior to the date fixed for redemption to the registered owner of each Series 2003A Bond to be redeemed at the address shown on the registration books. In the case of optional redemption of Series 2003A Bonds, notice will also be sent to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Series 2003A Bonds (the sole such depository now being The Depository Trust Company of New York, New York), not less than 30 days nor more than 45 days prior to the date fixed for redemption. Any failure to give any such notice, or any defect therein, with respect to any Series 2003A Bond will not affect the validity of any proceedings for the redemption of any other Series 2003A Bonds. If for any reason it is impossible or impractical to mail such notice of call for redemption in the manner provided, then any mailing in lieu thereof made with the Trustee's approval will constitute sufficient notice.

On and after the redemption date specified in the aforesaid notice, such Series 2003A Bonds, or portions thereof, thus called (provided funds for their redemption are on deposit at the place of payment) will no longer bear interest, will no longer be protected by the Indenture and will no longer be deemed to be Outstanding under the Indenture, and the holders thereof will have the right to receive only the redemption price thereof plus accrued interest thereon to the date fixed for redemption. No notice of optional redemption of any Series 2003A Bonds will be effective if sufficient funds have not been deposited in the Redemption Fund on the redemption date pursuant to the Indenture, and such event will not constitute an Event of Default under the Indenture and such Series 2003A Bonds will continue to bear interest until paid at the same rate as if such Series 2003A Bonds had not been called for redemption.

Partial Redemption or Purchase of Series 2003A Bonds. In case any Series 2003A Bond is of a denomination larger than the minimum Authorized Denomination, all or a portion of such Series 2003A Bond may be redeemed (or purchased), provided that the principal amount not being redeemed (or purchased) is in any Authorized Denomination.

Upon surrender of any Series 2003A Bond for redemption (or purchase) in part only, the Corporation will execute and the Trustee will authenticate and deliver to the registered owner thereof, at the Corporation's expense, a new Series 2003A Bond or Series 2003A Bonds of Authorized

Denominations in aggregate principal amount equal to the unredeemed portion of such Series 2003A Bond surrendered.

Any Series 2003A Bonds maturing on July 1, 2028, which have been optionally redeemed may be credited (at a price equal to 100% of the principal amount thereof) against the mandatory sinking fund redemption requirements of the Indenture for such Series 2003A Bonds in the order selected by the Corporation.

Open Market Purchases. At its option, to be exercised not less than 45 days prior to any redemption date, the Corporation may (a) deliver to the Trustee any Series 2003A Bonds purchased with moneys on deposit in the Revenue Fund and available for redemption of such Series 2003A Bonds and (b) instruct the Trustee to apply the principal amount of such Series 2003A Bonds so delivered for credit at 100% of the principal amount thereof against the principal amount of Series 2003A Bonds of the same maturity to be redeemed on the next succeeding redemption date. The Trustee will so credit each such Series 2003A Bond so delivered.

Redeemed Series 2003A Bonds. If the amount necessary to redeem any Series 2003A Bonds called for redemption has been deposited with the Trustee for that purpose on or before the date specified for redemption, and if the notice described above has been duly given and all proper charges and expenses of the Trustee, Registrar and Paying Agent in connection with such redemption have been paid or provided for, the Corporation will be released from all liability on such Series 2003A Bonds, and such Series 2003A Bonds will no longer be deemed to be outstanding under the Indenture. Thereafter, such Series 2003A Bonds will not be secured by the lien of the Indenture, and the holders thereof may look only to the Trustee for payment thereof.

Payment of Principal and Interest on Series 2003A Bonds

For so long as the Series 2003A Bonds are registered in the name of DTC or its nominee or its successor, payments of principal and interest will be made as described under "Book Entry System" above. In the event the Series 2003A Bonds are no longer registered under a book-entry only system, payment of the principal of and interest on the Series 2003A Bonds will be made as described above under "General."

Interest Account. The Trustee will establish and maintain, as long as any Series 2003A Bonds are outstanding, a separate account within the Sinking Fund created by the Indenture known as the Series 2003A Interest Account. On or before the first day of each January and July (or, if such first day is not a Business Day, on the next succeeding Business Day), beginning July 1, 2003, the Trustee will deposit in the Series 2003A Interest Account moneys received from the Corporation in an amount equal to the difference, if any, between (a) the interest on the Series 2003A Bonds due on such date and (b) the amount of moneys then on deposit in the Series 2003A Interest Account available to pay such interest. The Trustee will use moneys on deposit in the Series 2003A Interest Account to pay the interest on the Series 2003A Bonds whenever such interest is due and payable.

Principal Account. The Trustee will establish and maintain, as long as any Series 2003A Bonds are outstanding, a separate account within the Sinking Fund to be known as the Series 2003A Principal Account. On or before the first day of each July (or, if such first day is not a Business Day, on the next succeeding Business Day), beginning July 1, 2003, the Trustee will deposit in the Series 2003A Principal Account moneys received from the Corporation in an amount equal to the difference, if any, between (a) the principal amount of Series 2003A Bonds maturing or subject to mandatory sinking fund redemption on such date and (b) the amount of moneys then on deposit in the Series 2003A Principal Account available to pay such principal. The Trustee will use moneys on deposit in the Series 2003A Principal Account to pay the principal of the Series 2003A Bonds at maturity or upon mandatory sinking fund redemption.

Redemption Account. The Trustee will establish and maintain, as long as any Series 2003A Bonds are outstanding, a separate account within the Redemption Fund to be known as the Series 2003A Account. On or before any day on which any Series 2003A Bonds are subject to optional redemption, the Trustee will deposit in the Series 2003A Account of the Redemption Fund moneys received from the Corporation in an amount equal to the difference, if any, between (a) the redemption price of the Series 2003A Bonds due on such date and (b) the amount of moneys then on deposit in the Series 2003A Account of the Redemption Fund available to pay such redemption price. The Trustee will use moneys on deposit in the Series 2003A Account of the Redemption Fund to pay the optional redemption price of the Series 2003A Bonds whenever such redemption price is due and payable.

Payments Due on Saturdays, Sundays and Holidays.

In the event that the date of maturity of principal of or interest on any Series 2003A Bonds or the date fixed for redemption of any Series 2003A Bonds is a day other than a Business Day, then payment of interest or principal need not be made on such date, but may be made (without additional interest) on the next succeeding Business Day with the same force and effect as if made on the date of maturity or date fixed for redemption.

Transfer and Exchange of Series 2003A Bonds

For so long as the Series 2003A Bonds are registered in the name of DTC or its nominee or its successor, the transfer and exchange procedures will be as described above under "Book Entry System." In the event the Series 2003A Bonds are no longer registered under a book-entry only system, the transfer and exchange procedures will be as described below under "Revision of Book-Entry System; Replacement Series 2003A Bonds."

Revision of Book-Entry System; Replacement Series 2003A Bonds

The Trustee serves as the Registrar for the Series 2003A Bonds pursuant to the Indenture. In the event (i) the Corporation receives notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities as a securities depository for the Series 2003A Bonds or (ii) the Corporation elects to discontinue its use of DTC as a securities depository for the Series 2003A Bonds, and in either case the Corporation does not appoint an alternate securities depository, then the Corporation and the Trustee will do or perform or cause to be done or performed all acts or things, not materially adverse to the rights of the holders of the Series 2003A Bonds, as are necessary or appropriate to discontinue use of DTC as a securities depository for the Series 2003A Bonds and to transfer the ownership of each Series 2003A Bond to such person or persons, including any other securities depository, as the holder of such Series 2003A Bond may direct in accordance with the Indenture. The Corporation will pay any expenses of discontinuance and transfer, including expenses of printing new certificates to evidence the Series 2003A Bonds.

Upon surrender for transfer of any of the Series 2003A Bonds at the designated corporate trust operations office of the Registrar, the Corporation will execute, and the Registrar will authenticate, date and deliver in the name of the transferee or transferees, a new fully registered Series 2003A Bond or Series 2003A Bonds of the same maturity of Authorized Denominations for a like aggregate principal amount. Any Series 2003A Bonds may be exchanged at said office of the Registrar for a like aggregate principal amount of Series 2003A Bonds of the same maturity of other Authorized Denominations. The Trustee will not be required to transfer or exchange any Series 2003A Bond after the mailing of notice calling such Series 2003A Bond for redemption has been made or during the period of 15 days next preceding the mailing of notice of redemption of any Series 2003A Bonds. No service charge or payment shall be required to be made by the owner of any Series 2003A Bond requesting an exchange, registration or transfer of any Series 2003A Bond, but the Corporation or the Registrar may require payment of a sum sufficient to cover any tax, fee or other governmental charge required to be paid with respect to such exchange, registration or transfer.

SECURITY AND SOURCES OF PAYMENT FOR BONDS

The Series 2003A Bonds are special and limited obligations of the Corporation, secured exclusively by a pledge of and first lien on the Pledged Revenues, as provided in the Indenture, and payable solely from the Pledged Revenues and the other Available Funds. The Series 2003A Bonds are not a general obligation, debt or liability, or a charge against any property or fund, of the Corporation or the State of Indiana, and no recourse may be had for the payment of the principal of or interest on the Series 2003A Bonds against the Corporation or the State of Indiana, except to the extent of the Pledged Revenues. The following sections regarding security for the Bonds summarize certain provisions of the Indenture. For a complete summary of the provisions of the Indenture relating to the security for the Series 2003A Bonds, see "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

No recourse under or upon any indebtedness, obligation, covenant, agreement or liability contained in the Indenture or any Series 2003A Bonds may be had against any past, present or future officer, trustee, employee, agent or representative of the Corporation. No personal liability whatever will attach to or be incurred by any past, present or future officer, trustee, employee, agent or representative of the Corporation by reason of any of the indebtedness, obligations, covenants, agreements or liabilities contained in the Indenture or any Series 2003A Bonds, or to be implied therefrom.

The following sections describe the provisions summarized.

Net Income

In the Indenture, in order to secure the payment of the Bonds and the performance by the Corporation of its covenants in the Indenture and the Bonds, the Corporation pledges and assigns to the Trustee, and grants to the Trustee a security interest in, the following (the "Pledged Revenues"):

(a) (i) all revenues derived from the operation of the System, including without limitation rents, fees, rates and charges for any use of the System, and any investment income on the Revenue Fund (such revenues and income, "Gross Income"), less

(ii) the sum of

(A) all current expenses of operation, maintenance, insurance and repair of the System, including without limitation general administrative expenses of the Corporation allocable to the System, but excluding depreciation expenses (such current expenses of operation, maintenance, insurance and repair of the System, "Operation. and Maintenance Expenses") (the Corporation being permitted, in its discretion, to furnish heat, light, power and other utility services to any or all of the System with or without charge therefor, and, if any such utility services are provided without charge, the cost thereof not being included as "Operation and Maintenance Expenses"); plus

(B) any financing costs related to any Bonds, including without limitation any amounts which are payable to the United States of America with respect to any Bonds under Section 148 of the Code (any such amounts, "Rebatable Amounts"), any fees and expenses related to the computation of any Rebatable Amounts, any fees and expenses related to any letter of credit, line of credit, insurance policy, guaranty, surety bond, bond purchase agreement or other instrument providing for the payment of or guaranteeing the payment of any principal of or interest on any Bonds or any purchase price of any Bonds (any such letter of credit, line of credit, insurance policy, guaranty, surety bond, bond purchase agreement or other instrument, a "Credit Facility"), or any fees and expenses related to any other credit facilities or liquidity facilities for any Bonds (any such financing costs related to any Bonds, "Financing Expenses")

(Gross Income less the sum of Operation and Maintenance Expenses plus Financing Expenses, "Net Income");

(b) any amounts held in the Project Fund and any investment income thereon; and

(c) any amounts held in the Sinking Fund and any investment income thereon.

Available Funds

If at any time the moneys in the Revenue Fund are insufficient to pay the principal of and interest on the First Lien Bonds and pay any Credit Facility Obligations and Optional Maturities, the Corporation will make or cause to be made to the Trustee a transfer of moneys for deposit in the Sinking Fund, in an amount equal to such insufficiency, from the following (the "Available Funds"):

(a) the Pledged Revenues; and

(b) any other available income or funds of the Corporation, any transfer of which income or funds to the Sinking Fund or any use of which income or funds to pay any principal of or premium, if any, or interest on any Bonds does not violate, conflict with or breach, or constitute a default under, (i) any pledge, assignment, security interest, mortgage, lien, encumbrance, trust , appropriation, restriction or authorization to which such income or funds are subject, or (ii) any law, rule or regulation, any contract, agreement, indenture, lease, guaranty, bond, note or instrument or any order, writ, judgment or decree to which the Corporation or any of its property is subject.

Generally, under Indiana law, state appropriated funds and mandatory student fees assessed all students may not, without General Assembly approval, be used to pay debt service on any bonds and, therefore, will not be Available Funds.

No Reserve Fund

The Series 2003A Bonds will have no claim on any reserve fund. However, the Corporation may issue Bonds at some later date which will have a claim on the Reserve Fund established under the Indenture in the manner prescribed in the Indenture, for which a reserve fund requirement may exist. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE--Flow of Funds – No Reserve Fund."

Rate Covenant

The Corporation has agreed to establish and collect rents, fees, rates and other charges for the System so as to generate Net Income in each Fiscal Year equal to no less than the sum of:

(a) An amount equal to 100% of the Annual Debt Service Requirement for such Fiscal Year;

(b) The amount, if any, required to be paid into the Reserve Fund or to the provider of any Reserve Fund Credit Instrument in such Fiscal Year; plus

(c) Any other amounts reasonably required or anticipated to be paid from Net Income in such Fiscal Year in accordance with the Indenture.

The Corporation also covenants to adopt a budget for each Fiscal Year, which budget includes (i) an estimate of the Net Income, including Gross Income, Operation and Maintenance Expenses and Financing Expenses, for such Fiscal Year, and (ii) an estimate of the Annual Debt Service Requirement for such Fiscal Year, the amount, if any, required to be paid into the Reserve Fund or to the provider of any Reserve Fund Credit Instrument in such Fiscal Year, and the sum of any other amounts reasonably required or anticipated to be paid from Net Income in such Fiscal Year in accordance with the Indenture, including without limitation any estimated amounts to be spent on the System in excess of Operation and Maintenance Expenses for major repairs and improvements to the System, which amounts exceed any reserve therefor.

Issuance of First Lien Bonds

First Lien Bonds may be authorized and executed by the Corporation and authenticated and delivered by the Registrar under the Indenture from time to time in order to provide funds for any one or more of the following purposes: (a) to acquire, erect, construct, reconstruct, extend, remodel, improve, complete, equip or furnish any Facilities; (b) to reimburse the Corporation for funds expended or advanced for interim financing of the cost of any Facilities; (c) to fund or refund any Bonds or other obligations payable out of revenues derived from any Facilities; or (d) any other purpose authorized by the Act.

Any First Lien Bonds may be authorized and executed by the Corporation and authenticated and delivered by the Registrar during any Fiscal Year, if:

(i) the Net Income during the immediately preceding Fiscal Year; or

(ii) the Net Income during the immediately preceding Fiscal Year, as adjusted to reflect:

(A) any anticipated changes to the schedule of rents, fees, rates or other charges for any use of the System, to become effective at the beginning of the semester, quarter or other school period next following the end of such immediately preceding Fiscal Year;

(B) any anticipated changes in Operation and Maintenance Expenses or Financing Expenses;

(C) any anticipated increases in Gross Income for any Facilities being added to the System in such Fiscal Year; and

(D) any anticipated decreases in Gross Income for any Facilities being removed from the System in such Fiscal Year

is not less than 100% of the Average Annual Debt Service to become due in all succeeding Fiscal Years for the payment of principal of and interest on the Bonds then Outstanding under the Indenture and on such First Lien Bonds.

In addition, any First Lien Bonds may be authorized and executed by the Corporation and authenticated and delivered by the Registrar without compliance with the above provisions, if the Corporation determines that the issuance of such First Lien Bonds: (i) will result in a reduction (on a net present value basis) in the amount of debt service to be paid on the Bonds or other obligations to be funded or refunded or (ii) is necessary or appropriate to avoid a default under the Bonds or other obligations to be funded or refunded.

All such required computations will be made by the Treasurer of the Corporation, and compliance with these provisions will be conclusively evidenced to the Trustee and Registrar by a certificate of the Treasurer of the Corporation.

Issuance of Junior Lien Obligation and Credit Facility Obligations

The Corporation may not issue any obligations, including any bonds, notes, temporary, interim or permanent certificates of indebtednesses, debentures, leases or other obligations, secured by any lien on any of the Pledged Revenues, except:

(a) First Lien Bonds;

(b) Credit Facility Obligations; or

(c) Junior Lien Obligations.

DEBT SERVICE COVERAGE

The following debt service coverage summary is based solely on Net Income for the Fiscal Years ended June 30, 2001, and June 30, 2002 (excluding any other Available Funds), and the Average Annual Debt Service on the Series 2003A Bonds (which are the only First Lien Bonds that will be outstanding upon issuance of the Series 2003A Bonds).

	Fiscal Year Ended June 30 (dollars in thousands)	
	2002	2001
Net Income	$13,838	$13,633
Average Annual Debt Service coverage	2.21x	2.17x

(Average Annual Debt Service - $6,269,933.95)

ANNUAL DEBT SERVICE REQUIREMENT

The Annual Debt Service Requirement for the Series 2003A Bonds is as follows:

Fiscal Year Ending June 30	Series 2003A Bonds
2004	$3,533,382.18
2005	8,217,568.78
2006	8,216,768.78
2007	8,216,093.78
2008	8,213,593.78
2009	8,201,293.78
2010	8,198,168.78
2011	8,193,231.28
2012	8,190,825.03
2013	8,190,162.53
2014	8,177,368.78
2015	8,176,340.65
2016	4,602,684.39
2017	4,605,834.38
2018	4,606,862.51
2019	4,605,500.01
2020	4,601,478.13
2021	4,604,259.38
2022	4,604,375.00
2023	4,602,125.00
2024	4,606,500.00
2025	4,607,000.00
2026	4,603,375.00
2027	4,605,125.00
2028	4,606,625.00
2029	4,607,375.00

THE FACILITIES AND THE SYSTEM

General

The Student Facilities System (the "System") may include any University facility permitted under the Acts. As of the date of this Official Statement, the facilities consist of the student residence and dining operations facilities located on the University's West Lafayette campus, as described below.

The System dates back to 1927 when the basic operating concepts and principles followed today were formulated. In addition to providing food and shelter, the System is expected to be financially self-supporting and to enrich the resident students' total educational experience. In order to ensure the continued viability of the System, the facilities are designed to be operated and managed in an efficient and business-like manner. The senior financial officer of the Corporation is charged with the System's management, including fiscal affairs, facilities maintenance, residence counseling and educational and student personnel programs.

Currently the System is owned and operated by the Corporation at its West Lafayette campus and is comprised of a variety of student residence and dining operation facilities for single undergraduate, graduate students and married students. Accommodations, including both room and board, room only, and apartments, are available to both undergraduate and graduate students. The System provided 12,149 spaces for students in 2002-03. There are 8,669 room and board spaces, 1,358 graduate housing room spaces, 1,090 single student apartments with food contract options, and 1,032 married student apartments. The System is expected to generate $66.3 million in room and board income for fiscal year 2002-03.

Management

The System on the West Lafayette campus is managed by a central administrative office headed by the Vice President for Housing and Food Services. The Vice President is assisted by the Executive Director of University Residences. The overall management of each facility is delegated to a General Manager whose professional staff is responsible for fiscal affairs, housing, food service, maintenance, student services and counseling. Each facility, except graduate housing and family housing, has formed self-governing student and social organizations offering student representation in the overall operation of the unit.

Facilities

Single Student Housing: Approximately 8,669 single students are housed in eleven traditional residence halls, five of which are co-educational. Nine of these halls are multi-storied facilities containing lounges, recreation rooms, dining rooms, kitchens and post office facilities. Of the two remaining halls, one (Earhart Hall) has a food service operation that is undergoing renovation related to the Food Service Master Plan and the other (McCutcheon Hall) has permanently closed its food service. A twelfth unit is an apartment complex located on campus that houses 1,090 single students. Optional board service is available through the dining services in any of the other nine halls.

Graduate Housing: Approximately 1,358 spaces are available in the two graduate house units for graduate students and undergraduate students over 21 years of age. Facilities include laundry, recreation and post office services. The graduate house contracts are for room only. Food service is available on a non-contract basis.

Married Student Housing: There are 1,032 apartments for married students within walking distance of the main campus. The unfurnished apartments are one and two-bedroom types. Rent includes all utilities, including basic telephone service.

Current System Facilities

	Initial Construction	Fall 2002 Capacity
Franklin Levering Cary Quadrangle	1927	1,121
Windsor Residence Halls	1934	748
Hilltop Apartments	1944	1,090
Virginia C. Meredith Residence Hall	1952	620
Richard Owen Residence Hall	1957	712
Married Student Courts	1957	1,032
Newton Booth Tarkington Residence Hall	1958	712
Harvey W. Wiley Residence Hall	1958	748
John T. McCutcheon Residence Hall	1963	752
Amelia Earhart Residence Hall	1964	788
Ernest C. Young Graduate House	1965	516
Benjamin Harrison Residence Hall	1966	816
George A. Hawkins Graduate House	1968	842
Eleanor B. Shreve Residence Hall	1970	852
Hillenbrand Residence Hall	1993	800
Total		12,149

The corporation has an ongoing capital improvement program to provide for the renovation and maintenance of the facilities. Expenditures relating to the program are expected to be funded from the System's reserves.

System Occupancy

The following table is a breakdown of the type of residence facility available and the occupancy percentage for the past five years.

	Year Ended June 30				
	2001-02	2000-01	1999-00	1998-99	1997-98
Single Students					
Spaces Available	11,188	11,255	11,443	11,446	11,372
Spaces Occupied	10,710	10,777	11,034	10,933	10,997
Occupancy Percentage	95.8%	95.7%	96.4%	95.5%	96.7%
Married Student Apartments					
Apartments Available	1,092	1,092	1,166	1,159	1,244
Apartments Occupied	1,017	1,038	1,062	1,089	1,040
Occupancy Percentage	93.1%	95.0%	91.1%	93.9%	83.6%
System Occupancy Percentage	95.5%	95.7%	95.9%	95.4%	95.4%

In August 2002, 12,149 spaces were available and 11,504, or 94.6%, were occupied.

Housing Rental Rates

The University operates its academic programs on a two semester and summer module basis. The following table gives the minimum and maximum rates by type of facility for the past five years.

	Year Ended June 30				
	2003-04*	2002-03	2001-02	2000-01	1999-00
Single Room and Board Units					
Minimum Academic Year Rate	$5,524	$5,204	$5,020	$4,762	$4,518
Maximum Academic Year Rate	9,528	8,860	8,480	7,968	7,552
Married Student Apartments					
Minimum Monthly Rate	478	460	442	417	409
Maximum Monthly Rate	614	590	561	529	518
Graduate House					
Minimum Monthly Rate	320	294	288	288	280
Maximum Monthly Rate	585	560	546	546	530

Married Student Apartment rates are effective July 1, and all others rates are effective with the start of the fall semester in August.

* The housing rates for 2003-04 were approved by the Board of Trustees on December 14, 2002.

Food Service Rates

The System currently operates food service operations in its facilities that include traditional food services (9 locations), convenience store operations (2 locations) and cash operations/grills (4). The food service offers three meal plans as outlined below:

As of the beginning of the fall semester, the cost of the plans for the past five years is shown below:

	2003-04*	2002-03	2001-02	2000-01	1999-00
20 Meal Plan (1)	$3,884	$3,664	$3,552	$3,378	$3,202
15 Meal Plan (2)	3,412	3,220	3,124	2,970	2,816
10 Meal Plan (1)	3,141	2,968	2,876	2,730	2,588

(1) Includes $250 discretionary dining dollars.
(2) Includes $375 discretionary dining dollars.

* The food service rates for 2003-04 were approved by the Board of Trustees on December 14, 2002.

The System is currently consolidating food service operations from eleven locations in the fall of 2000 to five locations when the plan is completed in the fall of 2006. The plan includes the construction of a new food service facility between Cary Quadrangle and Owen Hall. The System will continue to offer two convenience store operations and four cash operations/grills as part of its operations.

Financial Information

The following is the Statement of Revenues, Expenses and Changes in Net Assets for the Purdue University Student Facility System as of June 30, 2002. This information should be used in conjunction with the financial statements and the notes to the University's statements contained in "Appendix B".

FINANCIAL OPERATIONS OF THE SYSTEM
Statement of Revenues, Expenses and Changes in Net Assets
Fiscal Year Ended June 30

	2002
Operating Revenues	
Housing, Net	$33,788,386
Food Service	32,333,227
Other Operating Revenues	1,783,164
Total Operating Revenues	67,904,777
Operating Expenses	
Depreciation	4,044,158
Operating Expenses	56,334,234
Total Operating Expenses	60,378,392
Operating Income (Loss)	7,526,385
Non-operating Revenues (Expenses)	
Investment Income	2,267,454
Interest Expense	(2,305,720)
Other	(402,614)
Total Non-operating Revenues (Expenses), Net	(440,880)
Increase in Net Assets	$7,085,505

Debt Service Coverage

The coverage calculation is the division of Net Income ($13,837,997) by the Average Annual Debt Service ($6,269,933.95).

	2002
Operating Income (Loss)	$7,526,385
Investment Income	2,267,454
Total Operating Income	9,793,839
Depreciation	4,044,158
Net Income	$13,837,997
Coverage (Average Annual Debt Service - $6,269,933.95)	**2.21**

Capital Plans

The System began two major renovation projects in May 2000. The first is the renovation of Cary Quadrangle in six stages with the final phase scheduled for completion in July 2006. This project has an authorization of $43.5 million from the Board of Trustees and the State of Indiana. The second project is a food service consolidation and enhancement project scheduled for completion in August 2006 with an authorization of $48.2 million. Funds for both projects will come from bonding authority and will be repaid using rate increases approved for the Cary Quadrangle project and operating savings resulting from the food service consolidation. An additional annual rate increase of 0.5% beginning in fiscal year 2002-03 has been authorized over the next four years to fund fire safety projects in the dormitory facilities.

Two long-term projects are currently planned to further enhance the System. The first is a long-term plan to improve the fire safety features (e.g., sprinkling, new fire alarm systems) in the dormitories that is scheduled for completion by 2010. The second is the addition of air conditioning to some of the System's student rooms with completion by the summer of 2013.

University decisions relating to its strategic plan, enrollment management and resident versus non-resident mix will affect the revenue of the System. During fiscal year 2002, the University announced plans to create Discovery Park, an academic research facility that will occupy approximately half the acreage currently used by the System's family housing complex (Purdue Village). Over the next five to seven years, a total of 38 buildings (600 apartments) will be razed. At the conclusion of the fiscal year 2002, twelve buildings were vacated in anticipation of demolition. Students and families occupying these buildings were relocated to other family housing as of June 30, 2002. Additional space needs for the University will result in the loss of Young Graduate House by Fall 2004.

Table 1 provides information regarding projects in progress, but not completed, at the end of the fiscal year. Table 2 provides information regarding projects that are authorized but not started and Table 3 provides information regarding projects that are in the planning stage but not yet authorized by the State of Indiana.

Table 1. Major Construction Projects in Progress.

Major Projects (>$500,000) in	Project Funding		
Progress as of June 30, 2002	**Project Budget**	**Internal Funding**	**Debt Financing**
Cary Quadrangle Northeast Renovation, Phase II	$7,230,000	-----	$7,230,000
Cary Quadrangle West Renovation, Phase III	9,979,000	-----	9,979,000
Earhart Food Service Consolidation	7,924,109	-----	7,924,109
Food Service Facility - Architectural Services	1,276,104	-----	1,276,104
Hawkins Sprinkler and Fire Alarm Systems	886,562	886,562	-----
Shreve Air Conditioning, Phase II	2,025,000	2,025,000	-----
Tarkington Ceiling Tile and Sprinkler Installation	999,975	999,975	-----
Total Major Projects in Progress	**$30,320,750**	**$3,911,537**	**$26,409,213**

Capital Plans (Continued)

Purdue University's Board of Trustees has authorized the following major projects within the System that had not been started as of June 30, 2002.

Table 2. Major Projects Authorized - Not Started.

Major Projects (>$500,000) Authorized-Not Started	**Project Total**	**Project Funding Internal Funding**	**Debt Financing**
Cary Quadrangle Renovation, Phases IV - VI	$16,689,381	$ ---	$16,689,381
Food Service Consolidation, Phases II - IV	38,999,896	---	38,999,896
Shreve Air Conditioning and Sprinkling, Phase III	1,890,237	1,890,237	---
Total Major Projects Authorized	**$57,579,514**	**$1,890,237**	**$55,689,277**

Table 3 lists the System projects that have been authorized by the Purdue University's Board of Trustees but still require State approval. The projects are in the planning stage and will not start until all the necessary State approvals are received. These projects represent the first housing for the System on the University's regional campuses. The gift funding must be pledged to the project or received by the University before construction begins.

Table 3. Major Projects Authorized by the Purdue University Board of Trustees that are subject to State Approval

Major Projects (>$500,000) Not Started	**Project Total**	**Project Funding Gift Funding**	**Debt Financing**
Purdue University - Fort Wayne (Summer 2003)	$28,000,000	$3,000,000	$25,000,000
Purdue University - Calumet (Summer of 2004)	26,000,000	2,000,000	24,000,000
Total Pending Major Projects	**$54,000,000**	**$5,000,000**	**$49,000,000**

THE PROJECTS

The Series 2003A Bonds are being issued, in part, for the purpose of financing a portion of the costs of the Projects, which consist of (i) the Cary Quadrangle and related facilities and (ii) any residence hall food service facilities and related facilities.

Cary Quadrangle Renovation - Cary Quadrangle was built in five phases from 1927 to 1940. Because of its age and the accumulated wear and tear, it required major renovation if it was to continue to function as a residence hall in the long term. Also, the demands of the market place have changed since Cary was built, and the students today have different expectations for on-campus housing. The renovation was planned in six phases over a six-year period, thus minimizing the number of student rooms that would be out of service in any one year. The interior of some areas are being demolished to create double occupancy rooms with semi-private baths, air conditioning and fully accessible facilities. Other areas are receiving utility upgrades and architectural elements.

Four of the six phases will be financed long-term with this issue.

	Cost	Construction Period
Cary Quad East	$9,800,000	Completed
Cary Quad Northeast	$7,230,000	Completed
Cary Quad West	$9,979,000	May 2002 to July 2003
Cary Quad Northwest	$8,692,000	May 2003 to July 2004
Total	$35,701,000	

Food Service Consolidation **–** A Food Service Master Plan for the University Residences culminated from five years of study and evaluation. Motivated by changes in student expectations, practices of peer institutions, aging facilities and a need to improve efficiency, the master plan was developed to provide a best-in-class food service operation with increased flexibility, decreased institutionality and better control of costs. Student surveys, focus groups, and the work of a consultant were used to develop the plan.

The University Residence currently operates eleven dining courts and seven cash operations. These facilities were, for the most part, designed and built in the mid-1950's through the late 1960's when student dining patterns and menu preferences were considerably different. When the master plan is complete, the University Residences will operate five dining courts and five cash operations. The five dining courts will be created by renovating and enlarging the dining courts in Earhart, Tarkington and Windsor Halls, building a new dining courts on Stadium Avenue between Cary Quadrangle and Owen Hall, and using the existing Hillenbrand Hall dining courts that opened in 1993. Cash operations will be created or enlarged in Cary Quadrangle, Owen, Meredith and Harrison Halls. Hillenbrand Hall cash operation will also remain in service.

Three of the four dining courts phases will be financed long-term with this issue.

	Cost	Construction Period
Earhart Dining Courts	$7,933,000	May 2002 to December 2002
Stadium Avenue Dining Court	$17,385,000	Jan. 2003 to June 2004
Warren-Vawter Dining Courts	$8,079,000	May 2003 to Jan. 2005
Total	$33,397,000	

THE REFUNDING PROGRAM

The Series 2003A Bonds are being issued, in part, for the purpose of refunding the Corporation's outstanding 1993 Bonds and Commercial Paper (collectively, the "Refunded Obligations").

Refunding of Dormitory System Revenue Bonds, Series 1993 – The 1993 Bonds refunded the Corporation's then outstanding Dormitory Revenue Bonds, Series 1991-B, which in turn were issued to provide funds for the construction of a new replacement residence hall. As the newest hall on campus, Hillenbrand is a comprehensive, state-of-the-art facility. It houses 800 students and is composed of two eight-story sleeping room towers connected by a two-story unit containing lounges, dining, kitchen, employee support and administrative office areas. The entire hall is fully air-conditioned and offers accessibility for students with disabilities.

All outstanding 1993 Bonds, in the current aggregate principal amount of $34,450,000, will be refunded pursuant to the terms of an Escrow Deposit Agreement among the Corporation, Bank One Trust Company, National Association (successor in interest to NBD Bank, N.A.), as escrow trustee (the "1993 Escrow Trustee"), and Bank One Trust Company, National Association (successor in interest to NBD

Bank, N.A.), as trustee for the 1993 Bonds (the "1993 Escrow Agreement"). The refunding of the 1993 Bonds will be accomplished by (a) creating an irrevocable escrow fund for the 1993 Bonds (the "1993 Escrow Fund") to be held by the 1993 Escrow Trustee and (b) depositing in the 1993 Escrow Fund, from a portion of the proceeds of the Series 2003A Bonds and other funds of the Corporation, a sum of initial cash and certain noncallable, direct obligations of the United States of America (the "1993 Governmental Obligations"), the principal of and interest on which, together with such cash, will be sufficient to pay the principal of and premium, if any, and interest on the outstanding 1993 Bonds to and including July 1, 2003, the date on which all outstanding 1993 Bonds will be paid upon redemption or maturity.

All cash and 1993 Governmental Obligations on deposit with the 1993 Escrow Trustee in the 1993 Escrow Fund, including investment income, will be pledged solely and irrevocably for the benefit of the holders of the 1993 Bonds, and no such cash or 1993 Governmental Obligations will be available to pay the principal of or interest on the Series 2003A Bonds. Upon such deposit, the Corporation will be released from all liability on the 1993 Bonds, which will no longer be deemed to be outstanding, and any lien of the 1993 Bonds on any Net Income will be released.

Refunding of Dormitory System Tax-Exempt Commercial Paper Notes, Series 2000 - The Commercial Paper was issued from time to time to provide temporary financing of the Cary Quadrangle renovation and food service consolidation.

All outstanding Commercial Paper, in the current aggregate principal amount of $32,800,000, will be refunded pursuant to the terms of an Escrow Deposit Agreement, among the Corporation, Bank One Trust Company, National Association, as escrow trustee (the "2000 Escrow Trustee"), and Bank One Trust Company, National Association, as trustee for the Commercial Paper (the "2000 Escrow Agreement"). The refunding of the Commercial Paper will be accomplished by (a) creating an irrevocable escrow fund for the Commercial Paper (the "2000 Escrow Fund") to be held by the 2000 Escrow Trustee and (b) depositing in the 2000 Escrow Fund, from a portion of the proceeds of the Series 2003A Bonds and other funds of the Corporation, a sum of initial cash and certain noncallable, direct obligations of the United States of America (the "Commercial Paper Governmental Obligations"), the principal of and interest on which, together with such cash, will be sufficient to pay the principal of and interest on the outstanding Commercial Paper to and including a date not later than July 1, 2003, the date by which all outstanding Commercial Paper will be paid upon maturity.

All cash and Commercial Paper Governmental Obligations on deposit with the 2000 Escrow Trustee in the 2000 Escrow Fund, including investment income, will be pledged solely and irrevocably for the benefit of the holders of the Commercial Paper and the Issuer of the letter of credit securing the Commercial Paper, and no such cash or Commercial Paper Governmental Obligations will be available to pay the principal of or interest on the Series 2003A Bonds. Upon such deposit, the Corporation will be released from all liability on the Commercial Paper, which will no longer be deemed to be outstanding, and any lien of the Commercial Paper on any Net Income will be released.

Verification - The accuracy of the mathematical computations of the adequacy of the 1993 Escrow Fund to provide fully for all payments of principal of and premium, if any, and interest on the 1993 Bonds and the 2000 Escrow Fund to provide fully for all payments of principal of and interest on the Commercial Paper will be verified at the time of delivery of the Series 2003A Bonds by Causey, Demgen & Moore, Inc., independent certified public accountants. See "VERIFICATION."

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds related to the issuance of the Series 2003A Bonds are summarized below:

Sources of Funds:	
Principal Amount of Series 2003A Bonds	$ 94,975,000.00
Net Original Issue Premium / (Discount)	5,013,300.20
Other Sources	3,046,088.71
Total Sources of Funds	$103,034,388.91
Uses of Funds:	
Deposit to 1993 Escrow Fund	$ 35,556,674.56
Deposit to 2000 Escrow Fund	32,800,000.00
Costs of Projects	34,086,549.41
Costs of Issuance, Underwriters' Discount and Contingency	591,164.94
Total Uses of Funds	$103,034,388.91

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture not otherwise discussed in this Official Statement.

Definitions:

"Account" means any account established pursuant to the Indenture.

"Act" means Indiana Code Sections 20-12-8-1, *et seq*., 20-12-9-1, *et seq*., and 20-12-9.5-1, *et seq*., all as supplemented or amended from time to time, and, after any repeal of any of such statutes, any statutes replacing such statutes, all as supplemented or amended from time to time.

"Annual Debt Service Requirement" for any Fiscal Year means the sum of (i) an amount equal to the amount of the principal and interest scheduled to become due in such Fiscal Year on any Fixed Rate Bonds (excluding the principal of any balloon maturity and excluding the principal component of any Optional Maturity for which any Credit Facility has been provided), (ii) an amount equal to the amount of the principal and interest projected to become due in such Fiscal Year on any Variable Rate Bonds (excluding the principal of any balloon maturity (less any portion of such principal required to be repaid prior to maturity pursuant to any Credit Facility) and excluding the principal component of any Optional Maturity for which any Credit Facility has been provided), and (iii) an amount equal to the principal of any balloon maturity divided by the number of years to maturity from its date of original issuance or from any later date specified in the Supplemental Indenture authorizing the issuance of such balloon maturity. Any such projection of the interest to become due on any Variable Rate Bonds will be calculated on any date by assuming that such Variable Rate Bonds bear interest at a rate equal to 110% of the greater of (a) the average daily interest rate borne by such Variable Rate Bonds during the twelve-month period immediately preceding such date or (b) the interest rate borne by such Variable Rate Bonds on such date, but, in either event, not exceeding any maximum interest rate which may be borne by such Variable Rate Bonds. Interest which is payable from the proceeds of any Bonds set aside for such purpose (*e.g.*, accrued or capitalized interest) will be excluded in determining the Annual Debt Service Requirement. To the extent that the Corporation has entered into any Derivative Product for any Bonds, any payments to be made or received by the Corporation pursuant to such Derivative Product will be taken into account, by adding the amount of any payments to be made by the Corporation pursuant to such Derivative Product, if any, and subtracting the amount of any payments to be received by the Corporation pursuant to such

Derivative Product, if any, from the sum of the amounts described in the first sentence of this definition. For purposes of this definition, "balloon maturity" mean any Bonds of any Series, the amount of the principal of and interest on which Bonds, together with any other Bonds of such Series, due in any twelve-month period, is not less than 30% of the average Annual Debt Service Requirement of all Bonds of such Series (calculated in accordance with clauses (i) and (ii) above); provided, however, that, in calculating the amount of the principal of and interest on any Bonds due in any twelve-month period, the amount of the principal of such Bonds will be reduced to the extent that all or any portion of such amount is required to be amortized prior to such twelve-month period; and provided, further, that the Corporation may elect to waive the provisions of clause (iii) above for any Bonds of any Series at the time of delivery thereof and treat such Bonds as if they were not a balloon maturity for purposes of the application of this definition.

"Authorized Denominations" means $5,000 or any integral multiple thereof.

"Available Funds" means: (a) the Pledged Revenues; and (b) any other available income or funds of the Corporation, any transfer of which income or funds to the Sinking Fund or any use of which income or funds to pay any principal of or premium, if any, or interest on any Bonds does not violate, conflict with or breach, or constitute a default under, (i) any pledge, assignment, security interest, mortgage, lien, encumbrance, trust, appropriation, restriction or authorization to which such income or funds are subject, or (ii) any law, rule or regulation, any contract, agreement, indenture, lease, guaranty, bond, note or instrument or any order, writ, judgment or decree to which the Issuer or any of its property is subject. **Generally, under Indiana law, state appropriated funds and mandatory student fees assessed all students may <u>not</u>, without General Assembly approval, be used to pay debt service on any bonds and, therefore, will <u>not</u> be Available Funds.**

"Average Annual Debt Service" means, at any time, the sum of the Annual Debt Service Requirements for all remaining Fiscal Years in which any Bonds will be Outstanding (without regard to any optional redemption thereof) divided by the number of such Fiscal Years.

"Bond" means any obligation of the Corporation, including any bond, note, temporary, interim or permanent certificate of indebtedness, debenture, lease or other obligation of the Corporation (including any First Lien Bond, Credit Facility Obligation or Junior Lien Obligation), payable out of any of the Pledged Revenues and authenticated and delivered under the Indenture.

"Bond Expense Fund" means the Student Facilities System Bond Expense Fund established pursuant to the Indenture.

"Bondholder," "holder of a Bond," "Owner," "owner of a Bond" or any similar term means a registered owner of any Bond.

"Business Day" means any day, other than any Saturday, Sunday, legal holiday or other day on which the New York Stock Exchange or banking institutions in Indiana, New York or the state in which the designated corporate trust office of the Trustee, Registrar or Paying Agent is located are authorized or required by law to close or remain closed.

"Capitalized Interest Account" means, with respect to the Bonds of any Series, the Account established for the Bonds of such Series within the Project Fund pursuant to the Indenture and the Supplemental Indenture authorizing the issuance of the Bonds of such Series.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, including any subsequent federal income tax statute or code.

"Commercial Paper" means the Purdue University Dormitory System Tax-Exempt Commercial Paper Notes, Series 2000.

"Corporation" means The Trustees of Purdue University, a statutory body corporate created and existing under the laws of the State of Indiana, or any successors or assigns.

"Costs of Issuance" means any costs relating to the issuance, sale or delivery of any Bonds, including without limitation fees and expenses of any Derivative Product, any Credit Facility or any other credit facility or liquidity facility for such Bonds, any fees and expenses of legal counsel, financial feasibility or other consultants, trustees, underwriters and accountants, any costs of preparation and printing of any indenture, preliminary or final official statement or bonds, and any other costs incurred in connection with the issuance of such Bonds, including any costs relating to the issuance, sale or delivery of any Bonds to be reimbursed to the Corporation.

"Credit Facility" means any Liquidity Facility or any letter of credit, line of credit, insurance policy, guaranty, surety bond, bond purchase agreement or other instrument providing for the payment of or guaranteeing the payment of any principal of or interest on any Bonds or any purchase price of any Bonds.

"Credit Facility Obligation" for any Bonds means any obligation of the Issuer to make any payment to any Credit Facility Provider, (a) which obligation is (i) issued under the Indenture or any other instrument, (ii) payable out of any of the Pledged Revenues, (iii) designated as a Credit Facility Obligation in the Supplemental Indenture authorizing the issuance of such Bonds and (iv) payable from the Revenue Fund, but only after making all transfers required by the Indenture to pay Operation and Maintenance Expenses, Financing Expenses and principal and interest on the First Lien Bonds, and (b) any lien on any of the Pledged Revenues securing which obligation is (i) junior and subordinate to the lien on the Pledged Revenues securing any First Lien Bonds and (ii) prior to any lien on any of the Pledged Revenues securing any Junior Lien Obligations.

"Credit Facility Provider" means the provider of any Credit Facility.

"Derivative Product" for any Bonds means any of the following, if identified by the Corporation as a Derivative Product for such Bonds: (a) any agreement (including terms and conditions incorporated by reference in such agreement) that is a rate swap agreement, basis swap, forward rate agreement, interest rate option, rate cap agreement, rate floor agreement, rate collar agreement or any other similar agreement (including any option to enter into any of such agreement); (b) any combination of any agreements described in clause (a); or (c) any master agreement for any agreement or any combination of agreements described in clause (a) or (b), together with all supplements to any such agreement.

"Event of Default" means any event of default defined as an "Event of Default" in the Indenture.

"Facilities" means any:

(a) dormitories and other housing facilities for single and married students and school personnel;

(b) food service facilities;

(c) student infirmaries and other health service facilities including revenue-producing hospital facilities serving the general public, together with parking facilities and other appurtenances in connection with any of the foregoing.

(d) parking facilities in connection with academic facilities;

(e) medical research facilities associated with a school of medicine, if the facilities will generate revenue from state, federal, local or private gifts, grants, contractual payments or reimbursements in an amount that is reasonably expected to at least equal the annual debt service requirements of any bonds for the facility for each fiscal year that such bonds are outstanding; or

(f) other facilities, the financing of which is authorized under the Act

at or in connection with Purdue University, for the purposes of the institution, or any property, real or personal, that in the judgment of the Issuer is necessary for the purposes set forth above.

"Federal Securities" means direct obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Financing Expenses" means any financing costs related to any Bonds, including without limitation any Rebatable Amounts, any fees and expenses related to the computation of any Rebatable Amounts, any fees and expenses related to any Credit Facilities, or any fees and expenses related to any other credit facilities or liquidity facilities for any Bonds.

"First Lien Bond" means any Bond which is secured by a first lien on the Pledged Revenues.

"First Supplemental Indenture" means the First Supplemental Indenture by and between the Corporation and the Trustee, Registrar and Paying Agent, dated as of January 1, 2003.

"Fiscal Year" means the period commencing on the first day of July of each calendar year and ending on the last day of June of the next succeeding calendar year, or any other period established by the Corporation from time to time with respect to the System.

"Fixed Rate Bond" means any Bond, the rate or rates of interest on which are fixed and determinable on the date of issuance thereof.

"Fund" means any fund established pursuant to the Indenture.

"Gross Income" means (a) all revenues derived from the operation of the System, including without limitation rents, fees, rates and charges for any use of the System, (b) any investment income on the Revenue Fund, and (c) any other income pledged pursuant to the Indenture.

"Indenture" means the Original Indenture, as supplemented by the First Supplemental Indenture, and as further supplemented or amended from time to time.

"Interest Payment Date" for any Bonds means any date on which interest is payable on such Bonds, as set forth in the Supplemental Indenture authorizing the issuance of such Bonds.

"Interest Payment Date" means each January 1 and July 1, commencing July 1, 2003.

"Junior Lien Obligation" means any obligation of the Corporation, including any bond, note, temporary, interim or permanent certificate of indebtedness, debenture, lease or other obligation of the Corporation, (a) which obligation is (i) issued under the Indenture or any other instrument, (ii) payable out of any of the Pledged Revenues and (iii) payable from the Revenue Fund, but only after making the deposits to all funds required by the Indenture to pay Operation and Maintenance Expenses, Financing Expenses, principal and interest on the First Lien Bonds and any Credit Facility Obligations and Optional Maturities, and (b) any lien on any of the Pledged Revenues securing which obligation is junior and subordinate to the lien on the Pledged Revenues securing any First Lien Bonds and any Credit Facility Obligations.

"Liquidity Facility" means any letter of credit, line of credit, bond purchase agreement or other instrument providing for the payment of or guaranteeing payment of any purchase price of any Bonds.

"Net Income" means (a) Gross Income less (b) the sum of Operation and Maintenance Expenses plus Financing Expenses.

"1993 Bonds" means the Purdue University Dormitory System Revenue Bonds, Series 1993, dated September 15, 1993.

"1993 Escrow Agreement" means the Escrow Deposit Agreement among the Issuer, the prior trustee for the 1993 Bonds and the 1993 Escrow Trustee.

"1993 Escrow Trustee" means Bank One Trust Company, National Association (successor in interest to INB National Bank).

"1993 Facilities" means any facilities financed or refinanced with the proceeds of the 1993 Bonds.

"Opinion of Bond Counsel" means a written legal opinion from a lawyer or firm of lawyers experienced in matters relating to state and local obligations and acceptable to the Corporation and the Trustee.

"Operation and Maintenance Expenses" means all current expenses of operation, maintenance, insurance and repair of the System, including without limitation general administrative expenses of the Corporation allocable to the System, but excluding depreciation expenses. The Corporation may, in its discretion, furnish heat, light, power and other utility services to any or all of the System with or without charge therefor, and, if any such utility services are provided without charge, the cost thereof will not be included as "Operation and Maintenance Expenses."

"Optional Maturity" means any Bonds which may, at the option of the owners thereof, be subject to payment, redemption, tender or purchase by or on behalf of the Corporation.

"Original Indenture" means the Indenture of Trust by and between the Corporation and the Trustee, Registrar and Paying Agent, dated as of January 1, 2003.

"Original Issue Date" means the date of delivery of the Series 2003A Bonds.

"Outstanding" or "Bonds Outstanding" means all Bonds which have been duly authenticated and delivered by the Trustee under the Indenture, except:

(a) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Bonds deemed to have been redeemed or paid as provided in the Indenture; and

(c) Bonds in lieu of which others have been authenticated under the Indenture.

"Paying Agent" means Bank One Trust Company, National Association, or any successors or assigns.

"Permitted Investments" means any of the following, to the extent permitted under Indiana law:

(a) Federal Securities;

(b) Shares of any fund registered under the Investment Company Act of 1940, as amended, the shares of which are registered under the Securities Act of 1933, as amended, and are, at the time of purchase, rated by any Rating Agency in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by such Rating Agency for obligations of that nature, included any such shares for which the Trustee or any affiliate of the Trustee performs services for a fee, whether as a custodian, transfer agent, investment advisor or otherwise; and

(c) Any investments permitted by Indiana Code Section 20-12-1-2, as supplemented or amended from time to time. Indiana Code Section 20-12-1-2 permits the Corporation to acquire and retain any investment which persons of prudence, discretion and intelligence would acquire and retain for their own account.

"Pledged Revenues" means (a) the Net Income, (b) any amounts held in the Project Fund and any investment income thereon, (c) any amounts held in the Sinking Fund and any investment income thereon and (d) any amounts held in the Reserve Fund and any investment income thereon.

"Project Fund" means the Student Facilities System Project Fund established by the Indenture.

"Projects" means: (a) Cary Quadrangle, and any property, real or personal, related thereto; and (b) any residence hall food service facilities, and any property, real or personal, related thereto.

"Rating Agency" means any nationally recognized securities rating agency.

"Rebatable Amount" means any amount which is payable to the United States of America with respect to any Bonds under Section 148 of the Code.

"Rebate Fund" means the Student Facilities System Rebate Fund established by the Indenture.

"Record Date" for any Bonds means the record date for such Bonds, as set forth in the Supplemental Indenture authorizing the issuance of such Bonds.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth day of the month immediately preceding such Interest Payment Date.

"Redemption Fund" means the Student Facilities System Redemption Fund established by the Indenture.

"Registrar" means Bank One Trust Company, National Association, or any successors or assigns.

"Reserve Fund" means the Student Facilities System Reserve Fund established by the Indenture.

"Reserve Fund Credit Instrument" means any insurance policy, surety bond, letter of credit or other instrument which is payable to or may be drawn upon by the Trustee and is deposited in the Reserve Fund in lieu of or in partial substitution for cash required to be on deposit therein, the issuer of which is (a) in the case of any insurance policy or surety bond, an insurer which, at the time of issuance of such issuance policy or surety bond, has been assigned the highest rating accorded insurers by any Rating Agency, (b) in the case of any letter of credit, a banking institution having a credit rating on its long-term, unsecured debt within the two highest rating categories from any Rating Agency, and (c) in the case of any other instrument, any person having a credit rating on its long-term, unsecured debt within the two highest rating categories from any Rating Agency.

"Reserve Fund Requirement" means an amount equal to the least of (a) 10% of the stated principal amount (or, if part of an issue which has more than a *de minimus* amount of original issue discount or premium, the issue price) of all Bonds with any claim on the Reserve Fund, calculated as of the date of issuance thereof, (b) the maximum annual principal and interest requirements on all Bonds with any claim on the Reserve Fund, calculated as of the date of issuance thereof or (c) 125% of the average annual principal and interest requirements on all Bonds with any claim on the Reserve Fund, calculated as of the date of issuance thereof, all determined in accordance with any Supplemental Indenture authorizing the issuance of any such Bonds; provided, however, that any Bonds may issued which have no claim on the Reserve Fund.

"Resolutions" means the resolutions adopted by the Corporation's Board of Trustees (or the Finance Committee thereof), authorizing the execution and delivery of this First Supplemental Indenture and the issuance of the Series 2003A Bonds.

"Revenue Fund" means the Student Facilities System Revenue Fund established by the Indenture.

"Series" or "Series of Bonds" means any Bonds designated as a series in the Supplemented Indenture authority the issuance of such Bonds.

"Series 2003A Bondholder," "holder of a Series 2003A Bond," "Owner of a Series 2003A Bond," "owner of a Series 2003A Bond" or any similar term means a registered owner of any Series 2003A Bond.

"Series 2003A Bonds" means the Purdue University Student Facilities System Revenue Bonds, Series 2003A, authorized to be issued by the Issuer pursuant to the terms and conditions of Section 2.02 hereof.

"Sinking Fund" means the Student Facilities System Bond and Interest Sinking Fund established by the Indenture.

"Supplemental Indenture" means any indenture between the Issuer and the Trustee, Registrar and Paying Agent entered into pursuant to and in compliance with the provisions of the Indenture.

"System" means the Facilities described on Exhibit A hereto, as such Exhibit A may be supplemented or amended from time to time.

"Tax-Exempt Bonds" means any Bonds, the interest on which is intended to be excludable from gross income for federal income tax purposes under Section 103 of the Code.

"Treasurer" means the Treasurer of the Corporation.

"Trustee" means Bank One Trust Company, National Association, or any successors or assigns.

"2000 Escrow Agreement" means the Escrow Deposit Agreement between the Issuer, the prior trustee for the Commercial Paper and the 2000 Escrow Trustee.

"2000 Escrow Trustee" means Bank One Trust Company, National Association.

"2000 Facilities" means any facilities financed or refinanced with the proceeds of the Series 2000 Commercial Paper Notes.

"Variable Rate Bond" means any Bond which is not a Fixed Rate Bond.

"Written Request" means a request in writing signed by the Treasurer or any other authorized officer of the Corporation.

Flow of Funds

Project Fund

The Corporation will establish and hold a separate fund, designated the "Student Facilities System Project Fund" (the "Project Fund"), into which proceeds of any Bonds issued from time to time, along with any other funds for any Facilities for which any Bonds have been issued under the Indenture, may be deposited.

There will be created on the books of the Corporation, within the Project Fund, the following accounts: (i) the "Series 1993 Account"; (ii) the "Series 2000 Account"; and (iii) the "Series 2003A Account".

A portion of the proceeds of the Series 2003A Bonds will be deposited in the Series 1993 Account of the Project Fund and, immediately upon such deposit, transferred to the 1993 Escrow Trustee to refund the 1993 Bonds, in accordance with the 1993 Escrow Agreement.

A portion of the proceeds of the Series 2003A Bonds will be deposited in the Series 2000 Account of the Project Fund and, immediately upon such deposit, transferred to the 2000 Escrow Trustee to refund the Commercial Paper, in accordance with the 2000 Escrow Agreement.

A portion of the proceeds of the Series 2003A Bonds will be deposited in the Series 2003A Account of the Project Fund. At any time and from time to time, the Corporation may withdraw any money on deposit in the Series 2003A Account of the Project Fund, without any requisition, voucher or other direction or authorization, for the purpose of paying, or reimbursing the Corporation for the payment of, any costs of acquiring, erecting, constructing, reconstructing, extending, remodeling, improving, completing, equipping, furnishing or financing any Projects. The Corporation will transfer any money remaining in the Series 2003A Account of the Project Fund, after acquisition, erection, construction, reconstruction, extension, remodeling, improvement, completion, equipping, furnishing or financing of the Projects has been completed, to the Sinking Fund, for application in accordance with any instructions from the Issuer.

Bond Expense Fund

The Corporation will establish and hold a separate fund designated as the "Student Facilities System Bond Expense Fund" (the "Bond Expense Fund"), into which any moneys may be deposited from proceeds of the Bonds of each Series. Moneys deposited to the credit of the Bond Expense Fund shall be used to pay from time to time the costs of issuance of the Bonds of such Series.

There will be hereby created on the books of the Corporation, within the Bond Expense Fund, the "Series 2003A Account".

A portion of the proceeds of the Series 2003A Bonds will be deposited in the Series 2003A Account of the Expense Fund. At any time and from time to time, the Corporation may withdraw any money on deposit in the Series 2003A Account of the Bond Expense Fund, without any requisition, voucher or other direction or authorization, for the purpose of paying, or reimbursing the Corporation for the payment of, any Costs of Issuance of the Series 2003A Bonds. The Corporation will transfer any money in the Series 2003A Account of the Bond Expense Fund remaining after payment of Costs of Issuance to the Sinking Fund, for application in accordance with any instructions from the Corporation.

Revenue Fund

The Corporation will create, and, so long as any Bonds are Outstanding, maintain a special fund or funds upon the books and records of the Corporation, separate and apart from all other funds, to be designated the "Student Facilities System Revenue Fund" (the "Revenue Fund"). Into the Revenue Fund there will be set aside and deposited from time to time as received all Gross Income. The Corporation may establish such accounts of the Revenue Fund from time to time as it may deem necessary or appropriate. All Operation and Maintenance Expenses and Financing Expenses will be paid by the Corporation out of the Revenue Fund. After payment of all Operation and Maintenance Expenses and Financing Expenses, the Corporation will make the required transfers from the Revenue Fund to the Sinking Fund discussed below (see "Sinking Fund"), provided that, prior to making the deposits required by the Indenture to pay any Credit Facility Obligations or Optional Maturities, the Corporation may transfer moneys from the Revenue Fund to a separate fund created pursuant to any Supplemental Indenture authorizing the issuance of any Optional Maturities for the payment of the purchase price of such Optional Maturities. After making the deposits to all funds required under the Indenture, moneys held in the Revenue Fund may be applied in the discretion of the Corporation: (i) to pay the cost of the, acquisition, erection, construction, reconstruction, extension, remodeling, improvement, completion, equipping or furnishing of any Facilities, or to accumulate a reserve for such purpose; (ii) to purchase or redeem any First Lien Bonds, or to accumulate a reserve for such purpose; (iii) to pay any principal of or interest on any Junior Lien Obligations; (iv) to pay any other lawful expenditure or cost related to the System; and (v) for any other lawful purpose of the Corporation, including any purpose not related to the System.

Sinking Fund

The Corporation will create and maintain a separate fund on deposit with the Trustee known as the "Student Facilities System Bond and Interest Sinking Fund" (the "Sinking Fund"). On or before each principal or interest payment date (including any mandatory redemption date), the Corporation will transfer from the Revenue Fund (and from the Capitalized Interest Account of the Project Fund), by wire transfer or otherwise in immediately available funds, and remit to the Trustee for deposit in the Sinking Fund, an amount which, when added to any amount in the Sinking Fund available for such purpose, equals the sum of the principal of and interest on (including any mandatory redemption price of) the First Lien Bonds becoming due on such date (other than any Optional Maturities payable from any Credit Facility) and any deficiencies then in existence in the Sinking Fund, which amount will be used by the Trustee to pay the principal of and interest on (including any mandatory redemption price of) the First Lien Bonds (other than any Optional Maturities payable from any Credit Facility) pursuant to the Indenture and the Supplemental Indenture authorizing the issuance of such First Lien Bonds.

On or before any Credit Facility Obligation or Optional Maturity not paid through any Credit Facility is due, after making all transfers required to pay all Operation and Maintenance Expenses and Financing Expenses and all principal of and interest on all First Lien Bonds, the Corporation will transfer from the Revenue Fund, by wire transfer or otherwise in immediately available funds, and remit to the Trustee for deposit in a special account therefor in the Sinking Fund, an amount which, when added to any amount in such special account available for such purpose (including without limitation any amount held in a separate fund created pursuant to the Supplemental Indenture authorizing the issuance of such Optional Maturity for payment of such Optional Maturity not paid through a Credit Facility), equals such Credit Facility Obligation or Optional Maturity, all in any priority provided by any Supplemental Indenture, which amount will be used by the Trustee to pay such Credit Facility Obligation or Optional Maturity. Payments of such Credit Facility Obligation or Optional Maturity from the Sinking Fund will be junior and subordinate to the payment of any principal of or interest on (including any mandatory redemption of) any First Lien Bonds. If at any time the funds in the Revenue Fund are insufficient to permit any transfer to the Trustee to pay any principal of or interest on any First Lien Bonds or any Credit Facility Obligation or Optional Maturity, the Corporation will make or cause to be made to the Trustee a transfer of funds for deposit in the Sinking Fund, in an amount equal to such insufficiency, from any Available Funds. There will be remitted to the Trustee for deposit in the Sinking Fund all sums received as accrued interest upon the issuance and sale of any Bonds.

No Reserve Fund

The Series 2003A Bonds will have no claim on any reserve fund.

However, the Corporation may in the future issue Bonds which have a claim on a separate fund on deposit with the Trustee known as the "Student Facilities System Reserve Fund" (the "Reserve Fund"), and deposit in the Reserve Fund an amount sufficient to maintain the Reserve Fund in an amount equal to the reserve fund requirement for such Bonds.

Redemption Fund

The Corporation will create and maintain a separate fund on deposit with the Trustee known as the "Student Facilities System Redemption Fund" (the "Redemption Fund"). Moneys will be deposited to the Redemption Fund and disbursed from the Redemption Fund to pay any optional redemption of any Bonds, in accordance with the provisions of the Supplemental Indenture authorizing the issuance of such Bonds.

Rebate Fund

So long as any Bonds are outstanding and are subject to a requirement that arbitrage profits be rebated to the United States of America, the Trustee will, upon direction from the Corporation, establish and maintain a separate Fund to be known as the "Student Facilities System Rebate Fund" (the "Rebate Fund"). The Trustee will make information regarding the Bonds and investments under the Indenture available to the Corporation. The Corporation may make, or cause to be made, deposits into and payments to the United States of America from the Rebate Fund in the amounts and at the times required by the Code, and may deposit, or cause to be deposited, income from such investments immediately upon receipt thereof in the Rebate Fund. If a deposit to the Rebate Fund is required as a result of the computations made or caused to be made by the Corporation, then, upon receipt of direction from the Corporation, the Trustee will accept such payment for the benefit of the Corporation and make transfers of moneys from the Revenue Fund to the Rebate Fund to comply with such direction. If amounts in excess of that required to be rebated to the United States of America accumulate in the Rebate Fund, the Trustee will, upon written direction from the Corporation, transfer such amount to the Revenue Fund. Records of such determinations required and such investment instructions for the Bonds of each Series will be retained by the Trustee until six years after the Bonds of such Series are no longer Outstanding. Not later than 60 days after the date which is five years after the date of issuance of the Bonds of any Series, and every five years thereafter, to the extent required by law, the Trustee will, upon receipt of direction from the Corporation, pay to the United States of America 90% of the amount required to be paid to the United States of America as of such payment date. Not later than 60 days after the final retirement of the Bonds of any Series, the Trustee will, upon receipt of direction from the Corporation, pay to the United States of America the amount required to be paid to the United States of America. Each such payment required to be made to the United States of America will be filed with the Internal Revenue Service at the appropriate location and with the appropriate reports, forms and documentation as the Code requires.

Additional Funds and Accounts

The Corporation may establish additional Funds and Accounts within any existing Funds and Accounts, as may be necessary or convenient in connection with the issuance of any Bonds.

Investments

All moneys on deposit in the Funds and Accounts established under the Indenture held by the Corporation may be commingled for investment purposes in the Corporation's other investments and will be invested in Permitted Investments. The funds held by the Trustee will be invested by the Trustee as directed in writing by the Corporation in Permitted Investments. The Trustee may conclusively rely upon such directions as to both the suitability and legality of the directed investments. The Trustee may make any such investments through any investment department of the Trustee or any affiliate or subsidiary of the Trustee. Absent written direction from the Corporation, the Trustee will invest moneys held hereunder in the One Group U.S. Treasury Securities Money Market Fund or any similar fund which is a Permitted Investment. Interest earned or gains or losses realized on investment of Funds and Accounts held by the Corporation or the Trustee will be credited or debited to the respective Fund or Account. However, interest earned or gains or losses realized on the Reserve Fund in excess of the Reserve Fund Requirement will be credited or transferred to the Sinking Fund or as otherwise provided in the applicable Supplement Indenture. Further, interest earned or gains or losses realized on the Rebate Fund will be applied as described under "Rebate Fund." Notwithstanding the foregoing, the Supplemental Indenture authorizing the issuance of any Bonds may provide for different disposition of investment income from proceeds of such Bonds deposited in the Funds and Accounts relating to such Bonds.

Additional Covenants of Corporation

Use and Occupancy of System

The Corporation covenants that it has a valid and existing right to the use and occupancy of the System and to acquire, erect, construct, reconstruct, extend, remodel, improve, complete, equip, operate, control, manage and use the System.

Payment of Principal, Premium and Interest

The Corporation covenants that it will duly and punctually pay or cause to be paid from Pledged Revenues or other Available Funds the principal of and premium, if any, and the interest on the Bonds, at the dates and places and in the manner provided in the Bonds, according to the terms thereof.

Taxes

The Corporation covenants that it will pay and discharge all taxes, assessments and governmental charges which are lawfully imposed upon the System. However, the Corporation will not be required to pay any such tax, assessment or charge so long as the Corporation in good faith and by appropriate legal proceedings contests the validity thereof or its enforceability as a lien. Further, any delay occasioned thereby will not subject the System to forfeiture or sale.

Payment of Trustee's, Registrar's, Paying Agent's and the Bondholders' Costs and Expenses

The Corporation covenants that it will pay the costs, charges and expenses (including reasonable attorney fees) reasonably incurred or paid at any time by the Trustee, Registrar or Paying Agent or by any Bondholder because of the Corporation's failure to perform any of its covenants in the Bonds or the Indenture.

Additional Security

At any time, by a Supplemental Indenture the Corporation may pledge or mortgage any additional property, income, revenues or funds to the Trustee to secure any or all Bonds of any or all Series, as specified in such Supplemental Indenture.

Rates and Charges

The Corporation covenants that it will adopt a budget for each Fiscal Year, which budget includes (i) an estimate of the Net Income, including Gross Income, Operation and Maintenance Expenses and Financing Expenses, for such Fiscal Year, and (ii) an estimate of the Annual Debt Service Requirement for such Fiscal Year, the amount, if any, required to be paid into the Reserve Fund or to the provider of any Reserve Fund Credit Instrument in such Fiscal Year, and the sum of any other amounts reasonably required or anticipated to be paid from Net Income in such Fiscal Year in accordance with the Indenture, including without limitation any estimated amounts to be spent on the System in excess of Operation and Maintenance Expenses for major repairs and improvements to the System, which amounts exceed any reserve therefor.

The Corporation covenants that it will establish and collect rents, fees, rates and other charges for the System so as to generate Net Income in each Fiscal Year equal to not less than the sum of:

(a) an amount equal to 100% of the Annual Debt Service Requirement for such Fiscal Year;

(b) an amount equal to the amount, if any, required to be paid into the Reserve Fund or to the provider of any Reserve Fund Credit Instrument in such Fiscal Year; plus

(c) an amount equal to the sum of any other amounts reasonably required or anticipated to be paid from Net Income in such Fiscal Year in accordance with the Indenture, including without limitation any estimated amounts to be spent on the System in excess of Operation and Maintenance Expenses for major repairs and improvements to the System, which estimated amounts exceed any reserve therefor.

The Corporation covenants to monitor the rents, fees, rates and other charges for the System on a regular basis, and to make any adjustments necessary to provide the Corporation with sufficient Net Income to make the required deposits into the Sinking Fund. If, in any Fiscal Year, the Corporation uses Available Funds, other than Pledged Revenues, to pay the principal of or interest on any Bonds, the Corporation covenants to re-establish rents, fees, rates and other charges for the System so as to generate Net Income sufficient to make the required deposits into the Sinking Fund for the remainder of such Fiscal Year.

Recording Keeping

The Corporation covenants that it will, in any manner consistent with any then current document retention policy of the Corporation, keep proper and separate books of accounts and records in which full, true and correct entries will be made of all transactions relating to the System.

Financial Statements

The Corporation covenants that, after each Fiscal Year, it will furnish to the Trustee a copy of financial statements of the Corporation for such Fiscal Year.

Inspection of Records by Trustee

The Corporation covenants that the books, documents and vouchers relating to the System will at all reasonable times be open to inspection by authorized agents of the Trustee.

Facilities Not Included in System

The Corporation may, without any limitation or restriction whatsoever by virtue of the Indenture:

(a) Acquire, erect, construct, reconstruct, extend, remodel, improve, complete, equip, furnish, operate, control, manage or use, or permit any other person to acquire, erect, construct, reconstruct, extend, remodel, improve, complete, equip, furnish, operate, control, manage or use, any Facilities, which need not be included in the System and which may compete with the System;

(b) Issue and sell bonds or other obligations under the Act, or otherwise, for the purpose of raising funds to acquire, erect, construct, reconstruction, extend, remodel, improve, complete, equip, operate, manage or use, or permit any other person to acquire, erect, construct, reconstruct, extend, remodel, improve, complete, equip, furnish, operate, control, manage or use, any Facilities, which need not be included in the System and which may compete with the System; or

(c) Provide funds in any manner other than by the issuance and sale of bonds or other obligations under the Act, or otherwise, for the purpose of raising funds to acquire, erect, construct, reconstruct, extend, remodel, improve, complete, equip, operate, manage and use, or permit any other person to acquire, erect, construct, reconstruct, extend, remodel, improve, complete, equip, furnish, operate, control, manage or use, any Facilities, which need not be included in the System and which may compete with the System.

Additions to and Removals from System

At any time and from time to time, the Corporation may add any Facilities to the System if, taking into account the addition of such Facilities to the System, the Corporation would be in compliance with the rate covenants (see "Rates and Charges") for the Fiscal Year in which such addition occurs.

At any time and from time to time, the Corporation may remove any Facilities from the System if, taking into account the removal of such Facilities from the System, the Corporation would be in compliance with the rate covenants (see "Rates and Charges") for the Fiscal Year in which such removal occurs.

Tax Covenants

The Corporation will not permit the 1993 Facilities, the 2000 Facilities or the Projects to be used in a manner that would result in the loss of exclusion of interest on the 1993 Bonds, the Commercial Paper or the Series 2003A Bonds from gross income for federal tax purposes under Section 103 of the Code, as in effect on the date of issuance of the Series 2003A Bonds; nor will the Corporation act in any other manner that would result in the loss of exclusion of interest on the 1993 Bonds, the Commercial Paper or the Series 2003A Bonds from gross income for federal income tax purposes under Section 103 of the Code, as in effect on the date of issuance of the Series 2003A Bonds.

The Corporation will not make any investment or do any other act or thing during the period that any 1993 Bonds, any Commercial Paper or any Series 2003A Bonds are Outstanding that would cause any 1993 Bonds, any Commercial Paper or any Series 2003A Bonds to become or to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code, as in effect on the date of issuance of the Series 2003A Bonds.

It will not be an event of default under the Indenture if the interest on any 1993 Bonds, any Commercial Paper or any Series 2003A Bonds is not excludable from gross income for federal income tax purposes or is otherwise subject to federal income taxation pursuant to any provision of the Code which is not in effect on the date of issuance of the Series 2003A Bonds.

Defaults and Remedies

Events of Default

If any of the following events occurs, it is hereby defined as, is declared to be and constitutes an "Event of Default":

(a) Any default occurs in the payment by the Corporation of the principal of or premium, if any, or interest on any Bond, when the same becomes due and payable; or

(b) Any default is made by the Corporation in the performance or observance of any other of the covenants or agreements of the Corporation in the Indenture or the Bonds, and such default continues for a period of 60 days after the Corporation has been given written notice of such default by the Trustee.

Remedies; Rights of Bondholders

Upon the occurrence and continuance of any Event of Default, the Trustee will (a) notify the holders of all Outstanding Bonds of such Event of Default by registered or certified mail and (b) have the following rights and remedies:

(i) The Trustee may pursue any available legal or equitable remedy to enforce payment of the principal of and premium, if any, and interest on the Bonds then Outstanding, including any and all such actions as may be necessary to require the Corporation to transfer any Available Funds to the Sinking Fund for such payment;

(ii) The Trustee may by action at law or in equity require the Corporation to account as if it were the trustee of an express trust for the Bondholders, and may then take any action which the Trustee deems necessary, appropriate or in the best interest of the Bondholders; and

(iii) Upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Trustee and the Bondholders under the Indenture, the Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the Pledged Revenues, and any issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment confers.

If an Event of Default occurs and continues, and if requested to do so by the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, and if indemnified as provided in the Indenture, the Trustee will be obligated to exercise such one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, deems most expedient in the interest of the Bondholders.

Right of Bondholders to Direct Proceedings

The owners of a majority in aggregate principal amount of the Bonds then Outstanding will have the right, at any time during the continuance of an Event of Default, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture, as long as such direction is not otherwise than in accordance with the provisions of law and the Indenture.

Rights and Remedies of Bondholders

No Bondholder will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust of the Indenture or for any other remedy under the Indenture, unless: (a) a default has occurred; (b) such default has become an Event of Default; (c) the owners of 25% in aggregate principal amount of the Bonds then Outstanding have made written request to the Trustee and have offered it reasonable opportunity either to proceed to exercise the powers granted herein or to institute such action, suit or proceeding in its own name; (d) such Bondholders have offered to the Trustee indemnity as provided in the Indenture; and (e) the Trustee has refused, or for 60 days after receipt of such request and offer of indemnification has failed, to exercise the remedies granted in the Indenture, or to institute such action, suit or proceeding in its own name. Such notification, request and offer of indemnity are at the option of the Trustee conditions precedent to the execution of the powers and trusts of the Indenture, and to any action or cause of action for the enforcement of the Indenture, and for the appointment of a receiver or for any other remedy under the Indenture. No Bondholder will have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture by its action or to enforce any right under the Indenture except in the manner provided in the Indenture, and all proceedings at law or in equity must be instituted, had and maintained in the manner in the Indenture provided and for the equal benefit of the holders of all of the Bonds then Outstanding. Nothing contained in the Indenture will, however, affect or impair the right of any holder of any Bond to enforce the payment of the principal of and premium, if any, and interest on such Bond at and after the maturity thereof, or the special and limited obligation of the Corporation to pay the principal of and premium, if any, and interest on each of the Bonds issued under the Indenture to the respective holders thereof at the time and place, from the source and in the manner expressed in the Indenture and in such Bond.

Termination of Proceedings

In case the Trustee or any Bondholder has proceeded to enforce any right under the Indenture by appointment of a receiver or otherwise and such proceeding has been discontinued or abandoned for any reason or has been determined adversely, then and in every such case the Corporation, the Trustee and the Bondholders will be restored to their former positions and rights under the Indenture with regard to the property subject to the Indenture, and all rights, remedies and powers of the Trustee and the Bondholders will continue as if no such proceeding had been taken.

Notice of Defaults

No default specified in subparagraph (b) under "Events of Default" will constitute an Event of Default until actual notice of such default by registered or certified mail is given by the Trustee or the holders of not less than 25% in aggregate principal amount of all the Bonds then Outstanding to the Corporation and the Corporation has had 60 days after receipt of such notice to correct such default or cause such default to be corrected, and has not corrected such default or caused such default to be corrected within such period. However, if any default specified in subparagraph (b) under "Events of Default" is correctable, but cannot be corrected within such period, it will not constitute an Event of Default if corrective action is instituted by the Corporation within the applicable period and diligently pursued until the default is corrected. Any defaults so cured will not constitute an Event of Default.

Waivers of Events of Default

The Trustee may in its discretion waive any Event of Default under the Indenture and its consequences and may rescind any declaration of maturity of all the Bonds, and will do so upon the written request of the holders of (a) two-thirds in aggregate principal amount of all of the Bonds then Outstanding, in the case of a default in the payment of principal of or interest on the Bonds, or (b) a majority in aggregate principal amount of all Bonds then Outstanding in the case of any other default. However, there may not be waived (i) any Event of Default in the payment of the principal of any Outstanding Bond at the date of maturity specified therein or (ii) any Event of Default in the payment when due of the interest on any Outstanding Bond unless, prior to such waiver, all arrears of interest or all arrears of payments of principal when due, as the case may be, with interest on overdue principal at the rate borne by such Bond, and all expenses of the Trustee in connection with such Event of Default have been paid or provided for, and in the case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default has been discontinued or abandoned or determined adversely, then and in every such case the Corporation, the Trustee and the Bondholders will be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission will extend to any subsequent or other Event of Default, or impair any right consequent thereon.

Corporation to Remain in Possession Until Default

Unless an Event of Default has occurred and has not been cured, the Corporation will (a) remain in full possession, enjoyment and control of the System; (b) manage, operate and use the System, subject to the observance of the covenants set forth in the Indenture with respect thereto; and (c) subject to the provisions of the Indenture, receive, take and use all rents, earnings, revenues, fees, charges and income thereof in the same manner and with the same effect as if the Indenture had not been made.

Discharge of Indenture

Defeasance

Except as provided below, if payment or provision for payment is made to the Trustee of the whole amount of principal of and interest due and to become due on all of the Bonds then Outstanding under the Indenture at the times and in the manner stipulated in the Bonds and the Indenture, and there is paid or caused to be paid to the Trustee all sums of money due and to become due according to the provisions of the Indenture, then the rights granted by the Indenture will cease, determine and be void. In such event, the Trustee will cancel and discharge the lien of the Indenture and execute and deliver to the Corporation such instruments in writing as are requisite to cancel and discharge the lien of the Indenture, and release, assign and deliver unto the Corporation any and all of the estate, right, title and interest in and to any and all rights assigned or pledged to the Trustee by the Indenture or otherwise subject to the lien of the Indenture, except moneys or securities held by the Trustee for the payment of the principal of and interest on the Bonds.

Any Bond will be deemed to be paid within the meaning of the Indenture when (a) payment of the principal of such Bond and interest thereon to the due date thereof (whether by reason of maturity or upon redemption as provided in the Indenture or otherwise), either (i) has been made or been caused to be made in accordance with the terms thereof or (ii) has been provided for by irrevocably depositing with the Trustee, in trust and exclusively for such payment, (1) moneys sufficient to make such payment or (2) Federal Securities, which do not contain provisions permitting the redemption thereof at the option of the Corporation thereof, and maturing as to principal and interest in such amounts and at such times, without consideration of any reinvestment thereof, as will assure the availability of sufficient moneys to make such payment, or (3) a combination of such moneys and Federal Securities; and (b) all other sums payable under the Indenture by the Corporation, including the necessary and proper fees and expenses of the Trustee, Registrar and Paying Agent pertaining to the Bonds and the amount, if any, required to be rebated to the United States of America, have been paid to or deposited with the Trustee.

Notwithstanding the foregoing, in the case of any Bonds which by their terms may be redeemed prior to their stated maturity, no deposit under the immediately preceding paragraph will be deemed a payment of such Bonds as aforesaid until the Corporation has given the Trustee, in form satisfactory to the Trustee, irrevocable instructions:

(a) stating the date when the principal of such Bonds is to be paid, whether at maturity or on a redemption date (which will be any redemption date permitted by the Indenture and set forth in the Supplemental Indenture authorizing the issuance of such Bonds);

(b) to call for redemption pursuant to the Indenture any Bonds to be redeemed prior to maturity pursuant to subparagraph (a) of this paragraph; and

(c) to mail, as soon as practicable, in the manner prescribed for notice of redemption of such Bonds, a notice to the owners of such Bonds that the deposit required by the preceding paragraph has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Article and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of or redemption price, if applicable, on such Bonds as specified in subparagraph (a) of this paragraph.

Any moneys so deposited with the Trustee may at the written direction of the Corporation also be invested and reinvested in Federal Securities, maturing in the amounts and times set forth above, and all income from all such Federal Securities in the hands of the Trustee which is not required for the payment of the principal of and interest on the Bonds, with respect to which such moneys have been so deposited, will be transferred to the Corporation for deposit in the Revenue Fund as and when realized and collected for use and application together with other moneys deposited in the Revenue Fund.

No such deposit will be made or accepted under the Indenture and no use made of any such deposit unless the Trustee has received an Opinion of Bond Counsel to the effect that such deposit and use would not cause any Tax-Exempt Bonds to be treated as arbitrage bonds within the meaning of Section 148 of the Code. No such deposit will be deemed a payment of any Bonds, unless: (a) such deposit is sufficient to pay the principal of and premium, if any, and interest on such Bonds to the due date, whether such due date be by reason of maturity or upon redemption, without consideration of any investment of such deposit; or (b) the Trustee receives a verification from an accountant or firm of accountants appointed by the Corporation and acceptable to the Trustee verifying the sufficiency of such deposit to pay the principal of and premium, if any, and interest on such Bonds to the due date, whether such due date be by reason of maturity or upon redemption.

All moneys or Federal Securities so set aside and held in trust pursuant to the provisions for the payment of principal of and premium, if any, and interest on any Bonds (including interest thereon but excluding any amounts set aside for rebate to the United States of America) will be applied to and used solely for the payment of principal of and premium, if any, and interest on such Bonds.

Upon the deposit with the Trustee, in trust, at or before maturity, of moneys or Federal Securities in the necessary amount to pay or redeem all Outstanding Bonds as provided in the Indenture (whether upon or prior to their maturity or the redemption date of such Bonds), and in compliance with the other payment requirements under the Indenture, the Indenture may be discharged in accordance with the provisions of the Indenture. However, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption must have been given as provided in the Indenture, or provisions satisfactory to the Trustee must have been made for the giving of such notice. Following such discharge, the Bondholders will be entitled to payment only out of such moneys or Federal Securities.

Bonds Not Presented For Payment When Due

Any moneys held by the Trustee or Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for five years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, or for five years after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after the date when such Bonds became due and payable, will, at the written request of the Corporation, be repaid by the Trustee or Paying Agent to the Corporation, as its absolute property and free from trust, and the Trustee and Paying Agent will thereupon be released and discharged with respect thereto and the Bondholders must look only to the Corporation for the payment of such Bonds. However, before being required to make any such payment to the Corporation, the Trustee or Paying Agent will, at the expense of the Corporation, cause to be published at least twice, at an interval of not less than seven days between publications, in a newspaper or financial journal of general circulation published in New York, New York, a notice that such moneys remain unclaimed and that, after a date named in such notice, which date will be not less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Corporation. Any such moneys in an amount of not less than $10,000 unclaimed after seven months will be invested by the Trustee or Paying Agent in Federal Securities, and any income earned thereon will be paid to the Corporation for deposit in the Revenue Fund.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Bondholders

The Corporation, the Trustee, the Registrar and the Paying Agent, without the consent of or notice to any Bondholders, may enter into an indenture or indentures supplemental to the Indenture, not inconsistent with the terms and provisions hereof, for any one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission in the Indenture or any Supplemental Indenture;

(b) To grant to or confer upon the Trustee for the benefit of the holders of any or all Bonds then Outstanding any additional benefits, rights, remedies, powers or authorities that may be lawfully granted to or conferred upon the Trustee for the benefit of such holders;

(c) To subject to the lien of the Indenture, for the benefit and security of the owners of any or all Outstanding Bonds, additional property, income revenues or funds;

(d) To modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any other similar federal statute hereafter in effect or to permit the qualification of any Bonds for sale under any federal or state securities laws, and, in connection therewith, to add to the Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted or required by the Trust Indenture Act of 1939, as amended, or any other federal or state statute pertaining to any of the foregoing; provided, that any such Supplemental Indenture is not, in the judgment of the Trustee, which may rely on an opinion or advice of counsel, to the material prejudice of the holders of any of the Bonds;

(e) To evidence the appointment of any successor Trustee, Registrar or Paying Agent;

(f) To effect or facilitate the issuance of any Bonds in accordance with the Indenture;

(g) To supplement or amend the Indenture, to add any Facilities to or remove any Facilities from the System;

(h) To make any modification or amendment to the provisions of the Indenture necessary or desirable to permit the Corporation to issue Fixed Rate Bonds, Variable Rate Bonds or Optional Maturities or to utilize any Credit Facility or Derivative Product; provided, however, that the Corporation obtains written confirmation that such modification or amendment will not materially and adversely affect the then-current rating or ratings assigned to any Outstanding Bonds by any Rating Agency then rating such Bonds;

(i) To modify, amend or supplement the Indenture or any Supplemental Indenture in any manner which the Corporation determines in good faith will not have a material adverse effect on any Bondholders; and

(j) Otherwise to modify any of the provisions of the Indenture or to relieve the Corporation from any of the obligations, conditions or restrictions contained in the Indenture; provided that no such modifications is or becomes operative or effective, or materially impairs any of the rights of any Bondholders or the Trustee (except as otherwise provided in the Indenture), while any Bonds issued prior to the execution of such Supplemental Indenture remain Outstanding; and provided, further, that such Supplemental Indenture is specifically referred to in the text of all Bonds issued after the execution of such Supplemental Indenture.

Supplemental Indentures Requiring Consent of Bondholders

Except for Supplemental Indentures authorized as described above under "Supplemental Indentures Not Requiring Conflict and Bondholders" and subject to the terms and provisions described below, and not otherwise, the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding which are affected (exclusive of any such Bonds held by the Corporation) will have the right from time to time to consent to and approve the execution by the Corporation, Trustee, Registrar and Paying Agent of any Supplemental Indenture as is deemed necessary or desirable by the Corporation or the Trustee, Registrar or Paying Agent for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or any Supplemental Indenture. However, this does not permit, without the consent of the owners of all Bonds then Outstanding: (a) an extension of the stated maturity or redemption date or a reduction in the principal amount of or redemption premium, or reduction in the rate or extension of the time of payment of interest on, any Bonds; (b) the creation of any lien on any of the Pledged Revenues prior to or on a parity with the lien of the Indenture other than a lien ratably securing all of the First Lien Bonds at any time Outstanding hereunder; (c) a reduction in the aggregate principal amount of Bonds the owners of which are required to consent to any such Supplemental Indenture; (d) except with regard to Junior Lien Obligations or Credit Facility Obligations, the creation of a privilege, priority or preference of any one Bond or Bonds over any other Bond or Bonds; or (e) any amendment or modification of the trusts, powers, obligations, remedies, rights, duties or immunities of the Trustee without the written consent of the Trustee.

The consent of any owners of any Bonds to, and the approval by any owners of any Bonds of, the execution of any Supplemental Indenture may be evidenced by any means which the Trustee, Registrar and Paying Agent may deem to be sufficient.

The Trustee, Registrar and Paying Agent may receive and rely upon an opinion of counsel acceptable to the Corporation as conclusive evidence that any Supplemental Indenture entered into by the Corporation, Trustee, Registrar and Paying Agent complies with the provisions of the Indenture.

TAX MATTERS

In the opinion of Barnes & Thornburg, Indianapolis, Indiana, Bond Counsel, under existing law, interest on the Series 2003A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and is effective on the date of issuance of the Series 2003A Bonds (the "Code"). This opinion relates only to the exclusion from gross income of interest on the Series 2003A Bonds for federal income tax purposes under Section 103 of the Code. The opinion of Barnes & Thornburg is based on certain certificates, covenants and representations of the Corporation and is conditioned on continuing compliance therewith. In the opinion of Barnes & Thornburg, Indianapolis, Indiana, Bond Counsel, under existing law, interest on the Series 2003A Bonds is exempt from income taxation in the State of Indiana for all purposes except the State financial institutions tax. See APPENDIX C for the form of opinion of Bond Counsel.

The Code imposes certain requirements which must be met subsequent to the issuance of the Series 2003A Bonds as a condition to the exclusion from gross income of interest on the Series 2003A Bonds for federal income tax purposes. Noncompliance with such requirements may cause interest on the Series 2003A Bonds to be included in gross income for federal tax purposes retroactive to the date of issue, regardless of the date on which noncompliance occurs. Should the Series 2003A Bonds bear interest that is not excluded from gross income for federal income tax purposes, the market value of the Series 2003A Bonds would be materially and adversely affected. It is not an event of default if interest on the Series 2003A Bonds is not excludable from gross income for federal tax purposes pursuant to any provision of the Code which is not in effect on the date of issuance of the Series 2003A Bonds.

The interest on the Series 2003A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, interest on the Series 2003A Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax and the environmental tax under Section 59A of the Code.

Indiana Code 6-5.5 imposes a franchise tax on certain taxpayers (as defined in Indiana Code 6-5.5) which, in general, include all corporations which are transacting the business of a financial institution in Indiana. The franchise tax will be measured in part by interest excluded from gross income under Section 103 of the Code minus associated expenses disallowed under Section 265 of the Code.

Although Bond Counsel will render an opinion that interest on the Series 2003A Bonds is excluded from gross income for federal tax purposes and exempt from State income tax, the accrual or receipt of interest on the Series 2003A Bonds may otherwise affect an owner's federal or State tax liability. The nature and extent of these other tax consequences will depend upon the owner's particular tax status and the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the Series 2003A Bonds should consult their own tax advisors with respect to the other tax consequences of owning the Series 2003A Bonds.

The foregoing does not purport to be a comprehensive description of all of the tax consequences of owning the Series 2003A Bonds. Prospective purchasers of the Series 2003A Bonds should consult their own tax advisors with respect to the foregoing and other tax consequences of owning the Series 2003A Bonds.

ORIGINAL ISSUE DISCOUNT

The initial public offering price of the Series 2003A Bonds maturing on July 1, 2023, 2024 and 2028 (the "Discount Bonds") is less than the principal amount payable at maturity. As a result, the Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price of the Discount Bonds, as set forth on the cover page of this Official Statement (assuming it is the first price at which a substantial amount of that maturity is sold) (the "Issue Price" for such maturity), and the amount payable at maturity of the Discount Bonds, will be treated as "original issue discount." The original issue discount on each of the Discount Bonds is treated as accruing daily over the term of such Bond on the basis of the yield to maturity determined on the basis of compounding at the end of each six-month period (or shorter period from the date of original issue) ending on January 1 and July 1 (with straight line interpolation between compounding dates). An owner who purchases a Discount Bond in the initial public offering at the Issue Price for such maturity may treat the accrued amount of original issue discount as interest which is excludable from the gross income of the owner of that Discount Bond for federal income tax purposes.

Section 1288 of the Code provides, with respect to tax-exempt obligations such as the Discount Bonds, that the amount of original issue discount accruing each period will be added to the owner's tax basis for the Discount Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Bonds (including sale, redemption or payment at maturity). Owners of Discount Bonds who dispose of Discount Bonds prior to maturity should consult their advisors concerning the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bonds prior to maturity.

The original issue discount that accrues in each year to an owner of a Discount Bond may result in certain collateral federal income tax consequences. Owners of any Discount Bonds should be aware that the accrual of original issue discount in each year may result in a tax liability from these collateral tax consequences even though the owners of such Discount Bonds will not receive a corresponding cash payment until a later year.

Owners who purchase Discount Bonds in the initial public offering but at a price different from the Issue Price for such maturity should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bonds such as the Discount Bonds. Owners who do not purchase Discount Bonds in the initial offering should consult their own tax advisors with respect to the tax consequences of the ownership of Discount Bonds.

Owners of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discount Bonds. It is possible that, under the applicable provisions governing the determination of state or local income taxes, accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

BOND PREMIUM

The initial public offering price of the Series 2003A Bonds maturing on or before July 1, 2022 (the "Premium Bonds"), is greater than the principal amount payable at maturity. As a result, the Premium Bonds will be considered to be issued with amortizable bond premium (the "Bond Premium"). An owner who acquires a Premium Bond in the initial public offering will be required to adjust the owner's basis in the Premium Bond downward as a result of the amortization of the Bond Premium, pursuant to Section 1016(a)(5) of the Code. Such adjusted tax basis will be used to determine taxable gain or loss upon the disposition of the Premium Bonds (including sale, redemption or payment at maturity). The amount of amortizable Bond Premium will be computed on the basis of the taxpayer's yield to maturity, with compounding at the end of each accrual period. Rules for determining (i) the amount of amortizable Bond Premium and (ii) the amount amortizable in a particular year are set forth at Section 17(b) of the Code. No income tax deduction for the amount of amortizable Bond Premium will be allowed pursuant to Section 171(a)(2) of the Code, but amortization of Bond Premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining other tax consequences of owning the Premium Bonds. Owners of Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of such Premium Bonds and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Special rules governing the treatment of Bond Premium, which are applicable to dealers in tax-exempt securities, are found at Section 75 of the Code. Dealers in tax-exempt securities are urged to consult their own tax advisors concerning the treatment of Bond Premium.

LITIGATION

Absence of Litigation Related to the Series 2003A Bonds

As of the date of delivery the Series 2003A Bonds, the Corporation will certify that there is no litigation or other proceeding pending or, to the knowledge of the Corporation, threatened in any court, agency or other administrative body restraining or contesting the issuance, sale, execution or delivery of the Series 2003A Bonds or the pledging of the Pledged Revenue, or in any way contesting, questioning or affecting the validity of any provision of the Series 2003A Bonds, the proceedings or the authority of the Corporation taken with respect to the issuance or sale thereof, the resolutions authorizing the Series 2003A Bonds, or the Indenture. Neither the creation, organization or existence of the Corporation nor the title of any of the present Board members or other Corporation officers to their respective offices is being contested.

Other Proceedings

On August 30, 1990, the Tippecanoe Sanitary Landfill was listed as a Superfund site by the United States Environmental Protection Agency (the "EPA"). The EPA has identified the Corporation, as well as the City of West Lafayette, Indiana, the City of Lafayette, Indiana, and many of the larger industries operating in Tippecanoe County, Indiana, as potentially responsible parties. Theoretically, the Corporation is therefore contingently liable in an undetermined amount. However, the remediation of this site currently is being funded out of tax revenues in excess of $19,000,000, raised exclusively for that purpose and presently in the possession of a local governmental agency established by the Indiana General Assembly to oversee the remedy. This fund, which was agreed to by the Indiana Department of Environmental Management in a consent decree, represents the present value of all anticipated clean-up and oversite costs at the site over the next 30 years, and it is not anticipated that any further funding will be required for the remediation from any source.

In addition, from time to time, the Corporation is involved in ordinary routine litigation or claims incidental to its business. However, the Corporation believes that the ultimate result of proceedings to which it is a party and claims asserted against it as of the date hereof, even if determined adversely to the Corporation, would not have a materially adverse effect upon the Corporation's financial condition or results of operation.

VERIFICATION

The arithmetical accuracy of the mathematical computations as to the adequacy of the maturing principal amounts of, and interest on, the 1993 Governmental Obligations held under the 1993 Escrow Agreement, together with cash held under the 1993 Escrow Agreement, to pay the principal of and redemption premium, if any, and interest on the 1993 Bonds, and the arithmetical accuracy of the mathematical computations as to the adequacy of the maturing principal amounts of, and interest on, the Commercial Paper Governmental Obligations held under the 2000 Escrow Agreement, together with cash held under the 2000 Escrow Agreement, to pay the principal of and interest on the Commercial Paper, as provided in the 2000 Escrow Agreement, and the mathematical computations supporting the conclusions of Barnes & Thornburg, Bond Counsel, that the refunding of the 1993 Bonds and the Commercial Paper will not cause the Series 2003A Bonds to be "arbitrage bonds" under the Code, will be verified by Causey, Demgen & Moore, Inc. Such verifications will be based upon information supplied to Causey, Demgen & Moore, Inc. by the Underwriters.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. ("S&P") have given the Series 2003A Bonds the ratings of "Aa1" and "AA," respectively. An explanation of the rating by Moody's may be obtained from such agency at 99 Church Street, New York, New York, 10007, and an explanation of the rating by S&P may be obtained from such agency at 55 Water Street, New York, New York, 10041. Any such rating reflects only the view of the respective rating agency and is not a recommendation to buy, sell or hold any of the Series 2003A Bonds. There is no assurance that any rating will continue for any given period of time, and any rating may be revised downward or withdrawn entirely, if, in the judgment of the appropriate rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price or marketability of the Series 2003A Bonds.

CERTAIN LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2003A Bonds are subject to the approval of Barnes & Thornburg, Indianapolis, Indiana, Bond Counsel. Certain legal matters will be subject to the approval of Stuart & Branigin, Lafayette, Indiana, counsel to the Corporation, and to the approval of Ice Miller, Indianapolis, Indiana, Counsel to the Underwriters. The form of the approving opinion of Bond Counsel with respect to the Series 2003A Bonds is attached as Appendix C.

LEGAL OPINIONS AND ENFORCEABILITY OF REMEDIES

The various legal opinions to be delivered concurrently with the delivery of the Series 2003A Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment of the transaction opined upon or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

The remedies available to the Trustee upon a default are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the federal bankruptcy code), the remedies may not be readily available or may be limited.

The various legal opinions to be delivered concurrently with the delivery of the Series 2003A Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the State of Indiana and the United States of America and bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

These exceptions would encompass any exercise of federal, state or local police powers in a manner consistent with the public health and welfare. Enforceability of the provisions of the Series 2003A Bonds in a situation where such enforcement may adversely affect public health and welfare may be subject to these police powers.

UNDERWRITING

Lehman Brothers Inc. along with City Securities Corporation and Seibert Brandford Shank & Co., L.L.C. (the "Underwriters") have agreed to purchase the Series 2003A Bonds subject to certain conditions precedent, and the Underwriters are obligated to purchase all Series 2003A Bonds issued at an underwriting discount of $371,352.25 from the initial public offering prices producing the prices or yields set forth on the cover page of this Official Statement. The Underwriters may offer and sell the Series 2003A Bonds to certain dealers (including dealers depositing the Series 2003A Bonds into unit investment trusts) and to others at a price lower than that offered to the public. The initial public offering price may be changed from time to time by the Underwriters.

MISCELLANEOUS

During the initial offering period for the Series 2003A Bonds, a copy of the Indenture will be available for inspection at the Office of the Treasurer of the University, Hovde Hall, West Lafayette, Indiana 47907, and at the offices of Lehman Brothers 399 Park Avenue, 16th Floor, New York, New York, 10022, Attention: John Augustine.

THE TRUSTEES OF PURDUE UNIVERSITY

/s/ Kenneth P. Burns
Kenneth P. Burns, Treasurer

Dated: January 17, 2003

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APPENDIX A

PURDUE UNIVERSITY
AND THE TRUSTEES OF PURDUE UNIVERSITY

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Purdue University
and
The Trustees of Purdue University

General

Purdue University (the "University") was established in 1869 and is one of sixty-eight land-grant colleges and universities created as a result of the Morrill Act of 1862. The University was originally established to teach agricultural and mechanical arts and was named in honor of John Purdue, a substantial donor to the University. The University is one of the seven state-supported universities in Indiana. During its approximately 133 years of operation, the University has grown from 39 students and six instructors to a population, as of the 2002 fall semester, of over 64,000 full-time and part-time students and approximately 4,200 faculty members. The University's educational activities are conducted primarily on four campuses: the main campus in West Lafayette, regional campuses in Hammond and Westville, and a campus operated jointly with Indiana University in Fort Wayne. In addition to its operation of the four campuses, the University is responsible for certain academic programs at the campus of Indiana University-Purdue University in Indianapolis. The University operates a Statewide Technology Program at numerous locations throughout Indiana.

The University is organized academically into ten schools: Agriculture; Consumer and Family Sciences; Education; Engineering; Liberal Arts; Management; Pharmacy, Nursing and Health Sciences; Science; Technology; and Veterinary Medicine. Undergraduate and masters degrees are awarded in all schools and the Doctor of Philosophy degree is awarded in all schools except the School of Technology. The University also awards the professional degrees of Doctor of Pharmacy and Doctor of Veterinary Medicine.

Accreditation and Membership

The University is fully accredited in all of its departments and divisions by the North Central Association of Colleges and Schools. Twenty-five other professional agencies have accredited various schools, departments and programs within the University. The University is also a member of the Association of American Universities.

Strategic Plan

The University's Board of Trustees adopted a five year strategic plan on November 2, 2001, to make Purdue a preeminent university with strategies to advance quality in all areas, lead the world in basic and applied sciences and engineering, and contribute to societal progress - especially in Indiana. Funding for the plan is derived from many sources, including student fees, sponsored funding, private giving, and internal reallocations.

As a part of the strategic plan, the University has embarked on a comprehensive fund-raising effort to generate $1.3 billion by 2007 in support of students, faculty, programs, and facilities. "The Campaign for Purdue" will fund more than 50 new buildings and renovation projects, affecting almost every campus, school and program in the University system. The campaign was officially announced on September 27, 2002 and initial results will be reflected in the 2002-03 financial report.

The Board of Trustees of the Corporation

The Trustees of Purdue University (the "Corporation") is a statutory body corporate created in 1869 to operate the University. The Board of Trustees of the Corporation consists of ten members appointed by the governor of Indiana. Three of these members - one of whom must be a graduate of the School of Agriculture - are nominated by the Purdue Alumni Association. The 1975 General Assembly provided for the 10th member, a student. The Board of Trustees selects the president of the University, decides major policy lines, approves the financial program and budget, approves the president's nominations for major appointments, and approves all construction and major contracts. All members of the Board of Trustees are appointed for terms of three years, except for the student member whose term is two years. The current members of the Board of Trustees are listed on the next page.

Officers of the Corporation

The current officers of the Corporation are listed below.

J. Timothy McGinley, *Chairman*
W. Wayne Townsend, *Vice Chairman*
Kenneth P. Burns, *Treasurer*
James S. Almond, *Assistant Treasurer*
Roseanna M. Behringer, *Secretary*
Anthony S. Benton, *Legal Counsel*
Thomas B. Parent, Assistant *Legal Counsel*

Principal Administrative Officers of the University

The current principal administrative officers who manage the business and academic affairs of the University are listed below.

Martin C. Jischke, *President*
Sally Frost Mason, *Provost*
Kenneth P. Burns, *Executive Vice President and Treasurer*
Murray M. Blackwelder, *Senior Vice President for Advancement*
James S. Almond, *Vice President for Business Services and Assistant Treasurer*
Joseph L. Bennett, *Vice President for University Relations*
James R. Bottum, *Vice President for Information Technology*
Wayne W. Kjonaas, *Vice President for Physical Facilities*
Thomas B. Robinson, *Vice President for Student Services*
Alysa C. Rollock, *Vice President for Human Relations*
John A. Sautter, *Vice President for Housing and Food Services*
Terry D. Strueh, *Vice President for Governmental Relations*
Don K. Gentry, *Vice Provost for Engagement*
Margaret M. Rowe, *Vice Provost for Academic Affairs*
Charles O. Rutledge, *Interim Vice Provost for Research*
Rabindra N. Mukerjea, *Director of Strategic Planning and Assessment*
Howard Cohen , *Chancellor of Calumet Campus*
James B. Dworkin, *Chancellor of North Central Campus*
Michael A. Wartell, *Chancellor of Indiana University-Purdue University at Fort Wayne*
Peggy L. Fish, *Director of Audits*
Scott W. Seidle, *Associate Director of Investments*

Student Admissions

The table below sets forth the total number of first year applications received and accepted, and the number of students enrolled at the West Lafayette campus, for the academic years indicated. The University is managing the total enrollment on the West Lafayette Campus to approximately 30,100. This decision is reflected by the decline in students enrolled and the percent accepted.

ACADEMIC YEAR	APPLICATIONS RECEIVED	APPLICATIONS ACCEPTED	PERCENT ACCEPTED	STUDENTS ENROLLED	YIELD OVERALL	YIELD IN STATE
1998-99	18,343	15,975	87.1%	6,728	42.1%	61.0%
1999-00	19,625	16,499	84.1%	6,964	42.2%	61.8%
2000-01	20,405	15,936	78.1%	6,430	40.3%	61.9%
2001-02	21,760	16,727	76.9%	6,580	39.3%	60.6%
2002-03	22,872	17,292	75.6%	6,323	36.6%	59.6%

The freshman applicants at the West Lafayette campus for the fall semesters 1998 through 2002 had an average combined score for the Scholastic Aptitude Test (SAT) verbal and mathematical test of 1108, 1110, 1129, 1134, and 1150 respectively. Twenty-eight percent of the Fall 2002 freshman class ranked in the top 10 percent of their high school graduating class and 93 percent ranked in the upper half.

Tuition and Fees

The University operates its programs on a two semester and summer session basis. Fees, tuition and other costs of attending the University vary by campus and resident status. For resident students at the West Lafayette campus, educational costs include general academic fees, other special fees, and room and board. Non-resident students are also charged a tuition fee. Fees and tuition are charged per semester for students on the West Lafayette campus. Charges for students attending the regional campuses are based on the number of credit hours taken.

Student Fees, Tuition and Other Fees: The table below sets forth the total fees applicable to both full-time and part-time students at the West Lafayette campus for the academic years 1998-99 through 2002-03. Approximately 40 percent of the total undergraduate and graduate students at the West Lafayette campus and approximately 5 percent at the regional campuses are non-residents of the State of Indiana.

WEST LAFAYETTE CAMPUS FEES

	FULL-TIME (PER CREDIT HOUR)		PART-TIME (PER CREDIT HOUR)	
Academic Year	Indiana Resident	Non-Resident	Indiana Resident	Non-Resident
1998-99	$3,564	$11,784	$126[1]	$387[1]
1999-00	3,724	12,348	130[1]	404[1]
2000-01	3,872	12,904	135[1]	422[1]
2001-02	4,164	13,872	149[3]	458[3]
2002-03	5,580[2]	16,260[2]	200[2, 3]	540[2, 3]

The full-time summer session fee is one quarter of the regular academic year fee. The fees for undergraduate and graduate students are the same.

1 Excluding the technology fee that was effective beginning with Spring 1998.

2 Rates are for new students. Full-time continuing students pay $1,000 less and part-time continuing students pay $35.75 per credit hour less.

The table below sets forth the fees charged per academic year to students attending each regional campus of the University for the academic years 1998-99 through 2002-03. The fees listed assume that undergraduate students are enrolled for 30 hours per academic year and graduate students are enrolled for 24 hours per academic year.

REGIONAL CAMPUS FEES
(PER ACADEMIC YEAR)

CALUMET

ACADEMIC YEAR	UNDERGRADUATE INDIANA RESIDENT	UNDERGRADUATE NON-RESIDENT	GRADUATE INDIANA RESIDENT	GRADUATE NON-RESIDENT
1998-99	$3,093	$7,375	$3,097	$6,835
1999-00	3,201	7,633	3,205	7,075
2000-01	3,329	7,939	3,334	7,358
2001-02	3,568	8,524	3,580	7,906
2002-03[1]	4,393	9,845	4,321	9,080

FORT WAYNE

ACADEMIC YEAR	UNDERGRADUATE INDIANA RESIDENT	UNDERGRADUATE NON-RESIDENT	GRADUATE INDIANA RESIDENT	GRADUATE NON-RESIDENT
1998-99	$3,350	$7,734	$3,385	$7,248
1999-00	3,534	8,160	3,571	7,646
2000-01	3,683	8,573	3,720	8,033
2001-02	3,959	9,219	4,000	8,638
2002-03[2]	4,865	10,650	4,807	9,910

NORTH CENTRAL

ACADEMIC YEAR	UNDERGRADUATE INDIANA RESIDENT	UNDERGRADUATE NON-RESIDENT	GRADUATE INDIANA RESIDENT	GRADUATE NON-RESIDENT
1998-99	$3,102	$7,449	$3,094	$6,895
1999-00	3,210	7,709	3,203	7,138
2000-01	3,339	8,018	3,331	7,424
2001-02	3,590	8,619	3,582	7,982
2002-03[3]	4,487	10,019	4,372	9,211

[1] Rates are for new students. Continuing undergraduate students pay $480 less and continuing graduate students pay $384 less.

[2] Rates are for new students. Continuing undergraduate students pay $510 less and continuing graduate students pay $408 less.

[3] Rates are for new students. Continuing undergraduate students pay $539 less and continuing graduate students pay $431 less.

Student Enrollment

The University attracts students from a variety of backgrounds and geographical locations. Undergraduates on the West Lafayette campus come from the following areas: Indiana, 60 percent; other states, 27 percent; international, 13 percent. The following table presents the University's headcount enrollment for the fall semester of the academic years 1998-99 through 2002-03.

	WEST LAFAYETTE CAMPUS			REGIONAL CAMPUSES*				
ACADEMIC YEAR	FULL-TIME	PART-TIME	TOTAL	FULL-TIME	PART-TIME	TOTAL	STATEWIDE TECHNOLOGY	UNIVERSITY TOTAL*
1998-99	32,788	4,090	36,878	11,176	12,185	23,361	1,879	62,118
1999-00	33,725	4,037	37,762	11,550	11,729	23,279	1,691	62,732
2000-01	33,907	3,964	37,871	11,682	11,380	23,062	1,769	62,702
2001-02	34,442	3,766	38,208	12,277	11,460	23,737	1,661	63,606
2002-03	34,563	4,001	38,564	12,225	12,050	24,275	1,553	64,392

The following table sets forth the undergraduate, and graduate and professional enrollment for the West Lafayette campus and the full-time equivalent.

ACADEMIC YEAR	UNDERGRADUATE	GRADUATE & PROFESSIONAL	TOTAL	WEST LAFAYETTE FULL-TIME EQUIVALENT	PURDUE SYSTEM FULL-TIME EQUIVALENT*
1998-99	30,159	6,719	36,878	35,486	50,801
1999-00	30,835	6,927	37,762	36,429	51,870
2000-01	30,899	6,972	37,871	36,594	52,158
2001-02	30,987	7,221	38,208	36,944	53,164
2002-03	30,908	7,656	38,564	37,168	53,693

The University projects that total enrollment will remain stable at or near current levels.

* Includes the Indiana University students enrolled at the Indiana University-Purdue University campus in Fort Wayne and excludes the Purdue University students enrolled at the Indiana University-Purdue University campus in Indianapolis.

Faculty and Employees

As of November 1, 2002, the University's faculty and staff aggregate total was 17,037. Of the total faculty, 59% hold tenured/tenure track appointments.

	West Lafayette	Regional & Statewide Technology	Total
Tenured/Tenure Track Faculty			
Academic, Associate and Assistant Deans	43	17	60
Academic Department Heads	57	32	89
Professors	735	88	823
Associate Professors	506	252	758
Assistant Professors	360	187	547
Instructors	3	11	14
Sub-Total of Tenured/Tenure Track Faculty	**1,704**	**587**	**2,291**
Non-Tenure Appointments			
Clinical/Professional	30	5	35
Continuing Lecturers	55	55	110
Limited-Term Lecturers	197	802	999
Visiting Faculty	134	66	200
Post Doctoral	250	0	250
Sub-Total of Non-Tenure Appointments	**666**	**928**	**1,594**
Adjunct Faculty			
Adjunct Faculty	270	65	335
Sub-Total of Adjunct Faculty	**270**	**65**	**335**
Graduate Student Staff			
Graduate Assistants	2,039	23	2,062
Graduate Research Assistants	2,017	0	2,017
Graduate Aids	0	132	132
Graduate Student Administrative	108	5	113
Sub-Total of Graduate Student Staff	**4,164**	**160**	**4,324**
Staff			
Administrative Staff	1,071	347	1,418
Operations Assistant	263	31	294
Professional Staff	1,738	101	1,839
Technical Assistant	140	24	164
Extension Educators	273	0	273
Clerical Staff	1,435	392	1,827
Service Staff	2,328	350	2,678
Sub-Total of Staff	**7,248**	**1,245**	**8,493**
GRAND TOTAL ALL STAFF	**14,052**	**2,985**	**17,037**

No labor organization is a collective bargaining representative for any of the Corporation's employees.

Facilities

Academic and Administrative Facilities: The University has 178 principal buildings used for academic instruction, research, athletics and administrative functions. These buildings are located on the University's four campuses and comprise 2,603 acres. The University, together with related foundations, also owns 14,256 acres of agricultural land throughout the state.

Libraries: The University Library System is made up of the Hicks Undergraduate Library and 14 departmental and school libraries with over 2,343,000 volumes, 1,400 electronic data files, and 20,000 serial titles. In addition to books and journals, the Library System has over 2,373,000 items in microform (reel film, micro cards, microfiche, etc.) which include older scholarly and technical materials not readily available in other forms.

Research Facilities: The University has approximately 1,069,962 square feet of research laboratories located on its West Lafayette campus. In addition to the research laboratories for research within a department or school, there are other specialized research facilities, some of an interdisciplinary character, as follows: Agriculture Experiment Station, Automotive Transportation Center, Hillenbrand Biomedical Engineering Center, Center for Biomolecular NMR, Structure and Design, Cancer Research Center, Center for Information and Numerical Data Analysis and Synthesis, Center for Analysis Research, Computer-Integrated Design Manufacturing and Automotion Center, Credit Research Center, Laboratory for Applied Industrial Control, Laboratory of Renewable Resources Engineering, Aston Laboratory for Mass Spectroscopy, AIDS Research Center, Thermal Science and Propulsion Center, and Engineering Research Center for Intelligent Manufacturing Systems.

Housing and Dining Facilities: The University provides a variety of residence facilities for both single and married students. In the fall semester of 2002, single student housing provided 11,241 spaces in 11 dormitory units, two graduate housing facilities, and one student apartment facility. Dining facilities are located in nine housing units. Married student housing consists of 1,032 apartments. As of the beginning of the fall semester 2002, 12,149 total spaces were available and 11,504, or 94.6%, were occupied. The predominant rates for room and board for students at the West Lafayette campus for the 2001-02 academic year were $5,908 with 20 meals per week, $5,480 with 15 meals per week, and $5,232 with 10 meals a week. For the 2002-03 academic year the costs are $6,142 with 20 meals per week, $5,698 with 15 meals per week, and $5,446 with 10 meals a week.

Other Facilities: The University's other facilities include the Purdue University Airport, that provides public transportation facilities for the Greater Lafayette Area; the Edward C. Elliott Hall of Music, that seats 6,027 people; and the Slayter Center of the Performing Arts.

Financial Operations of the Corporation

Effective with the 2001-02 fiscal year, the University adopted Governmental Accounting Standards Board (GASB) statements numbered 34, 35, 37, and 38. These statements collectively establish a new model of financial reporting that emphasizes the results of operations at an enterprise level rather than segregating operations by fund. Fund level financial statements were used prior to the 2001-2002 fiscal year. Comparative data for the 2000-2001 fiscal year have been restated accordingly. See "Appendix B – Management's Discussion and Analysis" for a further explanation of these changes.

Data for prior years have not been restated and are not, therefore, included. However, such historical data may be currently found in the Corporation's prior annual disclosure documents on file with the nationally recognized municipal securities information repositories. See also "Appendix B" for complete financial information in the Corporation's audited financial statements for the fiscal years ended June 30, 2002, and June 30, 2001, from which the following information has been extracted. In particular, attention is directed to the condensed statements in Note 14 thereto containing certain information regarding the Corporation's Dormitory System, which includes certain operations currently included in the System created under the Indenture. (See also "THE FACILITIES AND THE SYSTEM" for more detailed financial and operational information on the System.)

FINANCIAL OPERATIONS OF THE CORPORATION
Statement of Revenues, Expenses, and Changes in Net Assets

	Fiscal Year Ended June 30 (dollars in thousands)	
	2002	**2001 (Restated)**
Operating Revenues		
Tuition and Fees	$333,828	$301,741
Less: Scholarship Allowance	(36,866)	(33,817)
Net Tuition and Fees	$296,962	$267,924
Federal Appropriations	14,770	15,726
County Appropriations	6,403	6,190
Grants and Contracts	192,820	173,844
Sales and Services	39,352	39,360
Auxiliary Enterprises (Net of	162,284	152,244
Other Operating Revenues	1,328	965
Total Operating Revenues	**$713,919**	**$656,253**
Operating Expenses		
Compensation and Benefits	$788,035	$749,049
Supplies and Services	227,442	218,274
Depreciation Expense	67,482	64,692
Scholarships, Fellowships, and Student Awards	25,249	19,487
Total Operating Expenses	**$1,108,208**	**$1,051,502**
Net Operating Loss	**($394,289)**	**($395,249)**
Nonoperating Revenues (Expenses)		
State Appropriations	$348,335	$371,954
Private Gifts	97,164	81,947
Investment Income (Loss)	(6,897)	35,854
Interest Expense	(17,448)	(18,006)
Other Nonoperating Revenues, Net	6,835	3,396
Total Nonoperating Revenues before Capital Endowments	**$427,989**	**$475,145**
Capital and Endowments		
Capital State Appropriations	$0	$0
Capital Gifts	47,746	48,421
Private Gifts for Permanent Endowments	9,829	8,513
Plant Assets Retired	(2,512)	(10,676)
Total Capital and Endowments	**$55,063**	**$46,258**
Total Nonoperating Revenues	**$483,052**	**$521,403**
Increase in Net Assets before Change in Accounting Policy	**$88,763**	**$126,154**
Cumulative Effect of Change in Accounting Policy		
Assets under Capitalization Level Written Off	0	(31,481)
INCREASE IN NET ASSETS	**$88,763**	**$94,673**
Net Assets, Beginning of Year	**$1,820,603**	**$1,725,930**
Net Assets, End of Year	**$1,909,366**	**$1,820,603**

State Appropriations

The Corporation receives a major portion of the revenues needed to sustain its educational and research activities from the State of Indiana, Student Fees and the federal government.

The Corporation has annually received and anticipates receiving appropriations from the Indiana General Assembly. These appropriations have been and are to be applied to the educational and general expenditures of the Corporation and to fund major repair and rehabilitation projects.

The State Appropriations received by the Corporation for the past five years, and the appropriations made for the current 2001-03 biennial years, are set forth below. This information should be reviewed in conjunction with the University's financial statements, including the Management's Discussion and Analysis, and the Notes to the statements. See "Appendix B".

STATE APPROPRIATIONS
(dollars in thousands)

	Normal Recurring Appropriations					
	Unrestricted		Restricted			
Fiscal Year Ended June 30	General Operating	Fee Replacement	Repair & Rehabilitation	Special	Non-Recurring Appropriations	Total
Historical						
1997	$245,683	$26,336	$8,627	$17,965		$298,611
1998	253,371	29,406	10,764	19,743	$4,546	317,830
1999	263,524	27,050	10,764	21,000	9,288	331,626
2000	278,409	30,194	11,610	24,891	11,920	357,024
2001	288,667	30,306	13,585	25,859	12,462	370,879
Current						
2002	268,786	28,736		23,956		321,478
2003	289,982	33,672		24,471	7,764*	355,889

* Budgeted

Student Financial Aid

Total financial support for students amounted to approximately $352.3 million for the fiscal year that ended June 30, 2002. A substantial portion of funds provided to students is derived from sources outside the Corporation. All programs furnished by the federal and state government are subject to appropriation and funding by the respective legislatures. There can be no assurance that the amounts of federal and state financial aid to students will be available in the future at the same levels and under the same terms and conditions as presently apply. Any changes in the availability of federal and state financial aid may affect the University's enrollment, but the impact of any such changes cannot be assessed at this time.

The following table summarizes the financial aid provided to students of the University from various sources for the year that ended June 30, 2002.

STUDENT FINANCIAL ASSISTANCE
Fiscal Year Ended June 30, 2002
(dollars in thousands)

	West Lafayette	Regional Campuses	University Total
Scholarships and Grants:			
University Scholarships	$13,611	$1,436	$15,047
Athletic Grant in Aid Awards	4,986	562	5,548
State Awards	11,720	7,224	18,944
Private Awards	9,278	2,193	11,471
Fellowships	448	0	448
Institutional Fee Remissions	7,435	16	7,451
State Statutory Fee Remissions	10,127	631	10,758
Federal Grants	22,866	12,553	35,419
Total Scholarships and Grants	**$80,471**	**$24,615**	**$105,086**
Loans:			
Federal Stafford Loans	$66,381	$31,726	$98,107
Federal Parent Loans for Undergraduate Students	30,775	344	31,119
Federal Perkins and Health Professions Loans	4,538	1,370	5,908
Purdue Loans	3,401	0	3,401
Private Loans	8,858	299	9,157
Total Loans	**$113,953**	**$33,739**	**$147,692**
Employment and Employment Related:			
Work-Study Salaries	$1,515	$594	$2,109
Graduate Student Staff Salaries	57,022	1,337	58,359
Other Part-Time University Salaries	15,378	2,236	17,614
Employment Related Fee Remissions	18,994	824	19,818
Other Employment Related Awards	1,611	0	1,611
Total Employment Related	**$94,520**	**$4,991**	**$99,511**
Total Student Financial Assistance	**$288,944**	**$63,345**	**$352,289**

Endowment and Similar Funds

The Corporation's Endowment and Similar Funds include (1) endowment funds which are subject to the restrictions of gift instruments requiring that the principal be maintained in perpetuity, the current income and capital appreciation of which are distributed at an annualized rate based on the market value of the endowment, either for donor-specified purposes or for general purposes of the University; (2) funds functioning as endowments which represent expendable funds received which, by decision of the Board of Trustees of the Corporation, have been retained and invested for future use, in accordance with the donor's restrictions or at the discretion of the Board of Trustees; and (3) annuity funds which are subject to agreements whereby assets are made available to the Corporation on the condition that it pay stipulated amounts periodically, until a specified termination date, to designated individuals. The market value figures at the end of each of the past five fiscal years are shown below. These values are not pledged under the Indenture.

FISCAL YEAR ENDED JUNE 30	MARKET VALUE
1998	$588,821,281
1999	644,870,631
2000	685,062,303
2001	637,911,370
2002	576,339,255

Related Foundations

The foundations listed below are organized exclusively to serve the Corporation and the University by providing funds and other resources. The asset value, income, and support to the Corporation for the last fiscal year ended for each foundation is shown in the following table.

FOUNDATION	ASSET (BOOK) VALUE	INCOME	DISBURSED TO/FOR THE CORPORATION
Purdue Research Foundation	$519,004,413	$24,904,295	$19,631,555
Ross-Ade Foundation	103,052,242	1,528,387	1,505,774
The Purdue Foundation, Inc.	2,045,699	28,296,772	28,299,064
Purdue Alumni Foundation	142,461,305	8,887,201	10,968,674
Indiana-Purdue Foundation at Fort Wayne	9,018,225	1,755,334	1,441,508
Total	**$775,581,884**	**$65,371,989**	**$61,846,575**

Purdue Research Foundation: The Purdue Research Foundation manages gifts and endowments, negotiates contracts with industry for the support of research, and makes agreements with the various research-sponsoring agencies of the federal government. This Foundation also supports research and fellowships with its own funds as supplements to those obtained from outside agencies. This Foundation developed the Purdue Research Park that provides a program for interaction between research and development activities of industry and the basic research of the University. This Foundation owns 7,641 acres of land, 5,247 acres of which is leased to Purdue University. Four members of the thirteen-member Board of Directors are members of the Board of Trustees of the Corporation.

Ross-Ade Foundation: The Ross-Ade Foundation was organized in 1924 through gifts from alumni to promote and develop the educational and physical welfare of students with funds that could not be provided from state appropriations. This Foundation has built the football stadium and parking garages, and has been instrumental in the development of the regional campuses by acquiring the land and constructing the facilities. All the facilities are leased to the Corporation on a cost basis. The nine member Board of Directors of this Foundation includes three members of the Board of Trustees of the Corporation.

The Purdue Foundation, Inc.: The Purdue Foundation, Inc. was incorporated in 1979 for the purpose of consolidating the solicitation, receipt and acceptance of gifts, donations, and bequests from the general public, including individuals, corporations and other sources, for the benefit of the Corporation. Included on the nine-member Board of Directors are five members of the Board of Trustees of the Corporation.

Purdue Alumni Foundation: The Purdue Alumni Foundation was created in 1942 for the purpose of the solicitation and collection of gifts from alumni of Purdue University to be applied toward the student financial aid program. This Foundation is governed by five trustees, all of whom are chosen by the Purdue Alumni Association Board.

Indiana-Purdue Foundation at Fort Wayne: Indiana-Purdue Foundation at Fort Wayne was incorporated in 1958 exclusively to promote the needs and programs of Indiana University and Purdue University. This Foundation has helped finance the construction of an academic building and given land to these universities. The 15 member Board of Directors of this Foundation includes three members of the Board of Trustees of the Corporation.

Fund Raising Activity

The University has embarked on a comprehensive fund-raising effort to generate $1.3 billion by 2007 in support of students, faculty, programs, and facilities. "The Campaign for Purdue" will fund more than 50 new buildings and renovation projects, affecting almost every campus, school and program in the University system. The campaign was officially announced on September 27, 2002 and initial results will be reflected in the 2002-03 financial report.

For the year ending June 30, 2002, the Corporation received approximately $234.3 million in private support from individuals, corporations, foundations and other sources. Total gifts for the five years ending June 30, 2002, for the Corporation are shown in the following table.

TOTAL GIFT GIVING BY CATEGORY
Fiscal Year Ended June 30
(dollars in thousands)

	2002*	**2001***	**2000***	**1999***	**1998**
Cash/Securities	$93,073	$95,065	$59,801	$60,505	$56,108
Real Estate	$21,205	$551	$108	$110	$1,320
Gifts-in-Kind	$38,671	$14,677	$18,182	$12,787	$14,486
Irrevocable Deferred	$11,051	$20,442	$10,192	$8,376	$8,408
Pledge Balances	$70,334	$43,201	$25,077	$12,791	$0
Total	**$234,334**	**$173,935**	**$113,359**	**$94,569**	**$80,321**

* Pledge balance data only reported for current FY and last three FY

Grants and Contracts

Sponsored program expenditures for the 2001-2002 fiscal year were $179 million, an increase of $19.3 million, or greater than 12% over previous year expenditures. Research project expenditures comprised 76% of the total 2001-2002 sponsored program expenditures. Departments with sponsored research program expenditures in excess of $5 million were: Electrical and Computer Engineering, $15.0 million; Biological Sciences, $14.6 million; Chemistry, $10.8 million; Mechanical Engineering, $9.8 million; Civil Engineering, $9.1 million; Physics, $6.3 million; Computer Science, $5.9 million; Medicinal Chemistry and Molecular Pharmacology, $5.4 million; and Foods and Nutrition, $5.1 million. The percent of the research dollar that was expended for salaries continued at 41%. The percent for capital expenditures decreased slightly to 6%.

GRANTS AND CONTRACTS BY SOURCE
Fiscal Year Ended June 30
(dollars in thousands)

	2002	**2001**	**2000**	**1999**	**1998**
Federal Sources					
Department of Health and Human Services	$32,040	$26,628	$21,177	$20,166	$20,846
National Science Foundation	23,973	22,350	21,517	22,012	21,182
Department of Energy	8,475	8,530	10,283	10,360	10,231
Department of Defense	15,871	15,999	14,620	15,908	15,534
Department of Agriculture	11,022	9,872	9,922	8,914	8,980
Other Federal Agencies	18,279	14,720	14,545	15,781	15,426
Total Federal Sources	**$109,660**	**$98,099**	**$92,064**	**$93,141**	**$92,199**
State of Indiana	24,039	18,134	14,118	12,800	10,328
Business and Foundations	35,716	34,909	34,612	29,710	27,758
Non-Profit Organizations	9,846	8,828	8,475	7,702	7,162
Total Non-Federal Sources	**$69,601**	**$61,871**	**$57,205**	**$50,212**	**$45,248**
Total All Sources	**$179,261**	**$159,970**	**$149,269**	**$143,353**	**$137,447**

Other Outstanding Indebtedness

The Corporation is authorized by various acts of the Indiana General Assembly to issue bonds for the purpose of financing construction of the student union buildings, academic and athletic facilities, dormitories, and qualified energy savings projects, among other purposes. The Corporation has never failed to pay punctually, and in full, all amounts due for principal and interest on any indebtedness. Total outstanding indebtedness of the Corporation, as of December 1, 2002, was $440,234,117, and is summarized in the following table.

Title of Indebtedness	Final Maturity	Amount Outstanding as of December 1, 2002	
Bank Note			
Athletic Facilities	2006	$1,665,000	(1)
Qualified Energy Savings	2011	8,059,117	(2)
Commercial Paper Program	2009	27,800,000	(1)(6)
Bonds Outstanding			
Student Fee Bonds, Series E	2007	8,700,000	(3)
Student Fee Bonds, Series H	2015	11,400,000	(3)
Student Fee Bonds, Series K	2020	18,200,000	(3)
Student Fee Bonds, Series L	2020	15,900,000	(3)
Student Fee Bonds, Series N	2014	50,360,000	(3)
Student Fee Bonds, Series O	2019	31,580,000	(3)
Student Fee Bonds, Series P	2017	53,320,000	(3)
Student Fee Bonds, Series Q	2022	48,950,000	(3)
Student Fee Bonds, Series R	2023	33,045,000	(3)
Student Union Building Bonds	2003	290,000	(1)
Dormitory System Building Revenue Bonds, Series 1993	2014	34,450,000	(1)(6)
Leasehold Indebtedness			
Parking Facilities	2015-2016	26,515,000	(4)
Ross-Ade Stadium Renovation	2027	70,000,000	(4)
Total Outstanding Indebtedness		**$440,234,117**	
Refunded Indebtedness-Escrowed to Maturity or Call Date			
Building Facilities Fee Bonds	2009	$10,520,000	(5)
Dormitory Facilities Revenue Bonds, Series A - L	2008	4,783,000	(5)
Student Fee Bonds, Series B	2005	33,600,000	(5)
Student Fee Bonds, Series M	2006	54,500,000	(5)
Student Fee Bonds, Series G	2004	20,725,000	(5)
Parking Facilities	2004	9,620,000	(5)
Total Refunded Bonds		**$133,748,000**	

(1) Secured by a pledge of the Net Income of the designated Auxiliary Enterprise.
(2) Payable from the energy savings projects financed by the borrowings.
(3) Secured by a pledge of Student Fees.
(4) Payable from available funds of the Corporation.
(5) Secured by and to be repaid from Federal Securities deposited with a trustee in an amount to pay principal and interest on the refunded bonds as they become due through maturity or call date.
(6) To be refunded by the Series 2003A Bonds.

Physical Property

Physical property owned by the Corporation, or otherwise available to and utilized by the University, consists primarily of 18,181 acres of land and 842 buildings. The buildings, together with equipment and furnishings, were valued at an estimated replacement cost of $2.8 billion as of June 30, 2002. The following table sets forth the increase in net plant investment for the five years ended June 30, 1998 through 2002. Additions are valued at cost or, in the case of gifts, at fair value at the date of donation.

FISCAL YEAR ENDED JUNE 30	INVESTMENT IN PLANT (AT COST)	ACCUMULATED DEPRECIATION	NET BOOK VALUE IN PLANT
1998	$1,443,319,409	$627,853,441	$815,465,968
1999	1,497,625,234	668,356,055	829,269,179
2000	1,572,605,952	713,917,223	858,688,729
2001	1,555,654,668	694,013,824	861,640,845
2002	1,681,248,948	747,276,201	933,972,747

Insurance

All Risk Coverage: All facilities of the Corporation are insured under a blanket form policy, including new construction not yet completed. The blanket form covers each building for loss up to the total of its replacement cost value (unless otherwise specified as actual cash value). There is a $250,000 deductible clause which is applicable to each occurrence. The Corporation self-insures those losses up to $250,000 through its Insurance Services Enterprise. The Insurance Services Enterprise fund balance, at June 30, 2002, was $16,798,850.

The Corporation also maintains business interruption insurance for protection against loss of income due to temporary shutdown of operations resulting from physical damage to property. Coverage for the Dormitory System and Purdue Memorial Union is based on an annual estimate of income and payroll and is currently at a $94,736,404 level. A $250,000 deductible applies per occurrence and is funded by the Corporation’s Insurance Services Enterprise.

Premises and Operations Liability: The Corporation provides insurance for liability to third parties arising out of accidents on the several premises of the University and in connection with its operations off-premises. Except for the airport (covered by a separate $25,000,000 liability policy) and the aircraft (covered by a separate $10,000,000 policy), the Corporation's primary liability policy is in the amount of $25,000,000 per occurrence/wrongful act/annual aggregate over a $1,000,000 per occurrence or claim self-insured retention. Claims within that retention are handled by a third party administrator with whom the University has contracted.

Capital Programs

The Corporation has an on-going capital improvement program consisting of new construction and the renovation of existing facilities. Capital improvement projects are expected to be funded from a variety of sources, including gifts, state appropriations, bond financing, and Corporation funds. Major construction in process includes the expansion of the Krannert Building, construction of the Visual and Performing Arts Building, construction of the Dick & Sandy Dauch Alumni Center, and the renovation of the Ross-Ade Stadium.

The University has also begun the construction of Discovery Park, a $100 million research and education complex on the West Lafayette campus that will integrate science, technology, engineering and management. Initially, four major centers are planned for the park: the Birck Nanotechnology Center - $56.4 million; Biosciences / Engineering - $15 million; Burton D. Morgan Center for Entrepreneurship - $7 million; and the e-Enterprises Center - $10 million. The funding for these facilities will be primarily from private donations to the University. See "THE FACILITIES AND THE SYSTEM – Capital Plans" for a description of additional capital projects to be included in the System or payable from the revenues generated by the System.

Retirement Plans

The Corporation participates in contributory retirement plans administered by the Teachers Insurance and Annuity Association ("TIAA") and the College Retirement Equities Fund ("CREF") for its faculty and administrative-professional staff. The retirement plans provide fully-vested, fully-funded, fixed-dollar and variable annuities. The services of TIAA-CREF are restricted to colleges, universities, independent schools and certain other educational and research institutions. The Corporation's liability under these retirement plans is limited to a required annual contribution with respect to the individual retirement account of each participating employee. The Corporation is current with all amounts due TIAA-CREF.

The clerical and service staff participate in the Public Employees Retirement Fund ("PERF") of the State of Indiana, which is the retirement plan for all State employees. The Corporation's liability under this retirement plan is limited to a required annual contribution with respect to each participating employee. The Corporation is current with all amounts due PERF.

APPENDIX B

FINANCIAL REPORT OF THE CORPORATION FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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State of Indiana
An Equal Opportunity Employer

INDEPENDENT AUDITORS' REPORT

TO: The Officials of Purdue University, West Lafayette, Indiana

We have audited the accompanying basic financial statements of Purdue University, a component unit of the State of Indiana, as of and for the years ended June 30, 2002 and 2001. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 audit provides 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 Purdue University, as of June 30, 2002 and 2001, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 22, 2002, on our consideration of Purdue University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit. This report will be issued in the University's Single Audit report prepared in accordance with OMB Circular A-133.

The Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

STATE BOARD OF ACCOUNTS

October 22, 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2002

INTRODUCTION

The following discussion and analysis provides an overview of the financial position of Purdue University for the 2001-2002 fiscal year ended June 30, 2002, the financial activities for the 2001-2002 fiscal year, and a brief description of the financial statements produced herein. This discussion should be read in conjunction with the financial statements and the notes to the statements, which immediately follow this section.

The financial information presented in this report is designed to enable the user to review how the University managed its resources to meet its primary missions of discovery, learning, and engagement. It should be recognized that a presentation of the financial performance of the University is not a full measure of the value of the discovery, learning, and engagement functions carried out during the year. This report deals with the costs and sources of revenue used to provide the quality and diversity in higher education that the University believes necessary to meet its goals and objectives.

FINANCIAL HIGHLIGHTS

The University increased its net assets $88.8 million for the fiscal year ended June 30, 2002, compared with an increase of $94.7 million in the fiscal year ended June 30, 2001. Operating revenues were $713.9 million compared to $656.3 million in the prior year – an increase of 8.8%. This increase is due primarily to increases in net student fee revenue ($29.0 million), grants and contracts ($19.0 million), and auxiliary enterprises ($10.0 million).

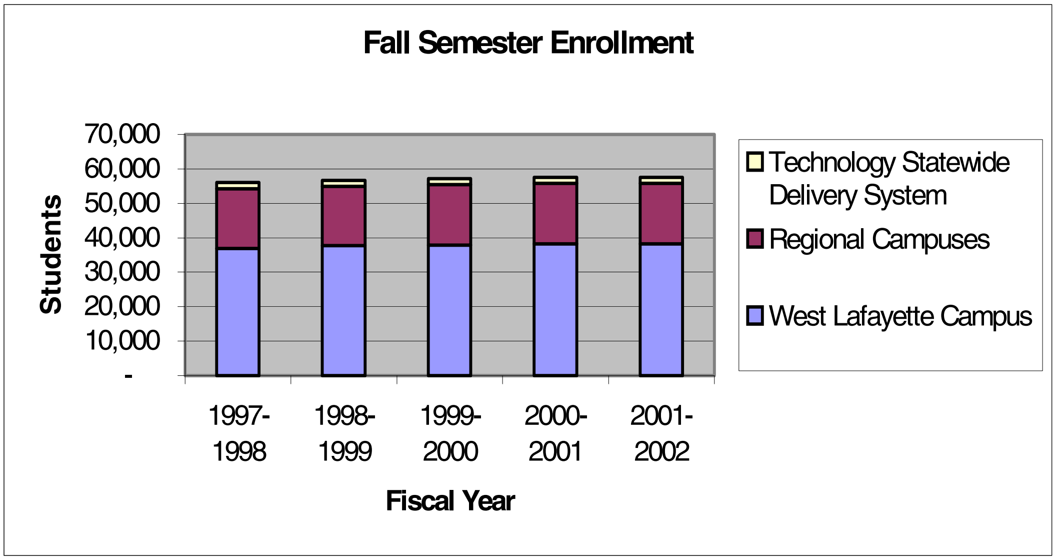
Operating expenses increased 5.4% from $1.05 billion for the 2000-2001 fiscal year to $1.11 billion for the 2001-2002 fiscal year. This change was driven by a 5.2% increase in compensation and benefits, the single largest component of operating expenses, which increased from $749.0 million to $788.0 million. Nonoperating revenues declined $38.4 million, from $521.4 million in the 2000-2001 fiscal year to $483.1 million in the 2001-2002 fiscal year. The decrease was due primarily to a reduction in appropriations from the State of Indiana and a loss on investments.

State appropriations declined $23.6 million between the fiscal years. The reductions include the elimination of the annual appropriation for repairs and renovations, University-initiated savings for debt payments (See Note 9), elimination of appropriations for capital projects, and a reduction in the operating appropriation. Additionally, the State of Indiana delayed payment of $26.6 million for the June 2002 operating appropriation. This amount has been accrued as a receivable. The State's fiscal situation is discussed further in the Economic Factors that Will Affect the Future section on page 12.

The University experienced an investment loss of $6.9 million for the 2001-2002 fiscal year, a decrease of $42.8 million from the prior year's revenue of $35.9 million. The loss includes investment income (dividends and interest), realized gains and losses, as well as an unrealized loss. The University reports its investments at fair value as of the date of the financial statements. The change in the market value of investments between June 30, 2001, and June 30, 2002, is contained in the reported loss.

The increase in net assets of $88.8 million represents a 6.2% decrease from the prior year amount of $94.7 million. The prior year also contained a one-time charge of $31.5 million due to an increase in the capitalization limit for equipment. On a comparative basis, there was a decline of $37.4 million in the change to net assets between the fiscal years. The relative decline is attributed entirely to nonoperating measures as described previously, which were offset considerably by managing student enrollment and aggressively pursuing grant and contract revenue. These actions improved total operating income by $1.0 million from the 2000-2001 fiscal year. Additionally, the decline in nonoperating revenue was mitigated by increased gifts for the permanent endowment and a reduction in assets retired. The change in enrollment over the last five years is illustrated in Figure 1.

Figure 1. Five-Year Enrollment Data



PURDUE UNIVERSITY FINANCIAL STATEMENTS

Use of the Financial Statements

The primary purpose of financial reporting, whether for a commercial enterprise or for a college or university, is to provide information that will assist (1) management in the effective allocation and use of the organization's resources and (2) the general public, investors, creditors, and others in evaluating the effectiveness of management in achieving organizational objectives. The nature of the organization, its resources, and objectives all serve to influence the form and process by which the accounting is accomplished and information reported.

The main goal of a college or university is to provide services that fulfill societal needs without regard for financial gain. Resources are consumed to attain service objectives rather than to make a profit. The accounting and reporting process must, therefore, address itself to accounting for resources received, used, and held rather than for the determination of net income.

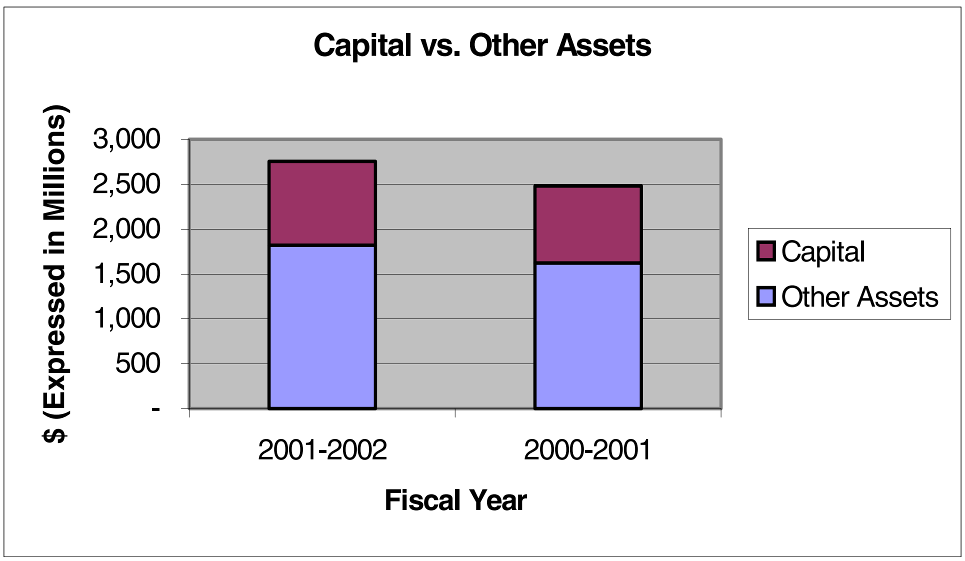
Effective with the 2001-02 fiscal year, the University adopted Governmental Accounting Standards Board (GASB) statements numbered 34, 35, 37, and 38 (See Note 1.) These statements collectively establish a new model of financial reporting that emphasizes the results of operations at an enterprise level rather than segregating operations by fund. Fund level financial statements were used prior to the 2001-2002 fiscal year. Comparative data for the 2000-2001 fiscal year have been restated accordingly.

The Statement of Net Assets provides a summary view of the assets, liabilities, and net assets of the University. The Statement of Revenues, Expenses, and Changes in Net Assets, on the other hand, summarizes the yearlong financial process that caused the changes in year-end net assets on the Statement of Net Assets. Likewise, the Statement of Cash Flows reconciles the beginning and ending balances of cash and cash equivalents. The Statement of Net Assets classifies assets and liabilities as either current or noncurrent. Current assets are available to meet the needs of the University in the short term. Similarly, current liabilities are due and payable within the next fiscal year.

Statement of Net Assets

Current assets include those that may be used to support current operations such as cash and cash equivalents, accounts and pledges receivable, and inventories. Noncurrent assets include capital assets, certain pledges receivable and investments. Total assets were $2.8 billion for the 2002 fiscal year and $2.5 billion for the 2001 fiscal year. Figure 2 depicts the portion of those assets that were capital.

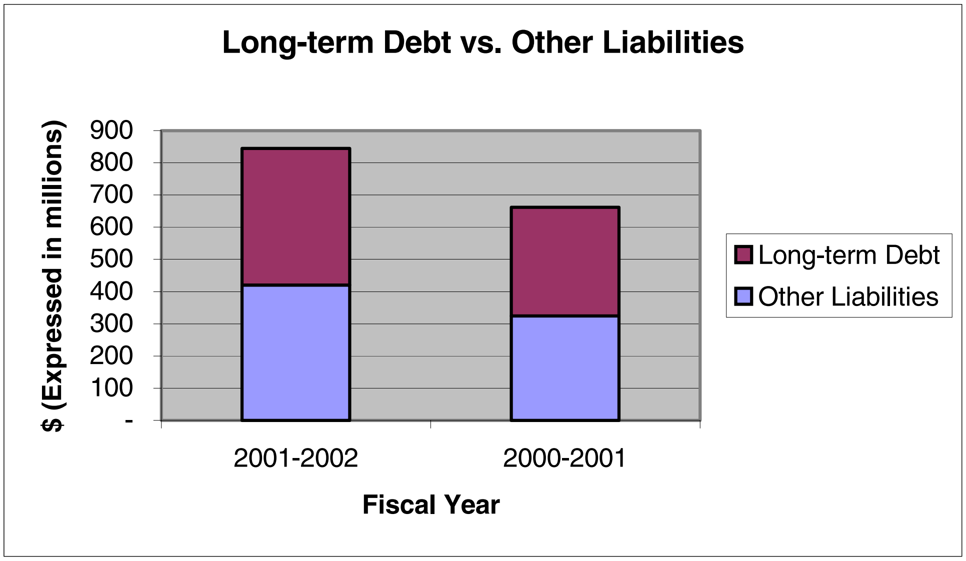
Figure 2.



Current liabilities are expected to become due and payable over the course of the following fiscal year. These include accounts payable, the current portion of long-term debt, the securities lending liability, and salaries and wages payable.

Noncurrent liabilities include bonds, notes, and leases payable. Total liabilities were $844.7 million for the 2002 fiscal year and $661.5 million for the 2001 fiscal year. Figure 3 depicts the portion of long-term debt relative to total liabilities.

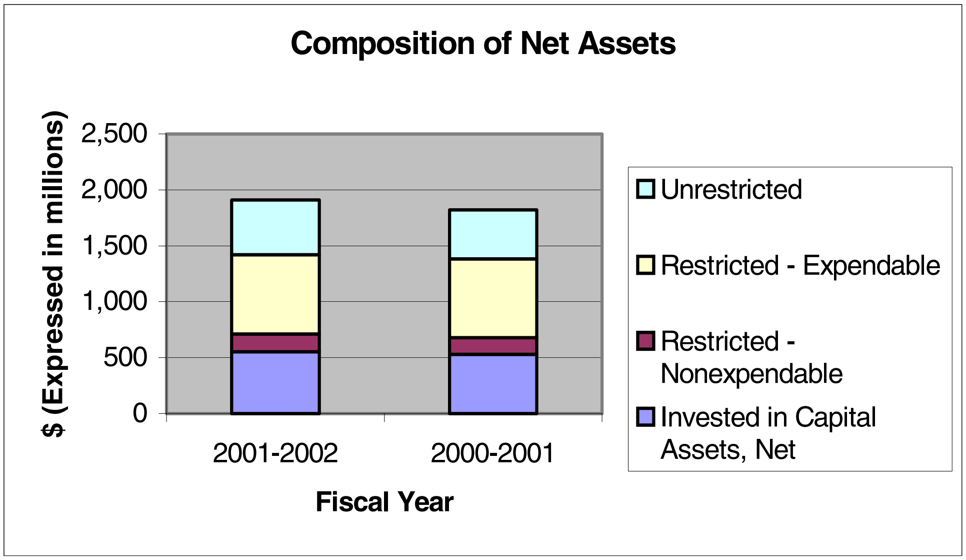
Figure 3.



A discussion of the University's capital financing activities appears in the Debt and Financing Activities section on page 8.

Net assets are classified into four categories: Invested in Capital Assets Net of Related Debt; Restricted – Nonexpendable; Restricted – Expendable; and Unrestricted. Invested in Capital Assets (Net of Related Debt) represents the University's investment in capital assets such as movable equipment, buildings, land, infrastructure, and improvements subject to the University's policies on capitalization. Restricted – Nonexpendable represents the University's permanent endowment funds received from donors for the purpose of creating present and future income. These funds must be held inviolate and in perpetuity and are, therefore, not expendable. Earnings on these funds support various programs determined by donors. Restricted – Expendable represents net assets that have purpose restrictions imposed by third parties. Examples include scholarship funds and contract and grant funds. Unrestricted net assets do not have third-party restrictions, although management has designated these funds for a particular purpose. It is management's practice to designate unrestricted net assets for specific purposes at the close of each fiscal year. Total net assets for the University were $1.91 billion as of June 30, 2002. Figure 4 provides a comparison between fiscal years as well as the composition of net assets.

Figure 4.



A summarized comparison of the University's assets, liabilities, and net assets appears in Table 1.

Table 1.

Expressed in Thousands	2001-2002	2000-2001
Current Assets	$ 680,117	$ 528,986
Capital Assets	933,973	861,641
Other Assets	1,140,004	1,091,426
Total Assets	2,754,094	2,482,053
Current Liabilities	375,146	278,700
Noncurrent Liabilities	469,582	382,750
Total Liabilities	844,728	661,450
Invested in Capital Assets, Net of Related Debt	552,442	531,682
Restricted - Nonexpendable	158,530	145,408
Restricted - Expendable	708,711	707,091
Unrestricted	489,683	436,422
Total Net Assets	$ 1,909,366	$ 1,820,603

Capital and Noncapital Projects

The University continues to expand its campuses and renovate existing facilities to meet the needs of its students, researchers, and staff. Significant projects completed during the 2001-2002 fiscal year are listed in the following table:

Table 2. Projects Completed During the 2001-2002 Fiscal Year

Major Projects Completed During the Fiscal Year (More than $1 Million)	**Project Total (Expressed in Thousands)**
Animal Holding Facility, Phase III	$ 2,460
Cary Quadrangle East Renovation, Phase I	9,636
Energy Savings Projects	4,979
Heavilon Hall Air-Handling Replacement	1,003
North Central Campus Library Student Facility - Ground Floor Completion	3,421
Northwest Campus Substation, Phase II	1,350
Physical Facilities Service Building	3,202
Purdue Memorial Union Club Renovation	8,872
Wade Boiler Electrical Work	1,317
WBAA Radio Station Renovation/Expansion	1,495
Total Major Projects Completed	**$ 37,735**

Table 3. Major Construction Projects in Progress.

Major Projects in Progress as of June 30, 2002 (More than $1 Million)	**Project Budget (Expressed in Thousands)**
Calumet Campus Gyte Laboratory Renovation, Phase I	$ 5,450
Cary Quadrangle Northeast Renovation, Phase II	7,230
Cary Quadrangle West Renovation, Phase III	9,945
David C. Pfendler Hall of Agriculture Renovation	14,000
Dick and Sandy Dauch Advancement Building	14,834
Discovery Park Utility Extension	1,500
Earhart Hall Food Service Consolidation	7,924
Heine (Robert E.) Pharmacy Building 3rd Floor Renovation	2,000
Humanities and Social Sciences Library Renovation	4,630
Jerry S. Rawls Hall Construction	35,295
Main Substation Switchgear Replacement	2,700
Martell Forest Research and Education Center	3,700
Recreational Sports Center Renovation	5,000
Residence Halls Food Service Facility - Architectural Services	1,276
Ross-Ade Stadium Renovation	70,000
Satellite Chiller	8,550
Satellite Chiller Site Distribution	4,750
Shreve Hall Air Conditioning and Sprinkling, Phase II	2,025
Utility Expansion	3,962
Visual and Performing Arts Building, Phase I	25,750
Total Major Projects in Progress	**$ 230,521**

In addition, the University's Board of Trustees has authorized the following major projects that had not been started as of June 30, 2002.

Table 4. Projects Authorized, but Not Started

Major Projects Authorized – Not Started (More than $1 Million)	**Project Budget (Expressed in Thousands)**
Birck Nanotechnology Center	$ 56,400
Bioscience/Engineering Research Facility	15,000
Burton D. Morgan Center for Entrepreneurship	7,000
Cary Quadrangle, Phases IV- VI	16,689
Chemical Engineering Building Addition/Renovation	23,500
Computer Science Building	20,000
Food Service Consolidation, Phases II - IV	39,000
Shreve Hall Air Conditioning and Sprinkling, - Phase III	1,890
Swine Research Complex, Phase I	2,000
Total Major Projects Authorized	**$ 181,479**

Debt and Financing Activities

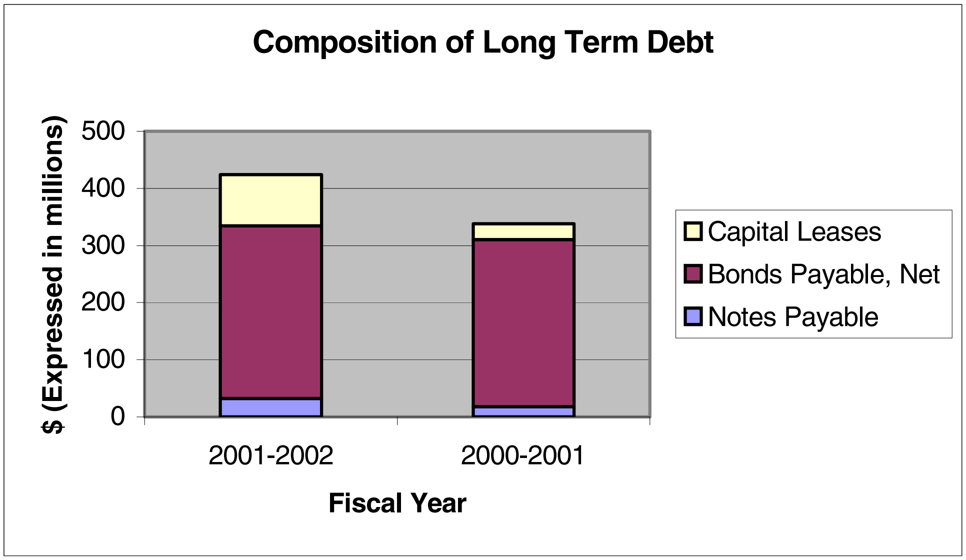
The University continued its use of commercial paper as interim financing for various Dormitory System construction projects including the renovation of Cary Quadrangle and the consolidation of food service operations. During the 2001-2002 fiscal year, an additional $13.0 million was issued under this program. Student Fee Bonds (Series R) were issued during the 2001-2002 fiscal year in the amount of $43.1 million. This series included funds for the renovation of the Recreational Sports Center, a chiller to provide additional cooling capacity to the campus, and refunding of Series F and Series G bonds (See Note 9.)

Ross-Ade Foundation, an affiliated organization of Purdue University, issued certificates of participation for the $70.0 million Ross-Ade Stadium renovation project. At the same time, the University entered into a capital lease with the foundation, with lease payments equal to the debt service on the certificates. This capital lease is reflected in the Statement of Net Assets. A corresponding amount equal to unspent bond proceeds and construction in progress also has been included in that statement.

In the 2001-2002 fiscal year, the University maintained its ratings with Moody's Investors Service (Aa2 with a positive outlook) and Standard & Poor's (AA).

Figure 5 compares the composition of long-term debt by fiscal year.

Figure 5.



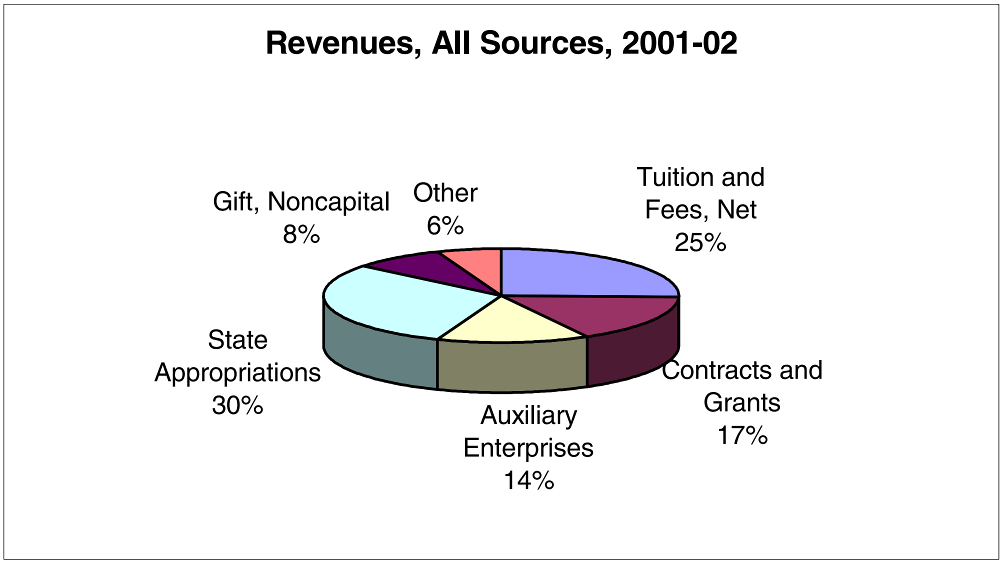
The University changed the investment strategy for its operating cash pool during the 2001-2002 fiscal year. This is reflected by an increase in noncurrent marketable securities and a decrease in marketable securities classified as current assets. Securities lending activity increased significantly when compared to the 2000-2001 fiscal year (See Note 4 for details on securities lending.)

Statement of Revenues, Expenses, and Changes in Net Assets

A review of the Statement of Revenues, Expenses, and Changes in Net Assets provides information regarding the extent to which the results of operations, nonoperating revenues, and capital funding over the course of the fiscal year affect the net assets of the University.

Revenues are classified as either operating or nonoperating. Operating revenues include tuition and fees, grants and contracts, auxiliary enterprises, and sales and services. Tuition and fees, and housing are shown net of an allowance for scholarships. If scholarships awarded to students exceed the amount owed for tuition and housing, the amounts paid to students are shown as an expense. Nonoperating revenues include state appropriations, investment income (expense), and private gifts. As a public university, these nonoperating revenues are an integral part of the University's operating budget. Private gifts for capital projects and additions to the University's permanent endowment are also nonoperating sources of revenue but are not part of the University's operating budget. Figure 6 provides information about the University's sources of revenues for the 2001-2002 fiscal year.

Figure 6.



A summarized comparison of the University's revenues, expenses, and changes in net assets follows:

Table 5.

Expressed in Thousands	2001-2002	2000-2001
Operating Revenues		
Tuition and Fees, Net	$ 296,962	$ 267,924
Grants and Contracts	192,820	173,844
Auxiliary Enterprises, Net	162,284	152,244
Other Operating Revenues	61,853	62,241
Total Operating Revenues	713,919	656,253
Operating Expenses		
Depreciation	67,482	64,692
Operating Expense	1,040,726	986,810
Total Operating Expenses	1,108,208	1,051,502
Operating Loss	(394,289)	(395,249)
Nonoperating Revenue	427,989	475,145
Capital and Endowments	55,063	46,258
Total Nonoperating Revenues (Expenses)	483,052	521,403
Increase in Net Assets before Change in Accounting Policy	88,763	126,154
Change in Accounting Policy	-	(31,481)
Increase in Net Assets	88,763	94,673
Net assets, Beginning of Year	1,820,603	1,725,930
Net assets, End of Year	$ 1,909,366	$ 1,820,603

Statement of Cash Flows

The Statement of Cash Flows presents sources and uses of cash and cash equivalents throughout the fiscal year. These activities are presented in four categories: Operating, Noncapital Financing, Investing, and Capital and Related Financing. Net increases or decreases in cash and cash equivalents provide a reconciliation to beginning and ending balances as presented in the Statement of Net Assets. This statement also provides an indication of the extent to which operating activities provided or used cash. Table 6 provides a summarized comparison of the University's sources, uses, and changes in cash and cash equivalents.

Table 6.

Expressed in Thousands	**2001-2002**	**2000-2001**
Cash Used by Operating Activities	$ (303,349)	$ (316,335)
Cash Provided by Noncapital Financing Activities	388,458	410,207
Cash Provided (Used) by Investing Activities	57,774	(76,252)
Cash Used by Capital and Related Financing Activities	(50,702)	(44,860)
Net Increase (Decrease) in Cash and Cash Equivalents	92,181	(27,240)
Cash and Cash Equivalents, Beginning of Year	366,848	394,088
Cash and Cash Equivalents, End of Year	**$ 459,029**	**$ 366,848**

Economic Factors That Will Affect the Future

Purdue University is committed to maintaining its excellent financial condition as it pursues its land-grant mission of discovery, learning, and engagement. Challenges from the national economy in general and the budget crisis for the State of Indiana in particular require management to plan diligently.

The University's Board of Trustees adopted a five year strategic plan on November 2, 2001, to make Purdue a preeminent university with strategies to advance quality in all areas, lead the world in basic and applied sciences and engineering, and contribute to societal progress - especially in Indiana. Funding for the plan is derived from many sources, including student fees, sponsored funding, private giving, and internal reallocations.

Enrollment[1] at all Purdue campuses increased to 58,173 for the fall semester of the 2002-2003 academic year, up from 57,508 the previous year. This includes an additional 356 students for a total of 38,564 on the West Lafayette Campus. With the undergraduate population at the West Lafayette Campus at capacity, enrollment is being carefully managed. Other campuses in the Purdue system, however, have the ability to serve additional full-time and part-time students and may increase gross student fee revenue through growth in the student population. The funding metrics for each campus' strategic plan likewise consider new tuition levels required to achieve excellence. For example, fee increases associated strictly with the strategic plan on the West Lafayette Campus are estimated to generate $38 million on an annual basis at the end of a five-year phase-in period.

The University has embarked on a comprehensive fund-raising effort to generate $1.3 billion by 2007 in support of students, faculty, programs, and facilities. "The Campaign for Purdue" will fund more than 50 new buildings and renovation projects, affecting almost every campus, school and program in the University system. The campaign was officially announced on September 27, 2002 and initial results will be reflected in the 2002-03 financial report.

The University has begun the construction of Discovery Park, a $100 million research and education complex on the West Lafayette campus that will integrate science, technology, engineering and

[1] Enrollment figures do not include Indiana University students enrolled at the Indiana-Purdue University Fort Wayne campus or Purdue University students enrolled at the Indiana University – Purdue University Indianapolis campus.

management. Initially, four major centers are planned for the park: the Birck Nanotechnology Center - $56.4 million; Biosciences / Engineering - $15 million; Burton D. Morgan Center for Entrepreneurship - $7.0 million; and the e-Enterprises Center.

The State of Indiana has experienced declining revenues for two consecutive fiscal years, prompting a reduction in state appropriations for 2001-2002 fiscal year. In March 2002, the State Budget Agency published a "Deficit Management Plan" for managing the State budget through June 30, 2003 and beyond. The plan indicates that appropriations for all public, state-assisted universities in Indiana were reduced by a total of $233 million for the 2001-2003 biennium. The state's operating appropriation to Purdue was reduced by $3.3 million for the 2003 fiscal year and no funding for repairs and rehabilitation will be appropriated.

The Board of Trustees approved Purdue's operating request to the state for the 2003-2005 biennium on September 13, 2002; modest increases averaging 4.7% over the already-reduced base appropriation were requested. Although optimistic for the future, management recognizes that the State of Indiana must address a structural deficit as it enters the next biennium.

Particular attention should be given to the Notes to the Financial Statements that are an integral part of the financial statements.

Purdue University
Statement of Net Assets
As of June 30 (Expressed in Thousands)

	2002	2001 (Restated)
Assets:		
Current Assets:		
Cash and Cash Equivalents	$ 459,029	$ 366,848
Accounts Receivable, Net of Allowance for Uncollectible Amounts	51,621	33,648
Marketable Securities	49,035	84,299
Pledges Receivable, Net of Allowance for Uncollectible Amounts	55,352	17,630
Notes Receivable, Net of Allowance for Uncollectible Amounts	7,266	6,431
Accrued Revenues	10,005	12,128
Inventories	6,078	6,432
Prepaid Expenses	1,080	705
Deferred Expenses	771	548
Funds Held in Trust by Others	39,880	317
Total Current Assets	680,117	528,986
Noncurrent Assets:		
Notes Receivable, Net of Allowance for Uncollectible Amounts	32,098	30,056
Pledges Receivable, Net of Allowance for Uncollectible Amounts	18,113	17,073
Marketable Securities and Other Investments	1,089,427	1,043,900
Deferred Bond Issuance Cost	366	397
Capital Assets, Net of Accumulated Depreciation	933,973	861,641
Total Noncurrent Assets	2,073,977	1,953,067
Total Assets	2,754,094	2,482,053
Liabilities:		
Current Liabilities:		
Accounts Payable	32,543	23,239
Accrued Salary and Wages	7,232	6,139
Accrued Compensated Absences (Current Portion)	19,921	19,861
Deferred Revenue	27,006	27,200
Deposits Held in Custody for Others	19,751	19,071
Accrued Expenses	29,830	22,605
Obligations Under Reverse Repurchase Agreements	-	46,344
Securities Lending Liability	207,759	88,117
Notes Payable (Current Portion)	1,527	1,141
Long-term Bonds Payable (Current Portion)	22,430	22,636
Leases Payable to Affiliated Foundations (Current Portion)	7,147	2,347
Total Current Liabilities	375,146	278,700
Noncurrent Liabilities		
Accrued Compensated Absences (Less Current Portion)	14,143	14,093
Deferred Revenue	682	702
Funds Held in Trust for Others	8,528	9,198
Notes Payable (Less Current Portion)	31,676	17,792
Long-term Bonds Payable, Net (Less Current Portion)	303,744	292,815
Leases Payable to Affiliated Foundations (Less Current Portion)	89,979	27,139
Advances from Federal Government	20,830	21,011
Total Noncurrent Liabilities	469,582	382,750
Total Liabilities	844,728	661,450

Net Assets:

Invested in Capital Assets, Net of Related Debt	552,442	531,682
Restricted		
Nonexpendable		
Instruction and Research	81,922	79,347
Student Aid	73,594	63,091
Other	3,014	2,970
Total Nonexpendable	158,530	145,408
Expendable		
Instruction and Research	68,459	66,716
Student Aid	48,352	44,253
Auxiliary Enterprises	83,093	73,484
Construction	105,911	79,090
Other (Note 1)	402,896	443,548
Total Expendable	708,711	707,091
Unrestricted	489,683	436,422
Total Net Assets	$ 1,909,366	$ 1,820,603
	-	-
	-	-

See Accompanying Notes to the Financial Statements.

Purdue University

Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30 (Expressed in Thousands)

	2002	2001 (Restated)
Operating Revenues		
Tuition and Fees	$ 333,828	301,741
Less: Scholarship Allowance	(36,866)	(33,817)
Net Tuition and Fees	296,962	267,924
Federal Appropriations	14,770	15,726
County Appropriations	6,403	6,190
Grants and Contracts	192,820	173,844
Sales and Services	39,352	39,360
Auxiliary Enterprises (Net of Scholarship Allowance of $4,257 and $3,298 Respectively)	162,284	152,244
Other Operating Revenues	1,328	965
Total Operating Revenues	713,919	656,253
Operating Expense		
Compensation and Benefits	788,035	749,049
Supplies and Services	227,442	218,274
Depreciation Expense	67,482	64,692
Scholarships, Fellowships, and Student Awards	25,249	19,487
Total Operating Expenses	1,108,208	1,051,502
Net Operating Loss	(394,289)	(395,249)
Nonoperating Revenues (Expenses)		
State Appropriations	348,335	371,954
Private Gifts	97,164	81,947
Investment Income (Loss)	(6,897)	35,854
Interest Expense	(17,448)	(18,006)
Other Nonoperating Revenues, Net	6,835	3,396
Total Nonoperating Revenues before Capital and Endowments	427,989	475,145
Capital and Endowments		
Capital State Appropriations	-	-
Capital Gifts	47,746	48,421
Private Gifts for Permanent Endowments	9,829	8,513
Plant Assets Retired	(2,512)	(10,676)
Total Capital and Endowments	55,063	46,258
Total Nonoperating Revenues	483,052	521,403
Increase in Net Assets before Change in Accounting Policy	88,763	126,154
Cumulative Effect of Change in Accounting Policy		
Assets under Capitalization Level Written Off (Note 1)	-	(31,481)
INCREASE IN NET ASSETS	88,763	94,673
Net Assets, Beginning of Year	1,820,603	1,725,930
Net Assets, End of Year	$ 1,909,366	$ 1,820,603
	-	-
	-	-

See Accompanying Notes to the Financial Statements.

Purdue University
Statement of Cash Flows
For the Year Ended June 30 (Expressed in Thousands)

	2002	2001 (Restated)
Cash Flows by Operating Activities		
Tuition and Fees, Net of Scholarship Allowance	$ 299,774	$ 268,484
Federal Appropriations	14,770	15,726
County Appropriations	6,403	6,190
Grants and Contracts	193,677	171,744
Sales and Services	38,739	41,090
Auxiliary Enterprises, Net of Scholarship Allowance	162,197	151,619
Other Operating Revenues	(333)	1,755
Compensation and Benefits	(780,638)	(743,120)
Supplies and Services	(210,592)	(209,326)
Scholarships, Fellowships, and Student Awards	(25,220)	(19,513)
Student Loans Issued	(11,841)	(8,303)
Student Loans Collected	9,715	7,319
Cash Used by Operating Activities	(303,349)	(316,335)
Cash Flows by Noncapital Financing Activities		
State Appropriations	329,270	364,424
Gifts for Other than Capital Purposes	53,559	44,226
Funds Held in Trust for Others	(670)	(1,659)
Other Nonoperating Revenues, Net	6,299	3,216
Cash Provided by Noncapital Financing Activities	388,458	410,207
Cash Flows by Investing Activities		
Purchase of Investments	(4,167,696)	(1,626,458)
Proceeds from Sales and Maturities of Investments	4,192,958	1,533,838
Interest and Dividends on Investments, Net	32,512	16,368
Cash Provided (Used) by Investing Activities	57,774	(76,252)
Cash Flows by Capital and Related Financing Activities		
Debt Repayment	(11,416)	(25,440)
Capital Debt	104,026	60,168
Interest Expense	(11,248)	(18,318)
Capital Gifts	47,746	48,421
Funds Held in Trust by Others	(39,563)	(6)
Purchase of Capital Assets	(140,247)	(109,685)
Cash Used by Capital and Related Financing Activities	(50,702)	(44,860)
Net Increase (Decrease) in Cash and Cash Equivalents	92,181	(27,240)
Cash and Cash Equivalents, Beginning of Year	366,848	394,088
Cash and Cash Equivalents, End of Year	$ 459,029	$ 366,848

Purdue University

Statement of Cash Flows

Reconciliation of Cash Used for Operating Activities (Indirect Method)

For the Year Ended June 30 (Expressed in Thousands)

Reconciliation of net operating loss to net cash used by operating activities:

Operating Loss	$ (394,289)	$ (395,249)
Depreciation Expense	67,482	64,692
Gifts in Kind	13,241	9,785
Changes in Assets and Liabilities:		
Accounts Receivable	1,092	(2,908)
Notes Receivable	(2,377)	(984)
Accrued Revenues	(67)	(6)
Inventories	354	360
Prepaid Expenses	(375)	155
Deferred Expenses	(224)	(47)
Accrued Compensated Absences	109	3,785
Accounts Payable	9,303	(1,353)
Deferred Revenue	(194)	2,718
Deposits Held in Custody for Others	660	246
Accrued Expenses	1,025	1,654
Accrued Salary and Wages	1,092	514
Advances from Federal Government	(181)	303
	-	-
Cash Used by Operating Activities	$ (303,349)	$ (316,335)
	-	-

See Accompanying Notes to the Financial Statements.

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION:

The financial statements of Purdue University have been prepared in accordance with the principles contained in Governmental Accounting Standards Board (GASB) Statement No. 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities," and with other accounting principles generally accepted in the United States of America, as prescribed by the GASB.

During the 2001-2002 fiscal year, the University adopted the following accounting standards: GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"; GASB Statement No. 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities"; GASB Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; and the National Association of College and University Business Officers Advisory Report 2000-5, "Accounting and Reporting Scholarship Discounts and Allowances to Tuition and Other Fee Revenues by Public Higher Education." As a result of this implementation, comparative data for the fiscal year ended June 30, 2001, have been restated.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General Information. Purdue University was established in 1869 under Indiana Code section IC 20-12-35-1. It is the land-grant university for the State of Indiana. The responsibility for making rules and regulations to govern the University is vested in a 10-member Board of Trustees. The selection of these trustees is prescribed in Indiana Code IC 20-12-37. Three of the trustees are selected by the Purdue Alumni Association. The other seven trustees are selected by the governor. Two of the trustees must be involved in agricultural pursuits, and one must be a full-time student of Purdue University. All trustees serve for a period of three years, except for the student member who serves for two years.

The University is a special-purpose government that has elected to report as a business type activity (BTA) using proprietary fund accounting and financial reporting. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods and services. The University is also a component unit of the State of Indiana and is one of seven public universities in the state. The University receives funding from the state for operations, repair and maintenance, debt service, and technology. Its nonexempt employees participate in the state's public employees retirement program (See Note 12.)

Purdue University is the sole beneficiary of the Purdue Research Foundation, the Purdue Foundation, the Purdue Alumni Foundation, and co-beneficiary with Indiana University of the Indiana-Purdue Foundation at Indiana University-Purdue University Fort Wayne, each a separately incorporated, not-for-profit entity organized to promote the educational mission of the respective university. These entities provided grants, contracts, and gifts to Purdue University totaling approximately $77.4 million during their most recent fiscal years. The amounts received by the University in its 2001-2002 fiscal year are reported in the accompanying financial statements. However, the assets and liabilities of these entities are not recorded in the accompanying financial statements. In the unlikely event of the complete dissolution of any of the organizations, the net assets would be transferred to the University. Ross-Ade Foundation is, likewise, a separately incorporated, not-for-profit entity organized as an affiliated organization. However, unlike the foundations described above, Ross-Ade Foundation constructs athletic and parking facilities on behalf of the University. These assets are leased by the University and are reported as capital leases (See Note 8.)

The Internal Revenue Service has ruled that the units of Purdue University are exempt under Code Sections 115(a) and 501(c)(3), and they are not "private foundations" under The Tax Reform Act of 1969.

Accounting Methods and Policies. The University prepares its financial statements on an accrual basis using the economic resources measurement focus.

Financial Accounting Standards Board (FASB). Certain pre-1989 FASB statements apply to public colleges and universities. GASB Statement No. 34 also permits business-type activities to adopt post-1989 FASB statements unless they conflict with GASB pronouncements. The University has elected not to adopt post-November 30, 1989, FASB statements.

Accounts Receivable. Accounts receivable are shown net of an allowance for doubtful amounts. The amount of the allowance was $1,063,639 for the 2001-2002 fiscal year and $1,008,992 for the 2000-2001 fiscal year.

Pledges Receivable. Pledges receivable are accrued as of the end of the fiscal year, provided the pledge is verifiable, measurable, and probable of collection. Pledges receivable do not include gifts made in anticipation of estates, telephone solicitations, or promises of endowment funds. An allowance for uncollectible pledges is calculated based on the University's experience. The amount of the allowance was $4,184,228 for the 2001-2002 fiscal year and $3,159,562 for the 2000-2001 fiscal year.

Notes Receivable. Notes receivable primarily represent student loans due the University and are presented net of allowance for doubtful amounts of $357,412 for the 2001-2002 fiscal year and $332,611 for the 2000-2001 fiscal year.

Inventories. Inventories are composed of (1) consumable supplies and items held for resale or recharge within the University, (2) fuel for consumption, and (3) livestock and grain. The inventory of coal and limestone is valued on the Last In/First Out (LIFO) basis; oil inventory is valued using the weighted-average method. Consumable supplies and items for resale are priced on a moving-average basis. Cattle and grain inventories are valued at market. Other miscellaneous inventories are generally valued on the First In/First Out (FIFO) basis. Agricultural commodities are reported using the consumption method and are measured by physical count. Consumable supplies and items held for resale are reported using the purchase method and are measured using the perpetual inventory method.

Investments. Investments, exclusive of institutional physical properties, are generally reported at fair value as of June 30, 2002. Fair value is generally based on quoted market price. Investments, exclusive of endowment funds, may be classified as either cash equivalents, current or noncurrent depending on the individual investments' maturity date at June 30. Endowment funds are primarily included in noncurrent investments with the exception of amounts designated for distribution.

Prepaid Expenses. Prepaid expenses include amounts paid for services attributable to the fiscal year beginning July 1, 2002. These services include insurance, equipment leases, services of consultants, subscriptions, and certain subcontracts. These amounts are identified at the end of the fiscal year and accrued for financial reporting purposes.

*Capital Assets***.** Capital assets are stated at cost or fair market value at date of gift, less accumulated depreciation computed on a straight-line basis over the estimated useful life, as shown in the table below. Capital assets are removed from the records at the time of disposal. Effective July 1, 2000, the University changed its capitalization level from $1,000 to $2,500 for moveable equipment. Assets with a total cost of $91,698,635 and accumulated depreciation of $60,217,859 were retired, an are reflected as a cumulative effect of a change in accounting policy of $31,480,776 (expense). This amount represents equipment previously capitalized but not meeting the new capitalization level.

Property Class	Threshold	Useful Life
Moveable Equipment (including fabricated equipment)	$2,500	More than one year
Library Books	None	Not depreciated
Art and Artifacts	$2,500	Not depreciated
Software	$100,000	5 years
Administrative Systems	$500,000	7 years
Buildings and Related Components	$100,000	10 – 50 years
Land Improvements	$10,000	Varies
Infrastructure	$10,000	Varies

Net Assets. University resources are classified for accounting and financial reporting purposes into four net asset categories:

Invested in capital assets, net of related debt: resources resulting from capital acquisition or construction, net of accumulated depreciation and net of related debt (See Note 8.)

- Restricted – nonexpendable: Net assets subject to externally imposed stipulations that the funds be maintained inviolate and in perpetuity. Such assets include the University's permanent and term endowment funds (See Note 10.) and are categorized as instruction and research, student aid, and other.
- Restricted – expendable: Net assets that may be spent provided certain third-party restrictions are met. The following categories of restricted – expendable net assets are presented: instruction and research; student aid; auxiliary enterprises; construction; and other. Approximately 76% or $304.4 million of the "other" category results from undistributed gain on endowment funds and the fair value of funds functioning as endowments where the donor has restricted the use of the funds for a particular purpose. Neither component is available for general institutional use.
- Unrestricted: Net assets not subject to externally imposed stipulations pertaining to their use. Management may designate that these funds will be spent for certain projects or programs or to fulfill certain long-term goals. Management has designated substantially all unrestricted net assets for academic and capital purposes.

Operating Revenues and Expenses. Business-type activities receive financing in whole or in part by charging fees for goods and services to external users. These exchange transactions are considered part of operations. The University's operating revenues include student tuition and fees, grants and contracts, auxiliary operations (such as intercollegiate athletics, housing and food services), sales and service operations, federal land-grant appropriations, and county appropriations. Revenues are accrued when earned and measurable. Most expenses of the University - other than construction - are considered operating expenses. Operating expenses include compensation and benefits, travel, and supplies. Graduate, staff, staff dependent, and staff spouse fee remissions are included with compensation and benefit expenses. Expenses are accrued when owed and measurable. Expenses are reported using natural classifications in the Statement of Revenues, Expenses, and Changes in Net Assets. Functional reporting appears in Note 15. Indirect expenses, such as depreciation, are not allocated across functional categories.

Nonoperating Revenues and Expenses. Nonoperating revenues include state appropriations, private gifts, and investment income. Nonoperating expenses primarily include interest on short-term and long-term borrowings.

Intrauniversity transactions. Intrauniversity transactions are eliminated from the statements to avoid double counting of certain activities. Examples of these transactions are internal loans and sales and services between University departments.

Restricted and Unrestricted Resources. When both restricted and unrestricted resources are available for a particular expenditure, University departments may select the most appropriate fund source based on individual facts and circumstances. The University, as a matter of policy, does not require funds to be spent in a particular order, only that the expenditure be allowable, allocable, and reasonable to the fund source selected.

Student Fees. Tuition and fees assessed to students are reported net of scholarship allowances. Scholarship allowances represent amounts applied to students' tuition and fees and include scholarships, Pell grants, and various other types of aid. Student loans are not included in this calculation. Aid applied to housing is shown as an allowance against auxiliary revenues. Aid remitted directly to students is shown as scholarships, fellowships, and student awards expenses. Graduate and other employment-related remissions are included with compensation and benefit expense. Fees supporting student activities such as convocations and lectures, intercollegiate athletics, student recreational facilities, student unions, and the student health center are included with auxiliary enterprise revenues.

Grants and Contracts. The University has been awarded grants and contracts for which the monies have not been received or expended. These awards have not been reflected in the financial statements but represent commitments of sponsors, both government and other, to provide funds for specific research and training projects. Grants and contracts, including grants for student aid, are included in operating revenues when earned.

The University makes commitments to share in the cost of various sponsored projects. Funds to satisfy these commitments are designated when grants and contracts are awarded. As sponsor dollars are spent, the University matches according to the terms of the agreement.

Gifts. The University receives pledges of financial support from many different sources. Gift income is recognized when received or pledged. In-kind gifts of tangible or intangible property are recognized at fair value on the date of gift and are capitalized, if appropriate, subject to the University's policies on capitalization. Effective with the 2001-2002 fiscal year, the University amended its policies to reflect gifts-in-kind as revenue in the year received. For the 2001-2002 fiscal year, revenue from gifts-in-kind of $15,723,772 was recognized. Comparative data for 2000-2001 have been restated accordingly to reflect $9,785,201 in gift-in-kind revenue.

Student Aid. Monies are received that are restricted by donors for aid to students and are reported in the financial statements as private gifts. When aid is awarded to students, it is either reflected as a scholarship allowance or expense. Monies received from donors who have specified the recipient are reported as deposits.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, revolving and change funds, cash in transit, credit cards in transit, securities lending cash collateral, and certain investments. It is the University's practice to invest operating cash balances and bond proceeds in investments of varying maturity dates (See Note 3.)

Investments, exclusive of endowment funds, that are included in cash equivalents represent short-term, highly liquid investments that are both a) readily convertible to known amounts of cash and b) so near their maturity date that they present insignificant risk of changes in value because of changes in interest rates. Cash purchases and sales of those types of investments are part of the University's cash management activities rather than part of its operating, capital, investing, and financing activities; details of these transactions are not reported in the Statement of Cash Flows.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits. At June 30, 2002, the carrying amount of the University's deposits (demand deposit accounts) was -$988,058.67, and the bank balance was $5,503,138.55, of which $100,000 was covered by federal depository insurance. The remaining balance was insured by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investments. Authorization for investment activity is stated in Indiana Code IC 20-12-1-2. Additionally, the Bylaws of the Trustees of Purdue University revised and amended on May 31, 1997, authorize the treasurer of the Board of Trustees to implement investment activity. The investment policy, as recommended by the finance committee of the Board of Trustees, outlines the parameters for investment activity for the University. The Board of Trustees approved this policy on February 8, 2002. Authorized investments (exclusive of endowment funds) include obligations of the United States government, its agencies, and its instrumentalities. Also included are commercial paper (rated A1/P1 or better); federally insured bank obligations (rated A or better); tri-party repurchase agreements; asset-backed securities (rated at least AAA or equivalent); corporate notes, bonds, or securities (rated investment grade) with demonstrated liquidity or marketability; pooled funds including mutual funds and common trust funds; and high-yield bonds (minimum credit quality of BB-/BB3). All ratings must be by a nationally recognized rating agency.

The University's investments, exclusive of endowment funds, are categorized as cash equivalents, current, or noncurrent, for financial reporting purposes. Cash equivalents are described in Note 2. Current investments include those maturing between October 1, 2002, and June 30, 2003. Noncurrent investments mature on or after July 1, 2003. All securities were insured, registered, or held by the University or its agent for the benefit of the University.

An accounting of the University's investments, exclusive of endowment funds, at June 30, 2002, follows:

Investment Type	Carrying Value	Market Value
	(Expressed in Thousands)	
Money Market Funds	$231,870	$231,902
Securities Lending Cash Collateral	206,397	206,397
Treasury Securities	162,555	163,955
Agency Securities	46,787	47,759
Asset Backed Securities	52,057	52,497
Corporate Securities	152,784	151,475
Mortgages	146,717	170,814
Total	**$999,167**	**$1,024,799**

Noncurrent investments include a $3,131,703 federal home loan mortgage that is collateral for the University's medical self-insurance.

NOTE 4- SECURITIES LENDING

The treasurer of the University, in accordance with policies established by the Board of Trustees, has entered into an agreement with a trust company to participate in a securities lending program. The market value of the cash collateral is recorded as an asset in the Statement of Net Assets along with a corresponding liability. At June 30, 2002, the University had securities with market values of $207,701,398 involved in loans. These loans were supported by collateral of $212,084,516. Of this collateral amount, $207,759,441 was cash and is included in cash and cash equivalents in the Statement of Net Assets, and $4,325,075 was acceptable noncash collateral. The University does not have the ability to pledge or sell the non-cash collateral received except in the case of borrower default. Noncash collateral is not included in the University's Statement of Net Assets. Securities lending of domestic securities is cash collateralized on the contract date at 102% and foreign securities are cash collateralized at 105%. Credit risk is calculated as the aggregate of the lender's exposures to individual borrowers or on individual loans. At June 30, 2002, the University had no aggregate credit risk.

The University and the borrowers of its securities maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan is invested, together with the cash collateral of other lenders, in a co-mingled investment pool owned by the custodian. The maximum weighted maturity of the fund is 90 days. Since the loans may be called on demand, their duration does not generally match the duration of the investment made with the cash collateral. If the University had to terminate a term loan, the lending agent has the ability to substitute the same security from a different client while returning the University's security. For the year ended June 30, 2002, income from its participation in this securities lending program was $2,686,475, and expense was $2,398,805. Net income to the University from this program was $287,670. Under the securities lending agreement, the custodian remits to the University earnings less rebate fees and expenses on a monthly basis.

NOTE 5 – DISAGGREGATION OF RECEIVABLES AND PAYABLES

During the 2001-2002 fiscal year, the State of Indiana deferred payment of the state universities' June operating appropriation. Under the legislation authorizing this deferral, the University may claim these funds after July 15, 2002. A receivable of $26,612,969 has been recorded, representing 51.6% of current accounts receivable (net).

Accrued liabilities for payments related to construction in progress were $14,358,234 as of June 30, 2002. This represents 44.1% of current accounts payable.

NOTE 6 - CONSTRUCTION IN PROGRESS

Expenditures for construction projects in various stages of completion at June 30, 2002, totaled $101.8 million for the fiscal year. As of June 30, 2002, contractual obligations for capital construction projects were $71,149,561.

NOTE 7 – CAPITAL ASSETS

Capital asset activity (expressed in thousands) for the year ended June 30, 2002, is summarized as follows:

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
Capital assets, not being depreciated:				
Land	$ 16,748	$ -	$ -	$ 16,748
Construction in Progress	58,699	101,794	(27,123)	133,370
Total, capital assets, not being depreciated	75,447	101,794	(27,123)	150,118
Capital assets, being depreciated:				
Land Improvements	48,358	1,765	-	50,123
Infrastructure	14,808	759	-	15,567
Buildings	1,025,646	32,380	(2,048)	1,055,978
Equipment	390,811	40,261	(23,130)	407,942
Operating Software	585	-	-	585
Administrative Software	-	937	-	937
Total, capital assets, being depreciated	1,480,208	76,102	(25,178)	1,531,132
Less Accumulated Depreciation:				
Land Improvements	(34,258)	(2,026)		(36,284)
Infrastructure	(4,286)	(675)		(4,961)
Buildings	(440,645)	(35,009)	1,778	(473,876)
Equipment	(214,825)	(29,710)	12,441	(232,094)
Software (Operating and Administrative)	-	(62)	-	(62)
Total accumulated depreciation	(694,014)	(67,482)	14,219	(747,277)
Total Capital Assets, Net of Accumulated Depreciation	$ 861,641	$ 110,414	$ (38,082)	$ 933,973

NOTE 8 – DEBT RELATED TO CAPITAL ASSETS

Notes Payable. Notes outstanding of $33,203,303 at June 30, 2002, represent financing for various activities.

On December 1, 1997, a note in the amount of $3,435,000 was obtained from Bank One, Indiana, N.A. to refund outstanding Athletic Facilities Bonds. The note has a floating interest rate and is due July 1, 2006. The outstanding balance of the note as of June 30, 2002, was $2,045,000. The interest rate as of June 30, 2002, was 1.75%.

On March 1, 1998, an Energy Savings Loan Agreement was negotiated with Bank One, Indiana, N.A. This agreement authorized a maximum line of credit of $10,000,000 to pay the costs of qualified energy savings projects through December 31, 2001. Projects include both capital and noncapital improvements to the physical plant. Individual notes may have either a fixed or floating interest rate with maturities not extending beyond 2011. The outstanding balance of these notes as of June 30, 2002, was $8,358,303. The interest rate for the notes ranged from 1.85 – 5.04% as of June 30, 2002.

On October 3, 2000, the University issued commercial paper as interim financing for Dormitory System construction projects. The commercial paper issue is a note payable, that will be refinanced with bonds at some future date. The interest rate and term of the note are subject to market conditions on the maturity date. Other series have subsequently been issued. The outstanding balance of these notes as of June 30, 2002, was $22,800,000 as follows:

Issue Date	Principal	Interest Rate	Maturity Date
5/01/02	$ 6,000,000	1.60%	7/02/02
5/22/02	11,800,000	1.55%	7/11/02
6/13/02	5,000,000	1.40%	8/13/02
Total	$22,800,000		

A summary of activity for the commercial paper program for the 2001-2002 fiscal year follows:

Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
$9,800,000	$13,000,000	$0	$22,800,000

Bonds Payable. Bonds payable at June 30, 2002, total $326,455,000, consisting of the following issues:

Issue	Issue Date	Interest Rates	Maturity Dates	Outstanding June 30, 2002
Dormitory System Revenue Bonds:				
Series 1993	1993	2.6% - 5.3%	1994-2014	$ 34,450,000
Student Fee Bonds:				
Series E	1990	3.0 - 3.9%	2004-2007	8,700,000
Series H	1993	2.78 - 5.25%	1998-2015	11,400,000
Series K	1995	2.2 - 5.63%	1997-2020	18,900,000
Series L	1995	3.0 - 5.63%	1997-2020	16,500,000
Series N	1998	3.55 - 5.5%	1998-2014	55,365,000
Series O	1998	2.68 - 5.63%	2000-2019	31,580,000
Series P	1998	4.0 - 5.25%	1999-2017	55,875,000
Series Q	2000	2.63 - 6.0%	2002-2022	50,015,000
Series R	2002	3.0 - 5.38%	2002-2023	43,110,000
Student Union Bonds	1973	5.0% - 5.5%	1974-2003	560,000
Total				$ 326,455,000

The Dormitory System Revenue Bonds and Student Union Bonds are secured by a pledge of net income of the respective facilities, and the Student Fee Bonds are secured by a pledge of student fees. Net income of the Dormitory System was $7,085,505 for the 2001-2002 fiscal year. The Fort Wayne Student Union Building operations experienced a loss of $253,781. Debt service for that facility was provided by reserve balances. In addition, the final principal and interest payment are held in trust by the bond trustee. The balance in this sinking fund was $348,951.79 on June 30, 2002. Student fees (net of scholarship allowance) were $296,962,078.

On January 1, 2002, Student Fee Bonds, Series R, were issued in the amount of $43,110,000. This series included funds for the renovation of the Recreational Sports Center; a chiller to provide additional cooling capacity to the campus, and refunding of Series F and Series G bonds. As of June 30, 2002, the balance outstanding on these bonds was $43,110,000.

On January 1, 2002, Student Fee Bonds - Series E, Series H, Series K, Series L, and Series O - were changed from the variable-rate mode to the fixed-rate mode. The principal payment schedule remained unchanged. All the previous voluntary principal payments on Series E, H, and O bonds were applied to selected maturities at the time of the conversion.

In addition to these transactions, Series G bonds were defeased (See Note 9.)

Scheduled bond maturities and interest expense for the years ending June 30, are as follows:

Fiscal Year	Principal	Interest	Total
2003	$ 22,430,000	$ 15,106,178	$ 37,536,178
2004	25,889,999	14,076,112	39,966,111
2005	22,555,000	13,137,559	35,692,559
2006	19,020,000	12,295,575	31,315,575
2007	19,880,000	11,390,267	31,270,267
2008-2012	89,410,001	43,699,865	133,109,866
2013-2017	81,530,000	20,083,509	101,613,509
2018-2022	39,945,000	5,003,963	44,948,963
2023-2024	5,795,000	67,250	5,862,250
	$ 326,455,000	$ 134,860,278	$ 461,315,278
Less Unamortized Discount			
	(280,478)		(280,478)
	$ 326,174,522	$ 134,860,278	$ 461,034,800

Capital Leases. At June 30, 2002, long-term debt included amounts relating to properties leased from affiliated corporations and others with a net book value of $72,043,465. The outstanding balance on these leases at June 30, 2002, was $97,126,021. The lease-purchase payments on these properties in the 2001-2002 fiscal year totaled $3,830,306, consisting of $2,359,899 principal and $1,470,407 interest costs.

Scheduled lease payments for the years ending June 30, are as follows:

Fiscal Year	Principal	Interest	Total
2003	$ 7,147,055	$ 4,830,139	$ 11,977,194
2004	4,053,966	4,571,840	8,625,806
2005	3,795,000	4,378,821	8,173,821
2006	3,960,000	4,207,407	8,167,407
2007	4,165,000	4,007,352	8,172,352
2008-2012	20,015,000	16,804,735	36,819,735
2013-2017	17,260,000	12,022,088	29,282,088
2018-2022	16,100,000	7,725,150	23,825,150
2023-2027	20,630,000	3,195,000	23,825,000
	$ 97,126,021	$ 61,742,532	$158,868,553

On November 1, 2001, the University entered into a capital lease arrangement with Ross-Ade Foundation, an affiliated organization, by issuing certificates of participation. The certificates included a taxable issue of $10,000,000 and a tax-exempt issue of $60,000,000, both of which will fund the renovation of Ross-Ade Stadium. The outstanding balance of the lease was $70,000,000 as of June 30, 2002.

NOTE 9 – OTHER DEBT INFORMATION

Long Term Liabilities. Long term liability activity (expressed in thousands) for the year ended June 30, 2002, is summarized below:

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002	Current Portion
Advances from Federal Government	$ 21,011	$ 13,649	$ (13,830)	$ 20,830	$ -
Bonds Payable, Net	315,451	43,110	(32,387)	326,174	22,430
Compensated Absences	33,954	32,609	(32,499)	34,064	19,921
Deferred Revenue	702	86,500	(86,520)	682	-
Funds Held in Trust for Others	9,198	13,640	(14,310)	8,528	-
Leases Payable to Affiliated Foundations	29,486	70,000	(2,360)	97,126	7,147
Notes Payable	18,933	15,411	(1,141)	33,203	1,527
	$ 428,735	$ 274,919	$ (183,047)	$ 520,607	$ 51,025

Defeased Bond Issues. In prior years, the University defeased the following bond issues by issuing new debt. United States Treasury obligations have been purchased in amounts sufficient to pay principal and interest payments when due, through maturity, and deposited in irrevocable trusts with the trustee. Neither the defeased bonds nor the related trusts are reflected on the University's books.

Description of Bonds	Final Maturity Date	Amount Outstanding June 30, 2002
Building Facilities Fee Bonds	2009	$10,520,000
Dormitory Facilities Revenue Bonds, Series A – L	2008	4,783,000
Student Fee Bonds, Series B	2005	33,600,000
Student Fee Bonds, Series G	2004	20,725,000
Student Fee Bonds, Series M	2006	54,500,000

On January 1, 2002, Student Fee Bonds, Series G were refunded with the issuance of Series R bonds. United States Treasury obligations were purchased in the amount sufficient to pay principal and interest expense, as well as call premiums when due through the call date of July 2004; they were deposited in an irrevocable trust with a trustee. At June 30, 2002, the outstanding balance on the Series G bonds was $20,725,000. The Series G bond trust account is not reflected on the University's books.

On January 1, 2002, Series R bonds refunded the outstanding $3,770,000 Student Fee Bonds Series F at a call premium of 102%. The trustee held the Series R proceeds for the refunding of Series F bonds until March 11, 2002, at which time the bonds were retired.

Direct Financing Lease. In 1998, the University agreed to refinance the construction of the Animal Disease Diagnostic Laboratory (ADDL) Building and lease it to the Indiana Department of Administration on behalf of the Indiana State Board of Animal Health. Lease payments are equal to the University's debt service payments. Nonrecourse bonds for $10,830,000 were issued to the Indiana Bond Bank, secured solely from lease payments from the Indiana Department of Animal Health through annual appropriations for this purpose from the State of Indiana. The University's rights to receive lease payments have been assigned to the Trustees for the Indiana Bond Bank. At June 30, 2002, the outstanding amount of these bonds was $7,980,000. The ADDL Building, the lease receivable, and the bonds payable are not reflected on the University's books.

In addition, the University has entered into various operating leases for buildings and equipment. Net expenditures for rent under these leases for the year ended June 30, 2002, were $7,877,732 and are included in supplies and services in the Statement of Revenues, Expenses, and Changes in Net Assets.

NOTE 10 – DONOR-RESTRICTED ENDOWMENTS

The University’s endowment funds (including true, term, and funds functioning as endowments) are invested in a unitized pool. The unitized endowment pool purchases investments to generate present and future income in support of various programs. The University’s Board of Trustees establishes the spending policy for the unitized endowment pool. The current spending policy distributes 4.5% of the twelve-quarter rolling average unit market value in semi-annual distributions. The distribution includes both income and equity components. Market appreciation of the pool was $289,395,572 as of June 30, 2002. Of this amount, 33.5% represents appreciation attributable to donor-restricted (true and term) endowments. The University’s endowment policies are subject to the provisions of Indiana Code section IC 30-2-12 (Uniform Management of Institutional Funds). Under this section, the University’s Board of Trustees may authorize expenditure – consistent with donors’ intent - of net appreciation in the fair value of the assets over the historical cost of the endowment.

NOTE 11 - CONTINGENT LIABILITIES AND COMMITMENTS

Legal Actions. In the normal course of its activities, the University is a party in various legal actions. Although some actions have been brought for large amounts, the University has not experienced significant losses or costs. After taking into consideration legal counsel's evaluation of pending actions, the University believes that the outcome thereof will not have a material effect on the financial statements.

Natural Gas Procurement. The University has entered into various forward contracts to purchase natural gas at a specified time in the future at a guaranteed price. This activity allows the University to plan its natural gas costs for the year and to protect itself against an increase in the market price of the commodity. It is possible that the market price before or at the specified time to purchase natural gas may be lower than the price at which the University is committed to buy. This would reduce the value of the contract. The University could sell the forward contract at a loss and then buy natural gas on the open market. The University is also exposed to the failure of the counterparty to fulfill the contract. The terms of the contract include provisions for recovering the cost in excess of the guaranteed price from the counterparty should the University have to procure natural gas on the open market.

Limited Partnership Agreements. Under the terms of various limited partnership agreements approved by the University’s Board of Trustees, the University is obligated to make periodic payments for commitments to venture capital, private equity, and real estate investments over the next several fiscal years. As of June 30, 2002, the University had total unfunded commitments to eight investment managers equal to $44,128,906. These amounts are not included as liabilities in the Statement of Net Assets. Outstanding commitments are estimated to be paid based on the capital calls from the individual managers, subject to change due to market conditions, as follows:

Fiscal Year	Amount
2002-03	$11,607,227
2003-04	$11,607,227
2004-05	$11,607,227
2005-06	$ 9,307,225

NOTE 12 – RETIREMENT PLANS

Authorization. Authorization to establish retirement plans is stated in Indiana Code 20-12-1-2.

All Employees. University employees are participants in various retirement programs, including the Federal Insurance Contributions Act (FICA). For the 2001-2002 fiscal year, the University's cost was $33,583,132 under this program.

Faculty and Administrative/Professional Staff. Faculty, professional, and certain administrative employees of the University participate in a defined contribution plan administered through the Teachers Insurance and Annuity Association (TIAA). Benefit provisions are established and/or amended by the Board of Trustees. The plan purchases individual annuity contracts for members and provides for immediate vesting. Faculty and management personnel participate immediately upon employment; all others must satisfy a three-year waiting period. The University contributes 11% of each participating employee's salary up to $9,000 and 15% of the salary above $9,000. Employee contributions are not required but may be made on a voluntary basis. For the 2001-2002 fiscal year, the University made contributions totaling $46,647,906 to this plan. For the fiscal year ended June 30, 2002, there were 5,011 employees participating in TIAA with annual pay equal to $304,636,584.

Clerical and Service Staff. Regular clerical and service staff, employed at least half-time, participate in the Public Employees Retirement Fund (PERF), a retirement program administered by an agency of the State of Indiana. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. Benefit provisions are established and/or amended by the State of Indiana. There are two parts to this plan: an annuity savings plan to which the University contributes 3% of the employee's salary, and a defined benefit agent multi-employer plan to which the University currently contributes 5% of the employee's salary. Employee contributions are not required but may be made on a voluntary basis. Employees are eligible to participate in this plan immediately upon employment and are fully vested in the defined benefit plan after 10 years of employment. For the 2001-2002 fiscal year, the University made contributions totaling $9,943,490 to this plan. For the fiscal year ended June 30, 2002, there were 5,078 employees participating in PERF with annual pay equal to $124,257,492.

The required employer's contribution was determined as part of the July 1, 2001, actuarial valuation using the projected unit cost method. The actuarial assumptions included: (a) 7.25% investment rate of return (net of administrative expenses), (b) projected salary increases of 5% per year, and (c) 2% per year cost of living adjustments. PERF's unfunded actuarial accrued liability is being amortized over 36 years. Actuarial information related to the University's portion of the plan is disclosed later in this note.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by writing to Public Employees Retirement Fund, Harrison Building, Room 800, 143 West Market Street, Indianapolis, IN 46204; by calling (317) 233-4162; or by visiting www.in.gov/perf/.

Police and Firefighters. A supplemental pension program for police officers and firefighters (Police/Fire) was authorized by the Board of Trustees on March 13, 1990, and was established on July 1, 1990. In conjunction with other retirement plans offered by the University, this plan provides police officers and firefighters employed by Purdue with a total retirement benefit that is comparable to the benefits received by municipal police and fire personnel in Indiana. Benefit provisions are established and/or amended by the Board of Trustees. The program is an agent single-employer defined benefit plan administered through the Teachers Insurance and Annuity Association (TIAA). The plan provides for vesting after the completion of 10 years of covered employment, and employees are eligible for normal retirement benefits after the completion of 20 years of covered employment and attainment of 55 years of age. The normal benefit payable under this plan is an amount equal to 50% of the annual base salary of a nonprobationary-level police officer at each campus, as in effect at the time of a member's retirement, reduced by the amount of any pension benefits payable under other Purdue University retirement programs, including TIAA-CREF and PERF. For the fiscal year ended June 30, 2002, there were 89 employees participating in Police/Fire with annual pay equal to $3,769,762.

Employees covered by this plan are required to make contributions equal to 3% of the current salary for a nonprobationary-level police officer. University contributions are to be in such additional amounts as needed to maintain the plan on an actuarially sound basis. Financial reports related to this plan may be obtained by writing to Public Records Officer, Purdue University, Freehafer Hall, 401 South Grant Street, West Lafayette, IN 47907-2024.

The pension benefit obligation was computed as part of an actuarial valuation performed as of July 1, 2001. Because the plan was implemented on a retroactive basis to cover all current police officers and firefighters, the University has an unfunded actuarial liability at July 1, 2001, of $3.5 million, which is being amortized over a 30-year period. The required contribution to the plan for the 2001-2002 fiscal year was $882,726, consisting of $505,336 normal cost, $319,642 amortization of the unfunded liability and $57,748 interest. Of the required amount, $106,410 represents employee contributions, and $776,316 represents the University's contribution. The actual amount contributed by the University was $843,032. The required contribution was determined as part of the July 2001 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 7% investment rate of return, (b) projected salary increases of 5% per year, and (c) 3% per year cost of living adjustments.

Additional disclosures related to the University's defined benefit programs (PERF and Police/Fire) are presented in the table that follows:

Three Year Trend Information (Expressed in Thousands)

Plan*	Fiscal Year Ending June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Total Unfunded (Excess) Actuarial Liability	Funded Ratio	Annual Covered Payroll	Liability to Payroll	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Benefit)
PERF**	1999	$164,010	$142,027	$(21,983)	115.0%	$110,107	-20.0%	$6,308	107.4%	(468)
	2000	169,545	147,147	(22,398)	115.2%	118,759	-18.9%	5,463	124.0%	(2,894)
	2001	169,867	156,111	(13,756)	108.8%	122,040	-11.3%	5,601	111.0%	(3,390)
Police/ Fire	1999	$8,758	$12,969	$4,211	67.5%	$3,512	120.0%	$934	101.0%	(8)
	2000	10,117	13,887	3,770	72.9%	3,660	103.0%	907	108.6%	(69)
	2001	11,323	14,858	3,535	76.2%	3,770	93.8%	883	108.6%	(67)

**Data for 2002 not available from actuaries.*

***University portion only.*

Cooperative Extension Service. As of June 30, 2002, there were 116 staff members with federal appointments employed by the Indiana Cooperative Extension Service and covered by the Federal Civil Service Retirement System.

NOTE 13 - RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, or destruction of, assets; errors or omissions; job-related illnesses or injuries to employees; accident, health, and other medical benefits provided to employees and their dependents; and long-term disability benefits provided to employees. The University handles these risks of loss through combinations of risk retention and commercial insurance. For buildings and contents, the University's risk retention per incident is $250,000 per occurrence. There is a $1 million retention per occurrence or wrongful act for general, automobile, professional, and educators' legal liability. The University retains the entire risk for medical and long-term disability benefits. The maximum liability to the University for job-related illnesses or injuries is $100,000 per incident, with a maximum annual aggregate liability of $4.4 million.

Separate funds have been established to account for these risks. All departments of the University are charged fees based on actuarial estimates of the amounts necessary to pay claims and to establish reserves for catastrophic losses.

The University accrues liabilities for claims if information indicates that a loss has been incurred as of June 30, and the amount of the loss can reasonably be estimated. The liability for medical claims incurred, but not reported at June 30, 2002, is based on actuarial estimates. The liability accrued for staff on long-term disability is estimated based on calculations performed by external actuaries. Changes in the balances of claims liabilities during the 2001-2002 and 2000-2001 fiscal years were as follows:

	Year Ended June 30, 2002	Year Ended June 30, 2001
Beginning Liability	$ 21,393,244	$ 19,803,693
Claims Incurred	55,737,127	54,344,722
Claims Payments	(54,454,462)	(52,755,171)
Ending Liability	$ 22,675,909	$ 21,393,244

NOTE 14 – SEGMENTS

A segment represents an identifiable activity that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. In addition, the activity's revenues, expenses, gains and losses, assets, and liabilities are required to be accounted for and reported on separately. For the fiscal year ended June 30, 2002, the University had two segments. Condensed segment financial statements are a required disclosure under GASB Statement No. 34 (See Note 1.) Comparative financial statements, however, are not required in the year of implementation and are not presented. Condensed segment financial statements for the 2001-2002 fiscal year appear with this note. Descriptions of the activities follow:

- The Purdue University Dormitory System (System). The System is a nonlegal business unit created by the University to operate its residence facilities located at the West Lafayette Campus and is reported as part of Purdue University. The System is designed to be operated and managed to be financially self-supporting. It includes 11 residence halls, two graduate houses, and apartment-style housing for married students and undergraduate students.

- The Fort Wayne Campus Student Union Building. The Student Union Building provides conference facilities, food service, and recreational opportunities on the Fort Wayne Campus.

Condensed Statement of Net Assets, As of June 30, 2002	Dormitory System	Fort Wayne Student Union Building
Current Assets	$ 56,707,308	$ 759,997
Capital Assets	67,395,183	1,664,136
Other Assets	366,106	305,225
Total Assets	124,468,597	2,729,358
Current Liabilities	7,903,621	359,624
Noncurrent Liabilities	56,143,624	292,675
Total Liabilities	64,047,245	652,299
Invested in Capital Assets, Net of Related Debt	16,791,767	1,104,136
Restricted - Expendable	6,000,000	360,020
Unrestricted	37,629,585	612,903
Total Net Assets	**$ 60,421,352**	**$ 2,077,059**

Condensed Statement of Revenues, Expenses and Changes in Net Assets, For the Year Ended June 30, 2002	Dormitory System	Fort Wayne Student Union Building
Operating Revenues		
Housing, net	$ 33,788,386	$ -
Food Service	32,333,227	-
Other Operating Revenues	1,783,164	648,317
Total Operating Revenues	67,904,777	648,317
Operating Expenses		
Depreciation	4,044,158	86,582
Operating Expense	56,334,234	867,298
Total Operating Expenses	60,378,392	953,880
Operating Income (Loss)	7,526,385	(305,563)
Non-Operating Revenue (Expense)	(440,880)	51,782
Increase (Decrease) in Net Assets	7,085,505	(253,781)
Net assets, Beginning of Year	53,335,847	2,330,840
Net assets, End of Year	**$ 60,421,352**	**$ 2,077,059**

Condensed Statement of Cash Flows, For the Year Ended June 30, 2002	Dormitory System	Fort Wayne Student Union Builidng
Cash Provided (Used) by Operating Activities	$ 12,772,763	$ (347,544)
Cash Provided by Noncapital Financing Activities	23,733	-
Cash Provided by Investing Activities	2,267,454	30,546
Cash Used by Capital and Related Financing Activities	(4,659,689)	(218)
Net Increase (Decrease) in Cash and Cash Equivalents	10,404,261	(317,216)
Cash and Cash Equivalents, Beginning of Year	44,443,224	1,006,207
Cash and Cash Equivalents, End of Year	**$ 54,847,485**	**$ 688,991**

NOTE 15 – OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification (expressed in thousands) for the fiscal years ended June 30, 2002, and June 30, 2001, are summarized as follows:

Year Ended June 30, 2002	Compensation and Benefits	Supplies and Services	Depreciation	Scholarships, Fellowships, and Student Awards	Total
Instruction and Departmental Research	345,643	62,022			407,665
Organized Activities Related to Instruction and Research	6,271	8,716			14,987
Sponsored Research	77,619	38,238			115,857
Other Separately Budgeted Research	29,528	6,823			36,351
Extension and Public Service	60,036	23,379			83,415
Academic Support	22,409	18,405			40,814
Student Services	22,465	7,677			30,142
Physical Plant Operations and Maintenance	46,746	28,209			74,955
General Administration	36,182	12,776			48,958
General Institutional Services	17,711	7,322			25,033
Student Aid	757	537		25,249	26,543
Auxiliary Enterprises	122,668	13,338			136,006
Depreciation			67,482		67,482
Total	788,035	227,442	67,482	25,249	1,108,208

Year Ended June 30, 2001					
	Compensation and Benefits	Supplies and Services	Depreciation	Scholarships, Fellowships, and Student Awards	Total
Instruction and Departmental Research	328,694	48,032			376,726
Organized Activities Related to Instruction and Research	5,698	9,501			15,199
Sponsored Research	69,787	34,989			104,776
Other Separately Budgeted Research	28,977	5,927			34,904
Extension and Public Service	57,974	23,938			81,912
Academic Support	21,646	16,548			38,194
Student Services	21,043	7,178			28,221
Physical Plant Operations and Maintenance	45,351	32,380			77,731
General Administration	32,352	17,210			49,562
General Institutional Services	15,903	5,557			21,460
Student Aid	3,409	413		19,487	23,309
Auxiliary Enterprises	118,215	16,601			134,816
Depreciation			64,692		64,692
Total	749,049	218,274	64,692	19,487	1,051,502

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APPENDIX C

FORM OF APPROVING OPINION OF BOND COUNSEL

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__________, 2003

The Trustees of Purdue University
West Lafayette, Indiana

Re: The Trustees of Purdue University
Purdue University Student Facilities System Revenue Bonds, Series 2003A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by The Trustees of Purdue University (the "Issuer") of $94,975,000 aggregate principal amount of its Purdue University Student Facilities System Revenue Bonds, Series 2003A, dated ___________, 2003 (the "Bonds"), pursuant to Indiana Code 20-12-8, 20-12-9 and 20-12-9.5, each as amended to date, certain resolutions adopted by the Board of Trustees of the Issuer on September 13, 2002, and the Finance Committee of the Board of Trustees of the Issuer on December 14, 2002 (the "Resolutions"), and an Indenture of Trust between the Issuer and Bank One Trust Company, National Association, as trustee (the "Trustee"), dated as of January 1, 2003, as supplemented by a First Supplemental Indenture between the Issuer and the Trustee, dated as of January 1, 2003 (such Indenture of Trust, as supplemented by such First Supplemental Indenture, the "Indenture"). We have examined the law and such certified proceedings and such other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the Resolutions and the Indenture, the certified proceedings and other certifications of public officials furnished to us, and certifications, representations and other information furnished to us by or on behalf of the Issuer and others, including without limitation certifications contained in the tax and arbitrage certificate of the Issuer dated the date hereof, without undertaking to verify the same by independent investigation. We have relied upon the legal opinion of Stuart & Branigin, Lafayette, Indiana, counsel to the Issuer, dated the date hereof, as to the matters stated therein. We have relied upon the report of Causey, Demgen & Moore, Inc., dated the date hereof, as to the matters stated therein.

For purposes of this opinion, we have assumed, without making any factual, legal or other inquiry or investigation, and without expressing any opinion or stating any conclusion with respect thereto, that the interest on the Issuer's outstanding Purdue University Dormitory System Revenue Bonds, Series 1993, dated as of September 15, 1993, which are to be refunded with a portion of the proceeds from the Bonds, is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on this date (the "Code").

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been duly authorized, executed and delivered by the Issuer, and are valid and binding special and limited obligations of the Issuer, enforceable in accordance with their terms. The Bonds are payable solely from the Pledged Revenues (as defined in the Indenture) and the other Available Funds (as defined in the Indenture).

2. The Indenture has been duly authorized, executed and delivered by the Issuer, and is a valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms.

3. Under Section 103 of the Code, the interest on the Bonds is excluded from gross income for federal income tax purposes. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted or represented that it will comply with such requirements. Failure to comply with certain of such requirements may cause the interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Except for the opinion expressed in paragraph 4 hereof, we express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

4. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings.

5. Interest on the Bonds is exempt from income taxation in the State of Indiana (the "State") for all purposes except the State financial institutions tax.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement dated January 17, 2003, or any other offering material relating to the Bonds, and we express no opinion relating thereto.

With respect to the enforceability of any document or instrument, this opinion is subject to the qualifications that: (i) enforceability of such document or instrument may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance and similar laws relating to or affecting the enforcement of creditors' rights; (ii) the enforceability of equitable rights and remedies provided for in such document or instrument is subject to judicial discretion, and the enforceability of such document or instrument may be limited by general principles of equity; (iii) the enforceability of such document or instrument may be limited by public policy; and (iv) certain remedial, waiver and other provisions of such document or instrument may be unenforceable, provided, however, that in our opinion the unenforceability of those provisions would not, subject to the other qualifications set forth herein, affect the validity of such document or instrument or prevent the practical realization of the benefits thereof.

Very truly yours,

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APPENDIX D

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

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APPENDIX D

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

Pursuant to continuing disclosure requirements promulgated by the Securities and Exchange Commission in SEC Rule 15c2-12, as amended (the "Rule"), the Corporation entered into a Continuing Disclosure Undertaking Agreement, dated as of July 1, 1996, as previously supplemented, to be further supplemented by an Eighth Supplement to Continuing Disclosure Undertaking Agreement, dated as of January 1, 2003 (collectively, the "Undertaking"), with Bank One Trust Company, National Association, as Counterparty. Pursuant to the terms of the Undertaking, the Corporation will agree to provide the following information while any of the Series 2003A Bonds are Outstanding:

- <u>Audited Financial Statements</u>. To each nationally recognized municipal securities information repository ("NRMSIR") then in existence and to the Indiana state information depository then in existence, if any ("SID"), when and if available, the audited financial statements of the Corporation for each fiscal year, beginning with the fiscal year ending June 30, 2003, together with the auditor's report and all notes thereto; and
- <u>Financial Information in this Official Statement</u>. To each NRMSIR then in existence and to the SID, within 180 days of the close of the Corporation's fiscal year, beginning with the fiscal year ending June 30, 2003, annual financial information, other than the audited financial statements described above, including (i) unaudited financial statements of the Corporation if audited financial statements are not available and (ii) operating data (excluding any demographic information or forecasts) of the general type provided under the following headings in this Official Statement and Appendix A hereto (collectively, the "Annual Information"); provided, however, that the updating information may be provided in such format as the Corporation deems appropriate:

ESTIMATED ANNUAL DEBT SERVICE REQUIREMENT

(Estimated Total Debt Service Column Only)

THE FACILITIES AND THE SYSTEM

APPENDIX A

  - Student Enrollment
  - Student Admissions
  - Tuition and Fees
  - Financial Operations of the Corporation
  - State Appropriations
  - Student Financial Aid
  - Endowment and Similar Funds

- <u>Event Notices</u>. In a timely manner, to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB"), and to the SID, notice of any of the following events, if material (which determination of materiality shall be made by the Corporation in accordance with the standards established by federal securities laws):

  - principal and interest payment delinquencies;
  - non-payment related defaults;
  - unscheduled draws on debt service reserves reflecting financial difficulties;
  - unscheduled draws on credit enhancements reflecting financial difficulties;
  - substitution of credit or liquidity providers, or their failure to perform;

- adverse tax opinions or events affecting the tax-exempt status of the Series 2003A Bonds;
- modifications to the rights of owners of the Series 2003A Bonds;
- Series 2003A Bond calls;
- defeasances;
- release, substitution or sale of property securing repayment of the Series 2003A Bonds; and
- rating changes

- Failure to Disclose. In a timely manner, to each NRMSIR or to the MSRB, and to the SID, notice of the Corporation's failing to provide the annual financial information as described above.

If any Annual Information or audited financial statements relating to the Corporation referred to above no longer can be provided because the operations to which they related have been materially changed or discontinued, a statement to that effect, provided by the Corporation to each NRMSIR then in existence and to the SID, along with any other Annual Information or audited financial statements required to be provided under the Undertaking, shall satisfy the Undertaking. To the extent available, the Corporation shall cause to be filed along with the other Annual Information or audited financial statements operating data similar to that which can no longer be provided.

The Corporation has agreed to make a good-faith effort to obtain Annual Information. However, failure to provide any component of Annual Information because it is not available to the Corporation on the date by which Annual Information is required to be provided hereunder shall not be deemed to be a breach of the Undertaking. The Corporation has further agreed to supplement the Annual Information filing when such data is available.

Dissemination Agent. The Corporation may, at its sole discretion, utilize an agent (a "Dissemination Agent") in connection with the dissemination of any annual financial information required to be provided by the Corporation pursuant to the terms of the Undertaking.

Remedy. The sole remedy against the Corporation for any failure to carry out any provision of the Undertaking shall be for specific performance of the Corporation's disclosure obligations under the Undertaking and not for money damages of any kind or in any amount. The Corporation's failure to honor its covenants thereunder shall not constitute a breach or default of the Series 2003A Bonds, the Indenture or any other agreement to which the Corporation is a party.

In the event the Corporation fails to provide any information required of it by the terms of the Undertaking, any holder or beneficial owner of Series 2003A Bonds may pursue the remedy set forth above in any court of competent jurisdiction in the State of Indiana. Any challenge to the adequacy of the information provided by the Corporation by the terms of the Undertaking may be pursued only by holders or beneficial owners of not less than 25% in principal amount of Series 2003A Bonds then Outstanding in any court of competent jurisdiction in the State of Indiana. An affidavit to the effect that such persons are holders or beneficial owners of Series 2003A Bonds supported by reasonable documentation of such claim shall be sufficient to evidence standing to pursue the remedy set forth above. The Counterparty, upon satisfactory indemnification and demand by those persons it reasonably believes to be holders or beneficial owners of Series 2003A Bonds, may also pursue the remedy of specific performance set forth above in any court of competent jurisdiction in the State of Indiana. The Counterparty shall have no obligation to pursue any remedial action in the absence of a valid demand from holders or beneficial owners of Series 2003A Bonds and satisfactory indemnification.

Prior to pursuing any remedy for any breach of any obligation under the Undertaking, a holder or beneficial owner of Series 2003A Bonds shall give notice to the Corporation, by registered or certified mail, of such breach and its intent to pursue such remedy. Thirty (30) days after the receipt of such notice, or upon earlier response from the Corporation to the notice indicating continued noncompliance, such remedy may be pursued under the Undertaking if and to the extent the Corporation has failed to cure such breach.

Modification of Undertaking. The Corporation and the Counterparty may, from time to time, amend or modify the Undertaking without the consent of or notice to the owners of the Series 2003A Bonds if either (a)(i) such amendment or modification is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Corporation, or type of business conducted, (ii) the Undertaking, as so amended or modified, would have complied with the requirements of the Rule on the date hereof, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (iii) such amendment or modification does not materially impair the interests of the holders of the Series 2003A Bonds, as determined either by (A) any person selected by the Corporation that is unaffiliated with the Corporation (including the Counterparty or the trustee under the Indenture, or nationally recognized bond counsel) or (B) an approving vote of the holders of a majority of Outstanding Series 2003A Bonds as required under the Indenture at the time of such amendment or modification; or (b) such amendment or modification (including an amendment or modification which rescinds the Undertaking) is permitted by the Rule, as then in effect.

Counterparty's Obligation. The Counterparty shall have no obligation to take any action whatsoever with respect to information provided by the Corporation under the Undertaking except any obligations arising from the Counterparty serving as a Dissemination Agent, and no implied covenants or obligations shall be read into the Undertaking against the Counterparty. Further, the Counterparty shall have no responsibility to ascertain the truth, completeness or accuracy of the information provided as required under the Undertaking by the Corporation, or otherwise to determine whether any such information or notices are or have been provided in compliance with the Rule or the requirements of the Undertaking.

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