NEW ISSUE
BOOK-ENTRY ONLY

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

In the opinion of Ice Miller LLP, Indianapolis, Indiana, Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Series W Bonds is excludable for federal income tax purposes from gross income pursuant to Section 103 of the Internal Revenue Code of 1986, as amended. Such exclusion is conditioned on continuing compliance with the Tax Covenants (as hereinafter defined). In the opinion of Ice Miller LLP, Indianapolis, Indiana, Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Series W Bonds is exempt from income taxation in the State of Indiana. See "TAX MATTERS" and APPENDIX C herein.

$41,600,000
THE TRUSTEES OF PURDUE UNIVERSITY
Purdue University Student Fee Bonds, Series W

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

The Trustees of Purdue University (the "Corporation"), will issue its Purdue University Student Fee Bonds, Series W, dated as of the date of delivery (the "Series W Bonds"), in the original aggregate principal amount of $41,600,000. The Series W Bonds are being issued pursuant to resolutions adopted and actions authorized by the Board of Trustees (the "Board") of the Corporation and under an Amended and Restated Trust Indenture dated as of May 1, 1996, as heretofore supplemented and amended from time to time (the "Amended and Restated Indenture"), and as further supplemented by a Twenty-Third Supplemental Indenture dated as of July 1, 2006 (the "Twenty-Third Supplemental Indenture" and, collectively with the Amended and Restated Indenture, the "Indenture"), by and between the Corporation and J.P. Morgan Trust Company, National Association (as successor to NBD Bank, N.A.), Indianapolis, Indiana, as trustee (the "Trustee"), for the purpose of financing the costs of certain infrastructure and utilities improvements. See "PLAN OF FINANCE."

Interest on the Series W Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2007, by check mailed to the registered owners or by wire transfer to owners of $1,000,000 or more in aggregate principal amount who have requested the same of the Trustee. The Series W Bonds are issuable only as fully registered bonds, and will be issued in denominations of $5,000 or any integral multiple thereof. The Series W 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 W Bonds will be made in book-entry only form, and purchasers of a beneficial interest in the Series W Bonds will not receive physical delivery of the certificates representing their interests in the Series W Bonds. The principal and interest on the Series W Bonds will be paid to DTC or its nominee as the registered owner of the Series W Bonds. Disbursement of such payments to owners of beneficial interests in the Series W Bonds will be the responsibility of DTC and its participants and indirect participants. See "DESCRIPTION OF SERIES W BONDS--Book-Entry-Only System."

The Series W Bonds are subject to optional redemption prior to maturity, as set forth herein. See "DESCRIPTION OF SERIES W BONDS -- Redemption".

The Series W Bonds are limited obligations of the Corporation secured exclusively by and payable solely from a pledge of and parity first lien on Student Fees, Qualified Swap Receipts (if any) and certain other Pledged Funds. The Series W Bonds are not a general obligation, debt or liability of the Corporation or the State of Indiana, and no recourse will be had for the payment of the principal of or interest on the Series W Bonds against the State of Indiana, the Corporation, or against the property or funds of the Corporation or the State of Indiana, except to the extent of the pledge of Student Fees, Qualified Swap Receipts (if any), and the pledge of certain funds under the Indenture for payment of the Series W Bonds. The Corporation has no taxing power.

$23,195,000 -- Series W Serial Bonds

Due July 1	Principal Amount	Interest Rate	Yield	Due July 1	Principal Amount	Interest Rate	Yield
2007	$555,000	4.000%	3.700%	2017	$135,000	4.300%	4.380%
2008	1,435,000	4.000	3.780	2018	2,055,000	5.000	4.440*
2009	1,495,000	4.000	3.820	2018	105,000	4.375	4.440
2010	1,555,000	4.000	3.870	2019	2,250,000	5.000	4.480*
2011	1,615,000	4.000	3.910	2019	15,000	4.375	4.480
2012	1,680,000	4.000	3.970	2020	40,000	4.400	4.500
2013	1,750,000	4.000	4.040	2022	10,000	4.500	4.590
2014	1,820,000	4.125	4.130	2023	250,000	4.500	4.600
2015	1,895,000	4.200	4.210	2024	500,000	4.500	4.640
2016	1,970,000	4.250	4.280	2026	145,000	4.500	4.690
2017	1,920,000	5.000	4.380*				

$18,405,000 -- Series W Term Bonds

Due July 1	Principal Amount	Interest Rate	Yield
2022	$7,445,000	5.000%	4.590%*
2024	4,895,000	5.000	4.640*
2026	6,065,000	5.000	4.690*

* Priced to the January 1, 2016 par call.

The Series W 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 Ice Miller LLP, Indianapolis, Indiana, Bond Counsel and Disclosure Counsel. Certain legal matters will be passed on for the Corporation by its counsel, Stuart & Branigin, Lafayette, Indiana. John S. Vincent & Company LLC is serving as financial advisor to the Corporation. It is anticipated that the Series W Bonds will be available for delivery to DTC in New York, New York, on or about July 6, 2006.

MERRILL LYNCH & CO.

City Securities Corporation **Loop Capital Markets, LLC**

Dated June 21, 2006

THE TRUSTEES OF PURDUE UNIVERSITY
West Lafayette, Indiana

Trustees

J. Timothy McGinley, *Chairman of the Board*
John D. Hardin, Jr., *Vice Chairman of the Board*

Michael J. Birck**
Rachel N. Cumberbatch
Barbara H. Edmondson*
William F. Oesterle
Robert E. Peterson*
Mamon M. Powers, Jr.
Thomas E. Spurgeon
Mark W. Townsend

*Terms expire June 30, 2006
**Current term expires June 30, 2006, but reelected by alumni for an additional 3 year term ending June 30, 2009.

Officers of the Corporation

The current officers of the Corporation are listed below.

J. Timothy McGinley, *Chairman*
John D. Hardin, Jr., *Vice Chairman*
Morgan R. Olsen, *Treasurer*
James S. Almond, *Assistant Treasurer and Assistant Secretary*
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 Mason, *Provost*
Morgan R. Olsen, *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*
Peggy L. Fish, *Director of Audits*
Wayne W. Kjonaas, *Vice President for Physical Facilities*
Christine M. Ladisch, *Vice Provost for Academic Affairs*
Victor L. Lechtenberg, *Vice Provost for Engagement*
Rabindra N. Mukerjea, *Director, Strategic Planning and Assessment*
Thomas B. Robinson, *Vice President for Student Services*
Alysa C. Rollock, *Vice President for Human Relations*
Charles O. Rutledge, *Vice President for Research*
John A. Sautter, *Vice President for Housing and Food Services*
Scott W. Seidle, *Senior Director of Investments*
Terry D. Strueh, *Vice President for Governmental Relations*
Howard Cohen, *Chancellor, Calumet Campus*
James B. Dworkin, *Chancellor, North Central Campus*
Michael A. Wartell, *Chancellor of Indiana University-Purdue University Fort Wayne*

NO DEALER, BROKER, SALESMAN OR ANY OTHER PERSON HAS BEEN AUTHORIZED BY THE CORPORATION OR THE UNDERWRITERS 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 OR ANY OF THE FOREGOING. CERTAIN INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN OBTAINED FROM THE CORPORATION AND OTHER SOURCES CONSIDERED TO BE RELIABLE, BUT IS NOT TO BE CONSIDERED TO BE THE REPRESENTATIONS OF THE UNDERWRITERS. 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.

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 A PART OF THEIR 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.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL NOR THE SOLICITATION OF AN OFFER TO BUY THE SERIES W 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 W 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 W 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 W BONDS FOR SALE.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CORPORATION AND THE TERMS OF THE OFFERING, INCLUDING THE MERIT AND RISK INVOLVED. 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, 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 colleges, 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 2005 fall semester headcount enrollment for all campuses exceeded 64,500.

PURPOSES OF ISSUE. The Corporation's Purdue University Student Fee Bonds, Series W (the "Series W Bonds"), are being issued to finance the costs of certain infrastructure and utilities improvements and to pay certain costs of issuing the Series W Bonds.

SECURITY. The Series W Bonds, together with the Purdue University Student Fee Bonds, Series E, Series H, Series K, Series L, Series N, Series O, Series P, Series Q, Series R, Series S, Series T, Series U and Series V outstanding in the aggregate principal amount of $282,855,000 as of July 6, 2006, are limited obligations of the Corporation payable from and secured solely by a pledge of and first lien on Student Fees as provided in the Indenture, payments to the Corporation from a Qualified Swap Provider pursuant to a Qualified Swap Agreement (if any), and moneys on deposit in certain funds established under the Indenture. At the time of issuance of the Series W Bonds, the Corporation has no intention to enter into any Qualified Swap Agreement. The Series W Bonds are not a general obligation debt or liability of the Corporation or the State of Indiana, and no recourse shall be had for the payment of the principal of or interest on the Series W Bonds against the State of Indiana, the Corporation, or against the property or funds of the Corporation or the State of Indiana, except to the extent of the Student Fees, Qualified Swap Receipts (if any), and the funds pledged under the Indenture for payment of the Series W Bonds.

STUDENT FEES means all academic fees (including tuition) however denominated, assessed by the Corporation against all students attending Purdue University, except fees which may be subsequently released from the lien of the Indenture, as provided therein. See "SECURITY AND SOURCES OF PAYMENT FOR STUDENT FEE BONDS — Student Fees."

BOOK-ENTRY-ONLY SYSTEM. The Series W Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, and all payments of principal 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 W Bonds. Purchases of the Series W Bonds by investors will be made in book-entry form only and individual purchasers will not receive physical delivery of Series W Bond certificates.

DEBT SERVICE COVERAGE. The following debt service coverage summary is based on Student Fees for the Fiscal Years ended June 30, 2004 and June 30, 2005, and the estimated Annual Debt Service Requirements on all Outstanding Bonds, including the Series W Bonds.

	(in thousands)	
	2005	2004
Student Fees	$417,937	$385,198
Coverage*	12.4 x	11.4 x

* Estimated Maximum Annual Debt Service Requirement (FY 2008) ($33,789,103); based on an assumed interest rate of 4.40% per annum on the Series S, Series T and Series V Bonds, and excluding Capitalized Interest on Series S, Series T and Series V Bonds.

FEE COVENANT. The Corporation covenants that it will establish and collect Student Fees so as to generate in each Fiscal Year annual sums no less than 1.0 times the Annual Debt Service Requirement for such year and any amounts to be paid from Student Fees with respect to such Fiscal Year, in accordance with the Indenture.

RESERVE FUND. No reserve fund exists for the Series W Bonds.

ADDITIONAL PARITY BONDS. The Corporation may issue additional Parity Bonds secured by a pledge of and first lien on Student Fees provided, among other things, that the actual Student Fees received by the Corporation during the preceding Fiscal Year are at least equal to 1.0 times the Maximum Annual Debt Service to become due on all Parity Bonds outstanding under the Indenture plus the Parity Bonds to be issued. The Corporation may enter into Qualified Swap Agreements on a parity with the Series W Bonds and all other Parity Bonds. The Corporation has not entered into any Qualified Swap Agreements and has no present intention to enter into any Qualified Swap Agreements.

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 a Sixteenth Supplement to Continuing Disclosure Undertaking Agreement to be dated as of July 1, 2006, with J.P. Morgan Trust Company, National Association (as successor to NBD Bank, N.A.,) 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

$41,600,000
The Trustees of Purdue University
Purdue University Student Fee Bonds, Series W

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 $41,600,000 aggregate principal amount of its Purdue University Student Fee Bonds, Series W (the "Series W Bonds").

The Series W Bonds are being issued under Indiana Code 20-12-6, as amended (the "Act"), and pursuant to resolutions adopted by and actions authorized by the Board of Trustees of the Corporation (the "Board"), and the Finance Committee thereof, and in accordance with the provisions of an Amended and Restated Trust Indenture, dated as of May 1, 1996, by and between the Corporation and J.P. Morgan Trust Company, National Association (as successor to NBD Bank, N.A.), Indianapolis, Indiana, as trustee (the "Trustee"), as supplemented and amended from time to time (the "Amended and Restated Indenture"), and as further supplemented by the Twenty-Third Supplemental Indenture dated as of July 1, 2006, by and between the Corporation and the Trustee (the "Twenty-Third Supplemental Indenture"; the Amended and Restated Indenture, as supplemented by the Twenty-Third Supplemental Indenture, being referred to herein as the "Indenture").

The Indenture also governs other outstanding debt of the Corporation which is on a parity basis with the Series W Bonds. The Indenture allows the Corporation, under certain circumstances, to issue additional debt, and enter into Qualified Swap Agreements, which may be on a parity basis with the Series W Bonds. Certain terms of the Indenture, including provisions for Parity Obligations, are described in this Official Statement in the section entitled "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

The Series W Bonds are limited obligations of the Corporation secured exclusively by and payable solely from a pledge of and a first lien on Student Fees, payments to the University from a Qualified Swap Provider pursuant to a Qualified Swap Agreement (if any), and moneys on deposit in funds established under the Indenture. The Corporation has not entered into any Qualified Swap Agreements and has no present intention to enter into any Qualified Swap Agreements. The Series W Bonds are not a general obligation, debt or liability of the Corporation or of the State of Indiana, and no recourse will be had for the payment of the principal of or interest on the Series W Bonds against the State of Indiana, the Corporation, or against the property or funds of the Corporation or of the State of Indiana, except to the extent of the pledge of Student Fees, Qualified Swap Receipts (if any), and the pledge of certain funds under the Indenture for payment of the Series W Bonds. The Corporation has no taxing power.

Under the Indenture, the Corporation has issued and has outstanding as of July 6, 2006, $282,855,000 in cumulative aggregate principal amount of its (i) Purdue University Student Fee Bonds, Series E (the "Series E Bonds"); (ii) Purdue University Student Fee Bonds, Series H (the "Series H Bonds"); (iii) Purdue University Student Fee Bonds, Series K (the "Series K Bonds");

(iv) Purdue University Student Fee Bonds, Series L (the "Series L Bonds"); (v) Purdue University Student Fee Bonds, Series N (the "Series N Bonds"); (vi) Purdue University Student Fee Bonds, Series O (the "Series O Bonds"); (vii) Purdue University Student Fee Bonds, Series P (the "Series P Bonds"); (viii) Purdue University Student Fee Bonds, Series Q (the "Series Q Bonds"); (ix) Purdue University Student Fee Bonds, Series R (the "Series R Bonds"); (x) Purdue University Student Fee Bonds, Series S (Adjustable Demand) (the "Series S Bonds"); (xi) Purdue University Student Fee Bonds, Series T (Adjustable Demand) (the "Series T Bonds"); (xii) Purdue University Student Fee Bonds, Series U (the "Series U Bonds"); and (xiii) Purdue University Student Fee Bonds, Series V (Adjustable Demand) (the "Series V Bonds") (the Bonds referred to in clauses (i) through (xiii) are collectively referred to as the "Outstanding Student Fee Bonds"). See "SECURITY AND SOURCES OF PAYMENT FOR STUDENT FEE BONDS -- Outstanding Student Fee Bonds." The Series W Bonds are issued on a parity with the Outstanding Student Fee Bonds and any additional Parity Bonds (as hereinafter defined) issued by the Corporation under the Indenture (the Outstanding Student Fee Bonds and the Series W Bonds, together with any additional Parity Bonds and any Additional Bonds (as hereinafter defined) issued by the Corporation under the Indenture, are collectively referred to as the "Student Fee Bonds"). See "SECURITY AND SOURCES OF PAYMENT FOR STUDENT FEE BONDS."

"Student Fees" means all academic fees (including tuition), however denominated, assessed by the Corporation against students attending Purdue University (the "University"), except fees which may be subsequently released from the lien of the Indenture, as provided therein. The Corporation has covenanted and agreed in the Indenture to pay the Trustee on or before each Interest Payment Date, Student Fees sufficient to pay the principal of and interest due on the Series W Bonds and all Parity Bonds. Such amounts will be deposited in the Sinking Fund. Student Fees, prior to their deposit with the Trustee as required by the Indenture, may be used as general operating funds of the Corporation.

The Series W Bonds are subject to redemption prior to maturity, as described herein. (See "DESCRIPTION OF SERIES W BONDS -- Redemption".)

The Corporation has entered into the Undertaking Agreement for the benefit of the beneficial owners of the Series W Bonds, obligating itself to provide certain continuing disclosure as described in detail 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 W BONDS

The Series W Bonds are being issued for the purposes of financing the costs of certain infrastructure and utilities improvements, as described under the caption "PLAN OF FINANCE." A portion of the proceeds of the Series W Bonds will be used to pay for the costs of issuance of the Series W Bonds.

DESCRIPTION OF SERIES W BONDS

General

The Series W Bonds will be issued in the principal amount of $41,600,000 and will be dated and bear interest from the date of issuance. The Series W Bonds will bear interest (payable January 1 and July 1 of each year, with the first interest payment being January 1, 2007) 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 W Bonds will be computed on the basis of a 360-day year, consisting of twelve 30-day months.

The Series W Bonds will be issued in fully registered form in the denomination of $5,000 or any integral multiple of that sum.

The Series W Bonds will be registered on the books of the Corporation kept for that purpose (the "Bond Register") at the principal corporate trust office of the Trustee as Bond Registrar. The principal of the Series W Bonds is payable at the principal corporate trust office of the Trustee. Interest on the Series W Bonds is payable when due by check mailed by the Trustee to the Registered Owners as their names and addresses appear in the Bond Register on the 15th day of the month preceding an interest payment date (the "Record Date").

Redemption

Optional Redemption. The Series W Bonds maturing on or after July 1, 2016, are subject to redemption prior to maturity at the option of the Corporation at any time on or after January 1, 2016, in whole or in part, in any order of maturity designated by the Corporation (less than all of such Series W Bonds of a particular maturity to be selected by lot in such manner as may be designated by the Trustee), at a redemption price of 100% of the principal amount of each Series W Bond to be redeemed, plus accrued interest to the date of redemption.

Mandatory Redemption. The Series W Term Bonds maturing on July 1, 2022, are subject to mandatory sinking fund redemption by lot prior to maturity on July 1 of each of the years set forth below in the respective principal amounts set forth below at a price equal to the principal amount thereof, plus accrued interest to the date of redemption:

Year	Principal Amount
2020	$2,340,000
2021	2,495,000
2022*	2,610,000

*Maturity

The Series W Term Bonds maturing on July 1, 2024, are subject to mandatory sinking fund redemption by lot prior to maturity on July 1 of each of the years set forth below in the respective principal amounts set forth below at a price equal to the principal amount thereof, plus accrued interest to the date of redemption:

Year	Principal Amount
2023	$2,505,000
2024*	2,390,000

*Maturity

The Series W Term Bonds maturing on July 1, 2026, are subject to mandatory sinking fund redemption by lot prior to maturity on July 1 of each of the years set forth below in the respective principal amounts set forth below at a price equal to the principal amount thereof, plus accrued interest to the date of redemption:

Year	Principal Amount
2025	$3,030,000
2026*	3,035,000

*Maturity

Not less than 35 days prior to the date set forth above, the Trustee will select, in the manner described below, the Term Bonds to be so redeemed and will promptly give notice of redemption as described below, which notice will state that Term Bonds are being redeemed by mandatory sinking fund redemption. Term Bonds which have been redeemed as described under "Optional Redemption" may be credited (at a price equal to 100% of the principal amount thereof) against the mandatory sinking fund redemption requirements for the Term Bonds in the order designated by the Corporation.

Selection of Bonds to be Redeemed. For so long as the Series W Bonds are registered to DTC or its nominee, if less than all of the Series W Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. See "Book-Entry-Only System." If the Series W Bonds are no longer registered to DTC or its nominee, the Trustee will select, in such a manner as in the Trustee's sole discretion it deems appropriate and fair, within each maturity of Series W Bonds to be redeemed, the Series W Bonds or portions of Series W Bonds of such maturity to be redeemed. If the owner of any such Series W Bond fails to present such Series W Bond to the Trustee for payment and exchange, such Series W Bond will, nevertheless, become due and payable on the date fixed for redemption to the extent of the principal amount called for redemption. In case a Series W Bond of a denomination larger than $5,000 is to be redeemed, the principal amount not being redeemed must be in a denomination of $5,000 of any integral multiple thereof. Upon surrender of any Series W Bond for redemption in part only, the Corporation will execute and the Trustee will authenticate and deliver to the registered owner thereof, at the expense of the Corporation, a new Series W Bond or Series W Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Series W Bond surrendered.

Notice of Redemption. Notice of redemption of the Series W Bonds will be given by the Trustee by mailing a copy of the redemption notice by first-class mail not less than 30 nor more than 45 days prior to the date fixed for redemption to the registered owner of each Series W Bond to be redeemed (such Bondholder being DTC or its nominee for so long as the Series W Bonds are held in book-entry-only form) at the address shown in the registration books. However, failure to give such notice, or any defect therein, with respect to any Series W Bond will not affect the validity of any proceedings for the redemption of other Series W Bonds. If for any reason it is impossible or impractical to mail such notice of call for redemption in the manner described above, then such mailing in lieu thereof as is made at the direction of the Corporation will constitute sufficient notice. On and after the redemption date specified in the notice of redemption, the Series W Bonds or portions thereof called for redemption (provided funds for their redemption are on deposit at the place of payment) will not bear interest, will no longer be protected by the Indenture and will not be deemed to be outstanding under the provisions of 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.

For so long as the Series W Bonds are held in book-entry-only form, the Trustee will mail notices of redemption of Series W Bonds only to DTC or its nominee, in accordance with the preceding paragraph. Neither the Corporation nor the Trustee will have any responsibility for any Beneficial Owner's receipt from DTC or its nominee, or from any DTC Participant or Indirect Participant, of any notices of redemption. See "Book-Entry-Only System."

Series W Term Bonds 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 for Series W Term Bonds of the applicable maturity in the order designated by the Issuer.

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

Open Market Purchases. At its option, the Corporation may, at any time not less than 45 days prior to any redemption date designated by the Corporation, (a) deliver to the Trustee Series W Bonds purchased with available moneys of the Corporation and (b) instruct the Trustee to apply the principal amount of such Series W Bonds so delivered for credit at 100% of the principal amount thereof against the principal amount of Series W Bonds of the same maturity to be redeemed on such redemption date.

Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series W Bonds. The Series W Bonds will be issued as fully-registered

securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series W Bond certificate will be issued for each maturity of the Series W 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 Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 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 Participants' 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, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, 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 or www.dtc.org.

Purchases of Series W Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series W Bonds on DTC's records. The ownership interest of each actual purchaser of each Series W 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 W 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 W Bonds, except in the event that use of the book-entry-only system for the Series W Bonds is discontinued.

To facilitate subsequent transfers, all Series W 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 W Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee

do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series W Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series W 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 the Series W Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series W Bonds, such as redemptions, tenders, defaults and proposed amendments to the documents. For example, Beneficial Owners of Series W Bonds may wish to ascertain that the nominee holding the Series W 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 Trustee and request that copies of notices be provided directly to them.

While the Series W Bonds are in the book-entry-only system, redemption notices shall be sent to Cede & Co. If less than all of the Series W 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 maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series W Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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 Series W Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the Series W 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 Trustee, on payable 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 or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of' DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series W Bonds at any time by giving reasonable notice to the Trustee. Under such

circumstances, in the event that a successor securities depository is not obtained, Series W Bond certificates are required to be printed and delivered.

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

THE INFORMATION IN THIS SECTION "DESCRIPTION OF THE SERIES W BONDS -- BOOK-ENTRY-ONLY SYSTEM" HAS BEEN FURNISHED BY DTC. THE CORPORATION, THE UNDERWRITERS AND THE TRUSTEE BELIEVE SUCH INFORMATION TO BE RELIABLE, BUT TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NO REPRESENTATION IS MADE BY THE CORPORATION, THE TRUSTEE OR THE UNDERWRITERS 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, THE TRUSTEE OR THE UNDERWRITERS TO DETERMINE WHETHER DTC IS OR WILL BE FINANCIALLY OR OTHERWISE CAPABLE OF FULFILLING ITS OBLIGATIONS. NEITHER THE CORPORATION, THE TRUSTEE, NOR THE UNDERWRITERS 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 W BONDS, OR FOR ANY PRINCIPAL OR INTEREST PAYMENT THEREON.

Payment of Principal and Interest on Series W Bonds

For so long as the Series W Bonds are registered in the name of DTC or its nominee or its successor, payments of principal and interest shall be made as described under Book-Entry-Only System above. In the event the Series W Bonds are no longer registered under a book-entry-only system, the Series W Bonds will be registered as to both principal and interest in the Bond Register at the principal office of the Trustee, as Bond Registrar, and payment of the principal of and interest on such Series W Bonds shall be made as described above under "General."

Interest Account. The Trustee shall establish and maintain, so long as any Series W Bonds are outstanding, a separate account within the Sinking Fund created by the Indenture known as the Series W Interest Account. The Trustee will allocate from amounts in the Sinking Fund to the Series W Interest Account amounts which are sufficient to pay interest on the Outstanding Series W Bonds as such becomes due. Moneys on deposit in the Series W Interest Account shall be used by the Trustee to pay interest on the Series W Bonds on regularly scheduled Interest Payment Dates.

Principal Account. The Trustee shall establish and maintain, so long as any Series W Bonds are outstanding, a separate account within the Sinking Fund to be known as the Series W Principal Account. The Trustee will allocate from amounts in the Sinking Fund to the Series W Principal Account amounts which are sufficient to pay principal of the Outstanding Series W Bonds as such becomes due. All payments of principal made by the Corporation shall be

deposited as and when received by the Trustee in the Series W Principal Account. On or before the first day of each July, commencing July 1, 2007, the Trustee will deposit in the Series W Principal Account moneys received from the Corporation in an amount equal to the difference, if any, between (a) the principal amount of Series W Bonds maturing on such July 1 and (b) the amount of money then on deposit in the Series W Principal Account available to pay the principal of the Series W Bonds.

No recourse shall be had for the payment of the principal of or interest on any of the Series W Bonds or for any claim based thereon or upon any obligation, covenant or agreement in the Indenture contained, against any past, present or future officer, employee, agent, representative or trustee of the Corporation, or any incorporator, officer, director or trustee of any successor corporation, as such, either directly or through the Corporation or any successor corporation, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise.

Transfer and Exchange of Series W Bonds

For so long as the Series W Bonds are registered in the name of DTC or its nominee or its successor, the transfer and exchange procedures shall be as described above under "Book-Entry-Only System," otherwise as described below under "Revision of Book-Entry-Only System; Replacement Series W Bonds."

Revision of Book-Entry-Only System; Replacement Series W Bonds

The Trustee serves as the Bond Registrar for the Series W Bonds pursuant to the Indenture. In the event (i) the Trustee receives notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities as a securities depository for the Series W Bonds or (ii) the Corporation elects to discontinue its use of DTC as a securities depository for the Series W Bonds and in either case the Corporation does not appoint an alternate securities depository, then the Trustee will do or perform or cause to be done or performed all acts or things, not adverse to the rights of the Owners of the Series W Bonds, as are necessary or appropriate to discontinue use of DTC as a securities depository for the Series W Bonds and to transfer the ownership of each of the Series W Bonds to such person or persons, including any other securities depository, as the Owner of such Series W Bonds may direct in accordance with the Indenture. Upon the occurrence of either event, if ownership of the Series W Bonds is transferred to the Owners, the Trustee will execute and deliver to the Owners of the Series W Bonds, fully registered replacement Series W Bonds ("Replacement Series W Bonds") in the denomination of $5,000 or integral multiples of that amount. The expenses of any such transfer, including the printing of certificates for Replacement Series W Bonds, will be paid by the Corporation.

The principal of the Replacement Series W Bonds will be payable at the Principal Office of the Trustee and interest on the Replacement Series W Bonds will be paid by check mailed to the registered owners appearing in the Bond Register kept by the Trustee, as registrar, as described under "Payment of Principal and Interest on the Series W Bonds" above.

Upon surrender for transfer or exchange of any of the Series W Bonds at the principal office of the Bond Registrar, the Corporation shall execute, and the Bond Registrar shall authenticate, date and deliver in the name of the transferee or transferees, a new fully registered Series W Bond or Series W Bonds of the same Series and maturity of authorized denominations for a like aggregate principal amount. Any Series W Bond or Series W Bonds may be exchanged at said office of the Bond Registrar for a like aggregate principal amount of any Series W Bond or Series W Bonds of the same Series and maturity of other authorized denominations. The Trustee will not be required to transfer or exchange any Series W Bond during the period of 15 days prior to any Interest Payment Date. No service charge or payment shall be required to be made by the Owner of any Series W Bond requesting an exchange, registration or transfer of any Series W Bond, but the Corporation, the Trustee and the Bond 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. For a more detailed description, see "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

SECURITY AND SOURCES OF PAYMENT FOR STUDENT FEE BONDS

The Series W Bonds are limited obligations of the Corporation secured by and payable solely from a pledge of and first lien on Student Fees, as provided in the Indenture, payments to the Corporation from Qualified Swap Providers pursuant to Qualified Swap Agreements (if any), and moneys on deposit in certain funds pledged under the Indenture (collectively the "Pledged Funds"). The Corporation has not entered into any Qualified Swap Agreements and has no present intention to enter into any Qualified Swap Agreements. The Series W 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 shall be had for the payment of the principal of and interest on the Series W Bonds against the State of Indiana or the Corporation, except to the extent of the Pledged Funds. The following sections regarding security for the Student Fee Bonds summarize certain provisions of the Indenture. For a complete summary of the provisions of the Indenture relating to the security for the Series W Bonds, see "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Student Fees

"Student Fees" means all academic fees (including tuition), however denominated, assessed by the Corporation against students attending the University, except fees which may be subsequently released from the lien of the Indenture, as provided therein. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Partial Release of Lien on Student Fees."

The Corporation has covenanted and agreed in the Indenture to pay the Trustee on or before each Interest Payment Date, Student Fees sufficient to pay the principal of and interest due on the Series W Bonds. Such amounts will be deposited in the Sinking Fund. Student Fees, prior to their deposit with the Trustee as required by the Indenture, may be used as general operating funds of the Corporation.

The Corporation has irrevocably pledged Student Fees to the payment of the principal of and interest on the Series W Bonds. The pledge of Student Fees for the Series W Bonds and any other obligations issued on a parity with the Series W Bonds shall constitute a first lien on and

security interest in Student Fees. See "SECURITY AND SOURCES OF PAYMENT FOR STUDENT FEE BONDS -- Issuance of Additional Bonds" and--"Outstanding Student Fee Bonds."

Reserve Fund

While a Reserve Fund has been established pursuant to the Indenture, no Reserve Fund Requirement (as hereinafter defined) exists for the Series W Bonds (or any other Student Fee Bonds which are Outstanding). Accordingly, the Series W Bonds will have no claim on the Reserve Fund. However, the Corporation may issue Additional Bonds at some later date which will have a claim on the Reserve Fund in the manner prescribed in the Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE--Flow of Funds."

Fee Covenant

The Corporation has agreed to establish and collect Student Fees so as to generate in each Fiscal Year amounts equal to no less than the sum of:

(a) An amount equal to 1.0 times the Annual Debt Service Requirement for such Fiscal Year; provided that if the rate of interest borne by any Variable Rate Bond is fixed for such Fiscal Year at a single rate of interest, such Variable Rate Bond shall be treated as a Fixed Rate Bond for purposes of the Annual Debt Service Requirement calculation;

(b) The amount, if any, to be paid into the Reserve Fund or to be paid to any Reserve Fund Insurer or the provider of any other Reserve Fund Credit Instrument with respect to such Fiscal Year; and

(c) Any other amounts to be paid from Student Fees with respect to such Fiscal Year in accordance with the Indenture.

The Corporation also covenants to adopt an annual budget for each Fiscal Year which will set forth the estimated Annual Debt Service Requirement, any required deposits to the Reserve Fund or any other moneys to be paid from Student Fees in accordance with the Indenture.

Issuance of Additional Bonds

Additional Bonds may be authorized by the Board of Trustees of the Corporation, executed by the Corporation, authenticated by the Trustee and issued under the Indenture from time to time in order to provide funds for any lawful purpose under the Act. Additional Bonds may be Parity Bonds or Subordinated Bonds. Parity Bonds means Additional Bonds which are secured as to the payment of principal and interest (other than Optional Tenders for which a Credit Support Instrument is provided) by a pledge, assignment, and grant of a security interest and first lien against the Pledged Funds, except as otherwise may be provided in regard to the Reserve Fund. Subordinated Bonds means those Additional Bonds issued under the Indenture which are subordinated pursuant to the Indenture to other Student Fee Bonds as to principal and interest repayment.

Parity Bonds may be issued from time to time by the Corporation if actual Student Fees received by the Corporation during the preceding Fiscal Year shall be equal to or greater than 1.0 times Maximum Annual Debt Service to become due in the succeeding Fiscal Years for the payment of principal and interest charges on the Outstanding Student Fee Bonds under the Indenture and on the Parity Bonds then to be authenticated and delivered. In addition, Parity Bonds may be authorized and executed by the Corporation and authenticated and delivered by the Trustee without the necessity for compliance with the aforementioned test when necessary or appropriate, in the opinion of the Trustee, to avoid a default under the Indenture.

Additional Bonds may be issued under the Indenture specifically to evidence liability of the Corporation in favor of any entity providing a Credit Support Instrument. Whether such Additional Bonds are Parity Bonds or Subordinated Bonds shall depend on the ability of the Corporation in regard to those Additional Bonds to meet the "1.0 times" test described above at the time when funds are advanced pursuant to such Credit Support Instrument and not immediately reimbursed by the Corporation, provided that Parity Bonds purchased by the provider of a Credit Support Instrument pursuant to its terms shall continue to be Parity Bonds. If such test cannot be met, the Additional Bonds will be Subordinated Bonds and the rights of the holders to receive principal thereof and interest thereon shall be subordinated to the Owners of all Parity Bonds. All computations regarding debt service and Student Fees shall be made by the Treasurer of the Corporation.

Outstanding Student Fee Bonds

The pledge of Student Fees as security for the payment of the Series W Bonds shall be of equal standing and priority of lien with the pledge of Student Fees for the following obligations of the Corporation payable from such Student Fees:

Obligation	Dated Date	Final Maturity	Original Amount Issued	Amount to be Outstanding as of July 6, 2006
Series E Bonds	November 29, 1990	July 1, 2007	$25,000,000	$2,000,000
Series H Bonds	January 1, 1993	July 1, 2015	17,000,000	9,500,000
Series K Bonds	January 18, 1995	July 1, 2020	22,000,000	15,200,000
Series L Bonds	December 13, 1995	July 1, 2020	19,200,000	13,300,000
Series N Bonds	January 27, 1998	July 1, 2014	72,590,000	27,815,000
Series O Bonds	February 11, 1998	July 1, 2019	36,300,000	25,805,000
Series P Bonds	December 2, 1998	July 1, 2017	64,255,000	41,940,000
Series Q Bonds	August 7, 2000	July 1, 2010	50,015,000	7,815,000
Series R Bonds	January 1, 2002	July 1, 2023	43,110,000	15,840,000
Series S Bonds	June 17, 2004	July 1, 2026	13,850,000	13,625,000
Series T Bonds	October 27, 2004	July 1, 2027	14,500,000	14,500,000
Series U Bonds	July 20, 2005	July 1, 2022	35,200,000	35,100,000
Series V Bonds	October 12, 2005	July 1, 2027	60,415,000	60,415,000

The Act provides general authorization for the incurrence of indebtedness by the Corporation, for miscellaneous purposes, in an amount not exceeding a total of $2,000,000 outstanding at any one time, subject to approvals from the Governor and the State Budget Committee and State Budget Agency. As of July 6, 2006, the Corporation has no such indebtedness outstanding. The Act also provides for the incurrence of indebtedness by the

Corporation to finance qualified energy savings projects, in an amount not to exceed $10,000,000 at any time, subject to any necessary approvals from the Governor and the State Budget Committee and State Budget Agency, if annual operating savings arising from the project are reasonably expected to be at least equal to annual debt service requirements on the indebtedness. The Corporation has a financing in place on July 6, 2006, in an amount of $3,293,211 for qualified energy savings projects. See "Outstanding Indebtedness" in APPENDIX A.

ESTIMATED DEBT SERVICE COVERAGE

The following debt service coverage summary is based on Student Fees for the Fiscal Years ended June 30, 2005 and June 30, 2004, and the estimated Annual Debt Service Requirements on all Outstanding Student Fee Bonds, including the Series W Bonds.

	(in thousands)	
	2005	2004
Student Fees	$417,937	$385,198
Coverage*	12.4 x	11.4 x

* Estimated Maximum Annual Debt Service Requirement (FY 2008) ($33,789,103); based on an assumed interest rate of 4.40% per annum on the Series S, Series T and Series V Bonds, and excluding Capitalized Interest on Series S, Series T and Series V Bonds.

ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS

The aggregate estimated Annual Debt Service Requirements for all Outstanding Student Fee Bonds, including the Series W Bonds, are as follows:

Fiscal Year Ending June 30	Series E Bonds	Series H Bonds	Series K Bonds	Series L Bonds	Series N Bonds	Series O Bonds	Series P Bonds	Series Q Bonds	Series R Bonds	Series S Bonds[1]	Series T Bonds[1]	Series U Bonds	Series V Bonds[1]	Series W Bonds	Total
2007	$2,419,975	$1,059,875	$1,568,699	$1,372,375	$7,661,150	$2,827,183	$5,286,200	$2,167,678	$1,394,231	$784,929	$130,500	$1,780,968	$543,735	$936,653	$29,934,151
2008	2,039,000	1,135,275	1,538,499	1,345,950	7,793,525	2,837,683	5,286,075	2,165,766	1,394,731	887,400	634,953	1,777,468	2,482,050	2,470,730	33,789,103
2009		1,106,750	1,603,550	1,414,300	4,481,400	2,845,481	5,273,325	2,303,600	1,399,131	922,183	1,127,430	1,773,968	4,707,148	3,310,930	32,269,196
2010		1,272,188	1,564,850	1,379,100	3,976,588	2,846,835	5,268,200	2,154,500	1,392,531	1,002,750	1,124,183	1,770,468	4,685,183	3,312,330	31,749,705
2011		1,326,250	1,525,250	1,344,700	3,894,988	2,849,435	5,254,856	2,152,700	1,391,406	982,950	1,120,057	1,766,968	4,664,717	3,311,330	31,585,606
2012		1,371,125	1,580,000	1,307,500	3,998,075	2,841,875	5,251,800		1,390,281	963,150	1,115,050	3,927,218	4,640,730	3,307,930	31,694,734
2013		1,413,750	1,526,875	1,362,188	4,080,625	2,720,438	5,262,850		1,392,281	991,333	1,109,163	3,923,343	4,613,223	3,307,030	31,703,099
2014		1,454,375	1,567,813	1,311,563	4,147,775	2,710,750	5,257,481		1,389,444	1,065,300	1,102,397	3,952,718	4,586,995	3,308,430	31,855,039
2015		1,392,625	1,505,938	1,358,125	513,750	2,702,000	5,235,956		1,388,128	1,038,900	1,094,750	3,915,843	4,561,825	3,305,893	28,013,732
2016		1,330,875	1,447,500	1,305,000		2,694,500	5,247,225		1,381,097	1,012,500	1,086,223	3,908,343	4,537,493	3,303,560	27,254,316
2017			1,490,000	1,255,000		2,682,000	5,240,238		1,381,647	1,082,067	1,081,615	3,925,988	4,508,982	3,296,903	25,944,438
2018			1,430,000	1,302,500		2,664,500	1,729,231		1,384,375	1,051,267	1,075,907	3,919,143	4,476,290	3,289,138	22,322,350
2019			1,467,500	1,247,500		2,642,000			1,386,125	1,020,467	1,069,098	3,921,176	4,449,015	3,289,563	20,492,444
2020			1,402,500	1,290,000		1,629,750			1,377,250	1,085,633	1,061,190	3,891,056	4,417,120	3,284,313	19,438,813
2021			1,435,000	1,230,000					1,375,875	1,050,433	1,052,182	3,887,425	4,380,605	3,283,355	17,694,875
2022									1,381,500	1,015,233	1,042,073	3,066,394	4,349,067	3,276,600	14,130,867
2023									1,374,125	1,076,000	1,035,663	3,068,488	4,317,267	3,273,750	14,145,293
2024									1,378,625	1,036,400	1,027,933		4,280,187	3,275,025	10,998,170
2025										1,092,767	1,018,883		4,242,625	3,270,775	9,625,050
2026										1,144,733	1,008,513		4,204,362	3,264,025	9,621,633
2027										928,392	996,823		4,165,177	3,259,138	9,349,529
2028											988,612		4,120,052		5,108,663

[1] Series S, T and V annual debt service is net of capitalized interest. Interest expense estimated at 4.40%.

PLAN OF FINANCE

The Series W Bonds are being issued to provide funds to fund: (i) the Projects, and (ii) to pay for the issuance costs of the Series W Bonds.

The Projects. The Projects consist of the following: Strategic Infrastructure and Utilities Improvements on the West Lafayette campus which will (i) address federally mandated environmental compliance with Boiler Maximum Achievable Control Technology (MACT), (ii) upgrade the aging electrical distribution system to various campus buildings, and (iii) improve the campus storm sewer system for compliance with National Pollution Discharge Elimination System (NPDES) Phase 2 requirements.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds:	
Principal Amount of Series W Bonds	$41,600,000.00
Net Original Issue Premium/Discount	781,794.20
Total Sources of Funds	$42,381,794.20
Uses of Funds:	
Project Costs	$42,100,000.00
Underwriting Discount	121,338.78
Costs of Issuance	160,455.42
Total Uses of Funds	$42,381,794.20

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

For purposes of this Official Statement, the following terms will have the meaning specified below unless the context clearly indicates otherwise.

"Additional Bonds" means additional Parity or Subordinated Bonds authorized to be issued under the Indenture and any Student Fee Bonds issued in substitution or replacement for them and excludes junior lien obligations as described in the Indenture.

"Annual Debt Service Requirement" for any Fiscal Year means, in connection with all Parity Bonds, the sum of (i) an amount equal to the amount of regularly scheduled principal or mandatory sinking fund payments and interest due in such Fiscal Year on Fixed Rate Bonds

(excluding principal of any balloon maturity and excluding any Optional Tender), (ii) the amount of principal and interest projected to become due in such Fiscal Year on Variable Rate Bonds (excluding principal of any balloon maturity and any Optional Tender), and (iii) an amount equal to the principal amount of a balloon maturity after the Fiscal Year in question divided by the number of years to maturity from its date of original issuance or from such later date in or prior to the Fiscal Year in question as specified in the Supplemental Indenture authorizing the issuance of such balloon maturity. Such projection of interest on Variable Rate Bonds shall be calculated at any date of calculation as an amount equal to 110% of the greater of (a) the average daily interest rate during the then preceding twelve month period or (b) the rate in effect on the date of calculation, but in either event, not to exceed any maximum interest rate which may be set for any Variable Rate Bonds. Interest which is payable from the proceeds of Bonds set aside for such purpose in the Sinking Fund shall be excluded in determining the Annual Debt Service Requirement. For purposes of this definition, "balloon maturity" shall mean Bonds of any series (or multiple series of Bonds issued at substantially the same time) with principal amounts maturing or otherwise due and payable within any twelve month period equal to or greater than fifteen percent of the original principal amount of such Bonds; provided that, in calculating the amount due and payable in any twelve month period, such principal amount shall 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 for any balloon maturity the Issuer may elect to waive the provisions of clause (iii) above for any one or more series of Bonds at the time of delivery thereof and treat such one or more series of Bonds as if such balloon maturity was not a balloon maturity for the purposes of the application of this definition. The maturing amount of any Bonds issued at a discount shall not be considered a balloon maturity unless the original principal amount of such Bonds would be considered a balloon maturity. For any Bonds with respect to which the Issuer has entered into a Qualified Swap Agreement or Agreements, the amount of all Qualified Swap Payments shall be considered in the calculation of Annual Debt Service Requirements in lieu of the payments described in clauses (i) through (iii) above; provided that such Qualified Swap shall be in effect for the entire Fiscal Year (or Bond Year, as the case may be) to which such calculation applies, and that Qualified Swap Agreements applicable to less than the full Fiscal Year (or Bond Year, as the case may be) shall not alter the calculation of the Annual Debt Service Requirement for such period. Qualified Swap Payments payable at a variable rate per annum shall be calculated on the same basis as Variable Rate Bonds for purposes of the application of various provisions under this Indenture, subject to any applicable interest rate floor or cap with respect to such variable rate.

"Credit Support Instrument" means an irrevocable letter of credit, line of credit, insurance policy, guaranty or surety bond or similar instrument providing for the payment of or guaranteeing the payment of principal or purchase price of and interest on Bonds when due. Any such insurance policy, guaranty or surety bond or similar instrument shall be noncancellable during the term of the Bonds for which it is provided and must be issued by an insurer with a credit rating within the two highest full rating categories available generally to issuers of such insurance, guaranties or surety bonds from a nationally recognized rating service. Any obligation on the part of the Issuer to purchase Bonds from their holders upon the completion of the term of such Credit Support Instrument shall be treated for these purposes as the conclusion of the term of such Bonds. Any such letter of credit or line of credit must be issued by a banking institution which has, or the parent of which has, or the holding corporation of which it is the principal bank has, at the time of issuance, a credit rating on its long-term unsecured debt within

the three highest full rating categories generally available to banking institutions from a nationally recognized rating service.

"Escrowed Municipals" means obligations of state and local governments secured by an irrevocable escrow of Federal Securities.

"Federal Securities" means securities of the type described in Item 1 of the definition of "Permitted Investments."

"Fiscal Year" means the period commencing on the first day of July of any year and ending on the last day of June of the next succeeding year or such other period as established by the Corporation from time to time.

"Fixed Rate Bond" means a Student Fee Bond issued at or bearing a fixed rate or rates of interest.

"Maximum Annual Debt Service" means the highest Annual Debt Service Requirement for the current or any succeeding Fiscal Year.

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

"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 for the payments or redemption of which cash or investments (but only to the extent that the full faith and credit of the United States of America are pledged to or secure the timely payment thereof) shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds) in the manner and with the type of investments provided in the Indenture; provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee, shall have been filed with the Trustee; and

(c) Bonds in lieu of which others have been authenticated under Section 2.05 of the Indenture.

"Parity Bonds" means the Series E Bonds, Series H Bonds, Series K Bonds, Series L Bonds, Series N Bonds, Series O Bonds, Series P Bonds, Series Q Bonds, Series R Bonds, Series S Bonds, Series T Bonds, Series U Bonds, Series V Bonds, Series W Bonds and all Additional Bonds which are secured by a pledge, assignment and grant of a first lien and security interest against the Pledged Funds, except as otherwise provided with respect to the Reserve Fund.

"Parity Obligations" means Parity Bonds and Qualified Swap Payments.

"Permitted Investments" means, with respect to moneys held by the Trustee, any of the following which at the time are legal investments under the laws of the State of Indiana for the moneys proposed to be invested therein:

1. Direct obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America;

2. Escrowed Municipals;

3. Bonds, debentures or notes or other evidences of indebtedness issued or guaranteed by any of the following agencies: Export-Import Bank of the United States; Federal National Mortgage Association; Government National Mortgage Association; Federal Financing Bank; Federal Intermediate Credit Bank; Bank for Cooperatives; Federal Land Bank; Federal Home Loan Bank; Farmers Home Administration; Federal Farm Credit Banks; and The Federal Home Loan Mortgage Association;

4. Certificates of deposit issued by, or interest bearing time deposit accounts with, banks or savings banks organized under the laws of the State of Indiana or the United States of America, including the Trustee, which banks or savings banks have capital surplus and undivided profits in excess of $50,000,000 (provided that no such deposit or certificate shall be in excess of 10% of such capital, surplus and undivided profits);

5. Repurchase agreements with banks or other financial institutions, including the Trustee, which are fully collateralized by obligations described in clauses (1) or (3) based upon market value, which obligations are in the possession of the Trustee or its agent and are free and clear of all security interests, liens or other rights of any third party, and in which obligations the Trustee has a first, perfected security interest; provided, that any financial institution which is a broker-dealer must be a member of the Securities Investor Protection Corporation; and

6. Investment agreements which are issued by banks, insurance companies or other financial service providers who are, or which agreements are, at the time of issuance, execution and delivery of such agreements, rated in the two highest full rating categories by Moody's Investors Service, Inc. and Standard & Poor's Ratings Group.

"Pledged Funds" means Student Fees and Qualified Swap Receipts, the proceeds thereof, the Issuer's right to receive the same, and all Funds held by the Trustee pursuant to this Indenture.

"Qualified Counterparty" shall mean a financial services institution whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability, or whose payment obligations, under a Qualified Swap are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or who was provided collateral such that its claims paying ability is rated (at the time the subject Qualified Swap is entered into) at least as high as A by Moody's Investors Service, Inc. and A by Standard & Poor's Ratings Group, or the equivalent thereof by any successor thereto.

"Qualified Swap" or "Qualified Swap Agreement" shall mean any financial arrangement (i) that is authorized under applicable state law; (ii) that is entered into by the Corporation with an entity that is a Qualified Counterparty at the time the arrangement is entered into; (iii) which constitutes an agreement (including any combination of agreements or a master agreement, each of which may include terms and conditions incorporated by reference therein) which 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 the foregoing); (iv) which is entered into pursuant to terms set forth herein and in an Indenture supplemental hereto; and (v) which has been designated in writing to the Trustee by an authorized representative of the Issuer as a Qualified Swap.

"Qualified Swap Payments" means payments to be made by the Corporation to a Qualified Swap Provider under a Qualified Swap, including Termination Payments thereunder.

"Qualified Swap Provider" shall mean any Qualified Counterparty with whom the Corporation has entered into a Qualified Swap.

"Qualified Swap Receipts" means payments to the Corporation by a Qualified Swap Provider under a Qualified Swap.

"Reserve Fund Credit Instrument" means an insurance policy, guaranty, or surety bond or irrevocable letter of credit which may be deposited in the Reserve Fund in lieu of or in partial substitution for cash to be on deposit therein. The company providing such insurance policy, guaranty, or surety bond will be an insurer which, at the time of issuance of the policy, guaranty, or surety bond, has been assigned the highest rating accorded insurers by Moody's Investors Service, Inc. or any successor rating service, and the policy will be subject to the irrevocable right of the Trustee to draw thereon in a timely fashion as needed and provided in the Indenture upon satisfaction of any conditions set forth in the Indenture. Any irrevocable letter of credit shall be payable to and deposited with the Trustee and will be issued by a banking institution which has, or the parent of which has, or the holding corporation of which it is the principal bank has, at the time of issuance, a credit rating on its long-term unsecured debt within the three highest rating categories from a nationally recognized rating service.

"Reserve Fund Requirement" means Maximum Annual Debt Service; provided however, that the Annual Debt Service Requirement on any Student Fee Bonds which do not have access to or a claim on the Reserve Fund pursuant to the Indenture will be excluded from the calculation of the Reserve Fund Requirement and provided further that for purposes of Maximum Annual Debt Service on any Variable Rate Bonds for which there is a Reserve Fund Requirement, notwithstanding the formula for calculation of interest on Variable Rate Bonds found in the definition of Annual Debt Service Requirement, interest on such Variable Rate Bonds will be calculated at a rate equal to the rate quoted in the most recent issue of The Bond Buyer (or any successor publication thereto) on the sale date of any Additional Bonds as the 25 Revenue Bond Index (or any successor index).

"Series E Bonds" means the Purdue University Student Fee Bonds, Series E, in the initial aggregate principal amount of Twenty-Five Million Dollars ($25,000,000), and any Student Fee Bonds in substitution or replacement therefor.

"Series H Bonds" means the Purdue University Student Fee Bonds, Series H, in the initial aggregate principal amount of Seventeen Million Dollars ($17,000,000), and any Student Fee Bonds in substitution or replacement therefor.

"Series K Bonds" means the Purdue University Student Fee Bonds, Series K, in the initial aggregate principal amount of Twenty-Two Million Dollars ($22,000,000), and any Student Fee Bonds in substitution or replacement therefor.

"Series L Bonds" means the Purdue University Student Fee Bonds, Series L, in the initial aggregate principal amount of Nineteen Million Two Hundred Thousand Dollars ($19,200,000), and any Student Fee Bonds in substitution or replacement therefor.

"Series N Bonds" means the Purdue University Student Fee Bonds, Series N, in the initial aggregate principal amount of Seventy-Two Million Five Hundred Ninety Thousand Dollars ($72,590,000), and any Student Fee Bonds in substitution or replacement therefor.

"Series O Bonds" means the Purdue University Student Fee Bonds, Series O, in the initial aggregate principal amount of Thirty-Six Million Three Hundred Thousand Dollars ($36,300,000), and any Student Fee Bonds in substitution or replacement therefor.

"Series P Bonds" means the Purdue University Student Fee Bonds, Series P, in the initial aggregate principal amount of Sixty-Four Million Two Hundred Fifty-Five Thousand Dollars ($64,255,000), and any Student Fee Bonds in substitution or replacement therefor.

"Series Q Bonds" means the Purdue University Student Fee Bonds, Series Q, in the initial aggregate principal amount of Fifty Million Fifteen Thousand Dollars ($50,015,000), and any Student Fee Bonds in substitution or replacement therefor.

"Series R Bonds" means the Purdue University Student Fee Bonds, Series R, in the initial aggregate principal amount of Forty-Three Million One Hundred Ten Thousand Dollars ($43,110,000), and any Student Fee Bonds in substitution or replacement therefor.

"Series S Bonds" means the Purdue University Student Fee Bonds, Series S (Adjustable Demand), in the initial aggregate principal amount of Thirteen Million Eight Hundred Fifty Thousand Dollars ($13,850,000), and any Student Fee Bonds in substitution or replacement therefor.

"Series T Bonds" means the Purdue University Student Fee Bonds, Series T (Adjustable Demand), in the initial aggregate principal amount of Fourteen Million Five Hundred Thousand Dollars ($14,500,000), and any Student Fee Bonds in substitution or replacement therefor.

"Series U Bonds" means the Purdue University Student Fee Bonds, Series U, in the initial aggregate principal amount of Thirty-Five Million Two Hundred Thousand Dollars ($35,200,000), and any Student Fee Bonds in substitution or replacement therefor.

"Series V Bonds" means the Purdue University Student Fee Bonds, Series V (Adjustable Demand), in the initial aggregate principal amount of Sixty Million Four Hundred Fifteen

Thousand Dollars ($60,415,000), and any Student Fee Bonds in substitution or replacement therefor.

"Series W Bonds" means the Purdue University Student Fee Bonds, Series W, in the initial aggregate principal amount of Forty-One Million Six Hundred Thousand Dollars ($41,600,000), and any Student Fee Bonds in substitution or replacement therefor.

"Series W Serial Bonds" means all Series W Bonds which are not Series W Term Bonds.

"Series W Term Bonds" means the following:

CUSIP	Principal Amount	Due July 1	Interest Rate
746189JB6	$7,445,000	2022	5.000%
746189JE0	$4,895,000	2024	5.000%
746189JG5	$6,065,000	2026	5.000%

"Student Fees" means all academic fees (including tuition), however denominated, assessed by the Corporation against students attending Purdue University except fees released from the lien of the Indenture.

"Student Fee Bond" or "Student Fee Bonds" means any obligation including bonds, notes, temporary, interim or permanent certificates of indebtedness, debentures, capital leases, or any and all other obligations consistent with the Indenture and allowable under the laws of the State of Indiana are payable out of Student Fees and other Pledged Funds and which obligation or obligations are authenticated and delivered under and pursuant to the Indenture.

"Subordinated Bonds" means those Additional Bonds issued under the Indenture that are subordinated pursuant to the Indenture to other Student Fee Bonds as to principal and interest repayment.

"Termination Payment" means termination payments the amount of and due date for which have been ascertained by reference to a Qualified Swap Agreement.

"Variable Rate Bond" means any Student Fee Bond the interest rate on which, at the time of issuance, is not established at a fixed numerical rate or rates to stated maturity.

Flow of Funds

Sinking Fund. The Corporation will maintain with the Trustee a separate fund known as the Sinking Fund ("Sinking Fund") pursuant to the Indenture. Within the Sinking Fund the Trustee will establish and maintain so long as any Series W Bonds are Outstanding separate accounts known as the Series W Principal Account and the Series W Interest Account. On or before each interest or principal payment date on the Series E Bonds, the Series H Bonds, the Series K Bonds, the Series L Bonds, the Series N Bonds, the Series O Bonds, the Series P Bonds, the Series Q Bonds, the Series R Bonds, the Series S Bonds, the Series T Bonds, the Series U Bonds, the Series V Bonds, the Series W Bonds and any additional Parity Bonds (except for any Optional Tenders for which a Credit Support Instrument has been provided), the Corporation will

transfer and remit Student Fees to the Trustee by wire transfer in immediately available funds in an amount which, when added to any amount then in the Sinking Fund, equals the amount of such principal and interest on all such Outstanding Student Fee Bonds becoming due on such interest and principal payment date (other than Optional Tenders for which a Credit Support Instrument is provided) and any deficiencies then in existence in regard to said Fund. On or before any interest or principal payment date on Subordinated Bonds or Optional Tenders for which a Credit Support Instrument was provided but which was not paid through a Credit Support Instrument, after making the transfers required above and described in the paragraph below concerning the Reserve Fund, the Corporation will transfer and remit Student Fees to the Trustee by wire transfer in immediately available funds for deposit in the special account therefor in the Sinking Fund an amount which, when added to any excess amount in said special account and other funds legally available for that purpose, equals the principal amount of Subordinated Bonds or Optional Tenders not paid through a Credit Support Instrument due on that payment date and interest accrued to that date in the order of priority established by the applicable supplemental indenture. Payments of such Optional Tenders from the Sinking Fund will be subordinate to the payment of the principal of and interest on any Parity Bonds.

Reserve Fund. The Corporation will maintain with the Trustee a separate fund known as the Reserve Fund (the "Reserve Fund") pursuant to the Indenture. No Reserve Fund Requirement exists for any Outstanding Student Fee Bonds or for the Series W Bonds, and the Outstanding Student Fee Bonds and the Series W Bonds do not have, and will not have, any claim on the Reserve Fund. However, the Corporation may issue Parity Bonds at a later date which have a claim on the Reserve Fund. In connection with the issuance of such Parity Bonds the Corporation will deposit in the Reserve Fund an amount necessary to satisfy the Reserve Fund Requirement resulting from the issuance thereof. Such deposit requirement in connection with the issuance of Parity Bonds may also be satisfied by providing in supplemental indentures that annual deposits may be made commencing on the October 1 following the date on which said Parity Bonds are issued and continuing on or before each October 1 thereafter for the 3 succeeding years or such lesser number of years specified in the supplemental indenture. Said deposits will equal, after taking into account any other monies deposited in the Reserve Fund on the day of delivery and payment for such series of Parity Bonds, an amount equal to the initial unfunded Reserve Fund Requirement divided by the total number of annual deposits to be made. Except as provided below the Corporation may elect to provide a Reserve Fund Credit Instrument for purposes of maintaining the Reserve Fund Requirement. In those circumstances the Trustee will include in the total amount held in the Reserve Fund an amount equal to the maximum principal amount which could be drawn by the Trustee under all Reserve Fund Credit Instruments.

From time to time Parity Bonds may be issued under the Indenture which will have no claim on the Reserve Fund. No Reserve Fund Requirement will exist for such Parity Bonds.

The Reserve Fund will be used and applied to make up deficiencies in the Sinking Fund with respect to any Parity Bonds which have a claim on the Reserve Fund (other than Optional Tenders for which a Credit Support Instrument has been provided), and the Trustee will draw first on any cash or Permitted Investments on deposit in the Reserve Fund and then pro rata or as otherwise provided in the applicable supplemental indenture, on the Reserve Fund Credit Instrument or Reserve Fund Credit Instruments as needed for the purpose of paying the principal

of, redemption premium, if any, and interest on any such Parity Bonds when due, when there are insufficient moneys in the Sinking Fund for such purpose, on such Parity Bonds which are covered by a Reserve Fund Credit Instrument or Reserve Fund Credit Instruments.

Upon withdrawal from the Reserve Fund of money on deposit therein will be subsequently replaced and restored from the first available Pledged Funds after all required transfers to the Sinking Fund have been made in full if the amount thereafter in the Reserve Fund is less than the Reserve Fund Requirement. Such replacement and restoration will first be provided in regard to the Reserve Fund Credit Instrument or Reserve Fund Credit Instruments on a pro rata basis and thereafter in favor of any portion of the Reserve Fund to be maintained in cash or Permitted Investments.

If a drawing is made from any Reserve Fund Credit Instrument, the Corporation will reinstate the maximum limits of such Reserve Fund Credit Instrument within 12 months following such drawing solely from Pledged Funds available after all required payments have been made into the Sinking Fund, so that, together with moneys on deposit therein, if any, there will be on deposit in the Reserve Fund an amount (including the maximum amount then payable under the terms of the Reserve Fund Credit Instrument) equal to the Reserve Fund Requirement.

Series W Project Fund. Pursuant to the Twenty-Third Supplemental Indenture, the Corporation will establish a separate fund to be known as the Series W Project Fund (the "Series W Project Fund"), into which a portion of the proceeds of the Series W Bonds will be deposited to be used by the Corporation for the purpose of funding the costs of the Projects.

The Corporation will establish a separate account in the Series W Project Fund to be known as the "Expense Account," to the credit of which a deposit is to be made from the proceeds of the Series W Bonds. Moneys on deposit in the Expense Account will be applied to pay certain costs of issuing the Series W Bonds. Any moneys remaining in the Expense Account on December 15, 2006, will be transferred to the Series W Interest Account of the Sinking Fund.

Additional Security

At any time by a supplemental indenture the Corporation may pledge, assign or grant a security interest in or lien on any additional funds or source of regular income of the Corporation to the Trustee for the security of the then Outstanding Student Fee Bonds, which shall be free and clear of any equal or prior security interest or lien. Any such supplemental indenture will be accompanied by an opinion of nationally recognized bond counsel that the pledge of additional security is valid, binding and effective. Upon such a supplemental indenture being delivered, the amount of the additional income as to which the supplemental indenture applies will be added to the amount of Student Fees for purposes of computing the amount of Additional Bonds which may be issued.

Partial Release of Lien on Student Fees

The Corporation, from time to time, will have the right to incur other indebtedness pursuant to the provisions of Indiana law other than the Act which indebtedness may be payable from a particular fee or fees or other charges made to students attending Purdue University which fees or charges may be Student Fees. The Corporation and Trustee may enter into an

amendatory or supplemental indenture for the purpose of releasing said fees or charges from the lien of the Indenture and excluding said fees or charges constituting Student Fees from the definition of Student Fees in the Indenture, if actual Student Fees received by the Corporation during the preceding Fiscal Year, less those fees and charges to be removed from the definition of Student Fees and from the lien of the Indenture, will be equal to or greater than two (2) times the Maximum Annual Debt Service to become due in that or any succeeding Fiscal Year for the payment of principal and interest charges on Outstanding Student Fee Bonds.

Covenants of the Corporation

In the Indenture, the Corporation covenants, among other things:

1. to pay the interest on and principal of all Student Fee Bonds, according to the terms of such Student Fee Bonds and the Indenture;

2. to pay all the costs, charges and expenses incurred by the Trustee or any holder of Student Fee Bonds, including reasonable attorneys' fees reasonably incurred or paid, because of the failure on the part of the Corporation to perform, comply with and abide with each and every of the stipulations, agreements, conditions and covenants of the Indenture and of all Student Fee Bonds, or either of them;

3. to operate the University and its instructional programs to the extent that it will continue to be able to assess, charge and collect Student Fees adequate to meet its needs under the Indenture;

4. to establish and collect Student Fees so as to generate in each Fiscal Year amounts equal to no less than the sum of: (i) an amount equal to 1.0 times the Annual Debt Service Requirement for such Fiscal Year, provided that if the rate of interest borne by any Variable Rate Bond is fixed for such Fiscal Year at a single rate of interest, such Variable Rate Bonds will be treated as Fixed Rate Bonds for the purposes of the Annual Debt Service Requirement calculation; (ii) the amount, if any, to be paid into the Reserve Fund or to be paid to any Reserve Fund Insurer or the provider of any other Reserve Fund Credit Instrument with respect to such Fiscal Year; and (iii) any other amounts to be paid from Student Fees with respect to such Fiscal Year in accordance with the Indenture, and to adopt an annual budget for each Fiscal Year setting forth the above items;

5. to keep and maintain accurate books and records relating to (i) the collection of Student Fees, (ii) the allocation thereof, (iii) the enrollment of students at the University, and (iii) the payments into the Sinking Fund and Reserve Fund, which said books and records will be open for inspection by any holder of the Student Fee Bonds at any reasonable time;

6. to furnish to the Trustee and any holder of 25% or more in aggregate principal amount of Student Fee Bonds requesting the same in writing, not later than 150 days after the close of each Fiscal Year, copies of audit reports, certified by the Treasurer of the Corporation, reflecting in reasonable detail the status of the books and records described in clause (5) above;

7. that the Corporation reserves the right to issue Additional Bonds the interest on which is not intended to be exempt from taxes under the Internal Revenue Code of 1954, as amended (or any successor section of such Code or subsequent federal income tax statute or code); and

8. to do any and all things necessary in order to maintain the pledge, assignment and grant of a lien on and security interest in the Pledged Funds as valid, binding, effective and perfected, all as provided in the Indenture.

The Corporation has also entered into the following Tax Covenants regarding the Series W Bonds:

(a) that it will not permit the facilities financed, with the proceeds of the Series W Bonds to be used in such manner as would result in the loss of the exclusion of interest on the Series W Bonds from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "1986 Code") (or any successor section of such 1986 Code or subsequent federal income tax statute or code), nor will the Corporation act in any other manner which would adversely effect the exclusion from gross income for federal income tax purposes of interest on the Series W Bonds; this covenant is based solely on current law in effect and in existence on the date of delivery of said Series W Bonds;

(b) that it will not make any investment or do any other act or thing during the period that any Series W Bonds are Outstanding which would cause any of the Series W Bonds to become or be classified arbitrage bonds within the meaning of Section 148 of the 1986 Code (or any successor section of such 1986 Code or subsequent federal income tax statute or code), including but not limited to the obligation to rebate certain investment earnings to the United States of America; this covenant is based solely on current law in effect and in existence on the date of delivery of said Series W Bonds; and

(c) that it will not be an event of default under the Indenture if the interest on the Series W Bonds becomes includable in the gross income for federal income tax purposes or otherwise subject to federal income taxes pursuant to any provision of the 1986 Code which is not currently in effect and in existence on the date of issuance of the Series W Bonds, except as stated above.

Investments

All moneys on deposit in the Funds established under the Indenture held by the Corporation may be commingled for investment purposes with the Corporation's other investments and invested as permitted by law; provided, that earnings and other investment income on money in each Account of the Series W Project Fund will be deposited as described above under "Series W Project Fund." The Funds held by the Trustee will be invested by the Trustee as directed by the Corporation in Permitted Investments. Interest earned or gains or losses realized on Funds held by the Trustee will be credited or debited to that Fund; except that interest earned or gains realized on the amounts which may be held in the Reserve Fund in excess of the Reserve Fund Requirement from time to time will be credited to the Sinking Fund.

Defaults and Remedies

Any of the following events will be an Event of Default under the Indenture:

1. default is made in the payment by the Corporation of the principal of any one or more of the Student Fee Bonds when the same becomes due and payable by lapse of time, by call for redemption, or otherwise; or

2. default is made in the payment by the Corporation of any interest on any one or more Student Fee Bonds when the same becomes due and payable as therein expressed; or

3. default made by the Corporation or any of its officers in the performance or observance of any of the other covenants, conditions or obligations in the Student Fee Bonds or in the Indenture expressed and such default is not remedied within 30 days after written notice from the Trustee to remedy such default, which may serve such notice in its discretion and will serve the same at the written request of the holders of not less than 25% in the principal amount of Student Fee Bonds then Outstanding under the Indenture or of the provider of any Credit Support Instrument; or

4. the Corporation (i) admits in writing its inability to pay its debts generally as they become due, (ii) has an order for relief entered in any case commenced by or against it under federal bankruptcy laws, as now or hereafter in effect, (iii) commences a proceeding under any federal or state bankruptcy, insolvency, reorganization or similar laws, or has such a proceeding commenced against it and has the proceeding remain undismissed and unstayed for 90 days, (iv) makes an assignment for the benefit of creditors, or (v) has a receiver or trustee appointed for it or for the whole or substantial part of its property; or

5. default is made in the payment by the Corporation of any junior lien obligations, as described in the Indenture.

Upon the occurrence of any Event of Default, the Trustee is empowered to act on behalf of holders of the Outstanding Student Fee Bonds to enforce the Indenture. The holders of a majority in aggregate principal amount of all Student Fee Bonds then Outstanding are entitled to direct and control the conduct of any proceeding for exercising any remedies available to the Trustee. Unless an Event of Default has occurred and has not been cured, the Corporation will remain in full possession and control of the Student Fees, subject always to the observance of the covenants of the Indenture with respect thereto. Upon the occurrence of an Event of Default, the Trustee will have the right, upon a demand to the Corporation, to have all Student Fees deposited, as they are collected, in a Student Fee Fund to be maintained by the Trustee, to invest that Fund in Permitted Investments, to apply amounts in that Fund to the payment of principal of and interest on the Student Fee Bonds and the maintenance of the Reserve Fund and to remit all other amounts in such Fund not needed to be held aside for those purposes to the Corporation.

If there has been an Event of Default under subparagraph (5) above which gives rise to a right of acceleration or similar right to immediate payment on such junior lien obligation, the remedies available to the Trustee will also include the right to give written notice to the

Corporation of acceleration of all principal of and accrued interest on all of the Student Fee Bonds then Outstanding under the Indenture. Such amounts will thereby become due and payable in full on a date to be stated in each notice, which date will be not less than six Business Days following receipt by the Corporation of such notice.

Defeasance

If (1) the Corporation pays, or causes to be paid, or there will otherwise be paid to the holders of all Student Fee Bonds, the principal and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, (2) the Corporation will pay all expenses and fees of the Trustee and Paying Agent, and (3) the Corporation will keep, perform and observe all and singular the covenants and promises in the Student Fee Bonds and in the Indenture expressed as to be kept, performed and observed by it or on its part, then the pledge of Student Fees and other moneys and securities pledged under the Indenture and all covenants, agreements and other obligations of the Corporation to the holders of the Outstanding Student Fee Bonds, will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee will cause an accounting for such period or periods as is requested by the Corporation to be prepared and filed with the Corporation, and upon request of the Corporation will execute and deliver all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee and the Paying Agent will pay over to or deliver to the Corporation all moneys or securities held by them pursuant to the Indenture which are not required for the payment of principal and interest payments on the Student Fee Bonds. If the Corporation will pay or cause to be paid, or make provisions for payment in accordance with the Indenture, to the holders of all Outstanding Student Fee Bonds of a particular series, or of a particular maturity within a series, the principal and the interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, such Student Fee Bonds will cease to be entitled to any lien, benefit or security under the Indenture with respect to the moneys (except for cash, Federal Securities and Escrowed Municipals deposited as required by the Indenture) and all covenants, agreements and obligations of the Corporation to the holders of such Student Fee Bonds will thereupon cease, terminate and become void and be discharged and satisfied.

Supplemental Indentures; Amendments

The Trustee and the Corporation may, from time to time, enter into supplemental indentures for any of the following purposes without the consent of or any action by the Owners:

1. to restrict the issue and the purposes of issue of Additional Bonds under the Indenture by imposing additional conditions and restrictions so long as the same will not impair the security afforded by the Indenture;

2. to add to the covenants and agreements of the Corporation in the Indenture;

3. to describe the terms of a new series of Student Fee Bonds;

4. to make such provisions in regard to matters or questions arising under the Indenture as may be necessary or desirable but not inconsistent with the Indenture;

5. 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 modification will be or become operative or effective or in any manner impair any rights of the holders of the Outstanding Student Fee Bonds or the Trustee (except as otherwise provided or permitted pursuant to the Indenture), while any Student Fee Bonds of series issued prior to the execution of such supplemental indenture remains Outstanding; and provided further, that such supplemental indenture will be specifically referred to in the text of all Student Fee Bonds of any series issued after the execution of such supplemental indenture; and provided, also, that the Trustee may in its uncontrolled discretion decline to enter into any such supplemental indenture which in its opinion may not afford adequate protection to the Trustee when such supplemental indenture becomes operative;

6. to add to the powers, duties and obligations of the Trustee or to impose requirements with respect to the qualification or disqualification of any bank or trust company to act as Trustee under the Indenture;

7. further to restrict investments to be made by the Trustee or Corporation;

8. to make additional pledges as provided in the Indenture;

9. to grant additional rights to the provider of any Credit Support Instrument or Reserve Fund Credit Instrument, including, if desired, the creation of a special reserve therefor;

10. to provide for partial release of the lien on the security interest in Student Fees as provided in the Indenture;

11. for any other purpose not inconsistent with the purpose and terms of the Original Indenture which does not impair the security afforded thereby or for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective or inconsistent provision contained in the Original Indenture or in a supplemental indenture.

In all cases the holders of not less than 51% in principal amount of any series of Student Fee Bonds Outstanding affected by a modification or alteration, will have the power to authorize any modification or alteration of the Indenture or any supplemental indenture, provided always that no modification or alteration will (i) affect the Corporation's obligation to pay the debt service on the Student Fee Bonds in respect to the date of payment, place of payment and amount, (ii) give to any Student Fee Bond or Student Fee Bonds secured by the Indenture any preference over any other Student Fee Bond or Student Fee Bonds so secured, (iii) authorize the creation of any lien upon any of the property, the income of which is or shall, in the future, be payable to the Trustee under the Indenture, (iv) deprive any Owner of the security afforded by the Indenture, or (v) reduce the percentage of principal amount of Student Fee Bonds required by the provisions of the Indenture for any action.

TAX MATTERS

In the opinion of Ice Miller LLP, Indianapolis, Indiana, Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Series W Bonds is excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") for federal income tax purposes. This opinion relates only to the exclusion from gross income of interest on the Series W Bonds for federal income tax purposes under Section 103 of the Code and is conditioned on continuing compliance by the Corporation with the Tax Covenants (hereinafter defined). Failure to comply with the Tax Covenants could cause interest on the Series W Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue. In the opinion of Ice Miller LLP, Indianapolis, Indiana, Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Series W Bonds is exempt from income taxation in the State of Indiana. This opinion relates only to the exemption of interest on the Series W Bonds for the State of Indiana income tax purposes. See APPENDIX C for the form of opinion of Bond Counsel with respect to the Series W Bonds.

The Code imposes certain requirements which must be met subsequent to the issuance of the Series W Bonds as a condition to the exclusion from gross income of interest on the Series W Bonds for federal income tax purposes. The Corporation will covenant not to take any action, within its power and control, nor fail to take any action with respect to the Series W Bonds that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Series W Bonds pursuant to Section 103 of the Code and will covenant to adopt and maintain appropriate procedures to accomplish such purpose (collectively, the "Tax Covenants"). The Tax Covenants are based solely on the laws and regulations in effect on the date of delivery of the Series W Bonds. The Indenture and certain certificates and agreements to be delivered on the date of delivery of the Series W Bonds establish procedures under which compliance with the requirements of the Code can be met. It is not an event of default under the Indenture if the interest on the Series W Bonds is not excludable from gross income for federal income tax purposes or otherwise pursuant to any provision of the Code which is not in effect on the issue date of the Series W Bonds.

The interest on the Series W Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, interest on the Series W Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Series W Bonds are ***not*** qualified tax-exempt obligations for purposes of Section 265(b)(3) 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, includes all corporations which are transacting the business of a financial institution in Indiana. The franchise tax is 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. Taxpayers should consult their own tax advisors regarding the impact of Indiana Code 6-5.5 on their ownership of the Series W Bonds.

The accrual or receipt of interest on the Series W Bonds may affect an owner's federal or state tax liability in other ways. 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 express no opinion regarding any other such tax consequences. Prospective purchasers of the Series W Bonds should consult their own tax advisors with respect to the other tax consequences of owning the Series W Bonds.

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

ORIGINAL ISSUE DISCOUNT

The initial public offering prices of the Series W Serial Bonds maturing on July 1, 2013 through and including July 1, 2016 and certain of the Series W Serial Bonds maturing July 1, 2017 through 2020, July 1, 2022, July 1, 2023, July 1, 2024 and July 1, 2026 (collectively, the "Discount Bonds") are less than the principal amounts 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." A taxpayer who purchases a Discount Bond in the initial public offering at the Issue Price for such maturity and who holds such Discount Bond to maturity may treat the full 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 and will not, under present federal income tax law, realize taxable capital gain upon payment of the Discount Bond at maturity.

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).

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.

As described under the caption "TAX MATTERS," 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 prices of the Series W Bonds maturing on July 1, 2007 through and including July 1, 2012, a portion of the Series W Serial Bonds maturing on July 1, 2017 through and including July 1, 2019 and the Series W Term Bonds maturing on July 1, 2022, July 1, 2024 and July 1, 2026 (collectively, the "Premium Bonds"), are greater than the principal amounts payable at maturity or call date. 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. Rules for determining (i) yield, (ii) the amount of amortizable Bond Premium and (iii) 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 W Bonds

As of the date of delivery the Series W 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 W Bonds or the pledging of the Pledged Funds, or in any way contesting, questioning or affecting the validity of any provision of the Series W Bonds, the proceedings or the authority of the Corporation taken with respect to the issuance or sale thereof, the resolutions authorizing the Series W 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.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Group ("S&P") have given the Series W 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 25 Broadway, New York, New York, 10004. 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 W 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 W Bonds.

CERTAIN LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series W Bonds are subject to the approval of Ice Miller LLP, Bond Counsel. Certain legal matters will be subject to the approval of Stuart & Branigin, Lafayette, Indiana, counsel to the Corporation. The form of the approving opinion of Bond Counsel with respect to the Series W 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 W 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 W 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 W Bonds in a situation where such enforcement may adversely affect public health and welfare may be subject to these police powers.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated, for itself and as the representative of others as shown on the cover page hereof (the "Underwriter"), has agreed to purchase the Series W Bonds subject to certain conditions precedent, and the Underwriter is obligated to purchase all Series W Bonds issued at an underwriting discount of $121,338.78 from the initial public offering prices producing the prices or yields set forth on the cover page of this Official Statement. The Underwriter may offer and sell the Series W Bonds to certain dealers (including dealers depositing the Series W 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 Underwriter.

TRUSTEE, REGISTRAR AND PAYING AGENT

JPMorgan Chase & Co. ("JPMorgan") has entered into an agreement with The Bank of New York Company ("BONY") pursuant to which JPMorgan intends to exchange portions of its corporate trust business, including municipal and corporate trusteeships, for BONY's consumer, small business and middle market banking businesses. This transaction has been approved by both companies' boards of directors and is subject to regulatory approvals. It is expected to close in the late third quarter or fourth quarter of 2006.

The municipal trusteeships subject to such exchange would include the role of J.P. Morgan Trust Company, National Association, as the Trustee, Registrar and Paying Agent for the Series W Bonds.

FINANCIAL ADVISOR

The Corporation has engaged John S. Vincent & Company LLC to serve as its financial advisor on debt and capital related issues, including the issuance of the Series W Bonds.

SPECIAL RELATIONSHIPS

William F. Oesterle is both a member of the Board of Trustees of the Corporation and a member of the Board of Directors of City Securities Corporation, one of the Underwriters of the Series W Bonds. Mr. Oesterle has disclosed his interest to the Board of the Corporation in accordance with applicable Board rules and has not participated in any board action with respect to the Series W Bonds or the retention of City Securities Corporation.

MISCELLANEOUS

During the initial offering period for the Series W 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, at the offices of the Underwriter at 4 World Financial Center, 9th Floor, New York, New York 10080. Appendix A has been prepared by the Corporation and Appendix B, the Corporation's financial statements, were furnished by the Corporation. Appendix C and Appendix D have been prepared by Ice Miller LLP, Bond Counsel to the Corporation. All of the Appendices hereto are incorporated as an integral part of this Official Statement.

THE TRUSTEES OF PURDUE UNIVERSITY

/s/ Morgan R. Olsen
Morgan R. Olsen, Treasurer

Dated: June 21, 2006

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 137 years of operation, the University has grown from 39 students and six instructors to a population, as of the 2005 Fall semester, of over 64,500 full-time and part-time students and more than 4,500 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 colleges: 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 $1.5 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, as of May 2006, has raised over $1.3 billion toward the $1.5 billion goal.

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.

Trustees

J. Timothy McGinley, *Chairman of the Board*
John D. Hardin, Jr., *Vice Chairman of the Board*

Michael J. Birck
Rachel N. Cumberbatch
Barbara H. Edmondson*
William S. Oesterle
Robert E. Peterson*
Mamon M. Powers, Jr.
Thomas E. Spurgeon
Mark W. Townsend

* Terms expire June 30, 2006

Officers of the Corporation

The current officers of the Corporation are listed below.

J. Timothy McGinley, *Chairman*
John D. Hardin, Jr., *Vice Chairman*
Morgan R. Olsen, *Treasurer*
James S. Almond, *Assistant Treasurer and Assistant Secretary*
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 Mason, *Provost*
Morgan R. Olsen, *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*
Peggy L. Fish, *Director of Audits*
Wayne W. Kjonaas, *Vice President for Physical Facilities*
Christine M. Ladisch, *Vice Provost for Academic Affairs*
Victor L. Lechtenberg, *Vice Provost for Engagement*
Rabindra N. Mukerjea, *Director, Strategic Planning and Assessment*
Thomas B. Robinson, *Vice President for Student Services*
Alysa C. Rollock, *Vice President for Human Relations*
Charles O. Rutledge, *Vice President for Research*
John A. Sautter, *Vice President for Housing and Food Services*
Scott W. Seidle, *Senior Director of Investments*
Terry D. Strueh, *Vice President for Governmental Relations*
Howard Cohen , *Chancellor of Calumet Campus*
James B. Dworkin, *Chancellor of North Central Campus*
Michael A. Wartell, *Chancellor of Indiana University-Purdue University Fort Wayne*

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 undergraduate enrollment on the West Lafayette Campus to approximately 30,800.

ACADEMIC YEAR	APPLICATIONS RECEIVED	APPLICATIONS ACCEPTED	PERCENT ACCEPTED	STUDENTS ENROLLED	YIELD OVERALL	YIELD IN STATE
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%
2003-04	22,977	18,076	78.7%	6,446	35.7%	59.0%
2004-05	24,003	19,259	80.2%	6,786	35.2%	60.1%
2005-06	24,052	20,432	84.9%	7,191	35.2%	58.9%

The freshman applicants at the West Lafayette campus for the fall semesters 2001 through 2005 had an average combined score for the Scholastic Aptitude Test (SAT) verbal and mathematical test of 1134, 1150, 1150, 1149 and 1150, respectively. Fifty-four percent of the fall 2005 freshman class had a high school grade point average between 3.5 and 4.0 and eighty-seven percent of the 2005 Fall freshman class had a high school grade point average between 3.0 and 4.0.

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 2001-02 through 2006-07. Approximately 41 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 ACADEMIC YEAR)		PART-TIME (PER CREDIT HOUR)	
ACADEMIC YEAR	INDIANA RESIDENT	NON-RESIDENT	INDIANA RESIDENT	NON-RESIDENT
2001-02	4,164	13,872	149	458
2002-03 [1]	5,580	16,260	200	540
2003-04 [1]	5,860	17,640	210	586
2004-05 [1]	6,092	18,700	218	621
2005-06 [1]	6,458	19,824	231	658
2006-07 [2, 3]	7,096	21,266	254	706

[1] Degree-Seeking students that are continuously enrolled beginning in the spring 2002 term (Continuing Students) are charged a reduced tuition/fee rate.

[2] Includes the Repair & Rehabilitation (R&R) fee of $125 per semester or $8.75 per credit hour.

[3] Degree-Seeking students that are continuously enrolled beginning in the fall 2002 term through spring 2006 do not pay the R&R fee.

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.

The table below sets forth the fees charged per academic year to students attending each regional campus of the University for the academic years 2001-02 through 2006-07. 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
2001-02		3,568	8,524	3,580	7,906
2002-03	[1,2]	4,393	9,845	4,321	9,080
2003-04	[1,2]	4,611	10,336	4,537	9,534
2004-05	[1,2]	4,795	10,750	4,718	9,916
2005-06	[1,2]	5,081	11,395	5,002	10,511
2006-07	[3, 4]	5,466	12,159	5,365	11,206

FORT WAYNE

ACADEMIC YEAR		UNDERGRADUATE INDIANA RESIDENT	UNDERGRADUATE NON-RESIDENT	GRADUATE INDIANA RESIDENT	GRADUATE NON-RESIDENT
2001-02		3,959	9,219	4,000	8,638
2002-03	[1]	4,865	10,650	4,807	9,910
2003-04	[1]	5,108	11,556	5,048	10,752
2004-05	[1]	5,312	12,249	5,250	11,398
2005-06	[1]	5,630	12,984	5,566	12,082
2006-07	[3, 4]	6,041	13,836	5,958	12,865

NORTH CENTRAL

ACADEMIC YEAR		UNDERGRADUATE INDIANA RESIDENT	UNDERGRADUATE NON-RESIDENT	GRADUATE INDIANA RESIDENT	GRADUATE NON-RESIDENT
2001-02		3,590	8,619	3,582	7,982
2002-03	[1]	4,487	10,019	4,372	9,211
2003-04	[1]	4,712	10,871	4,590	9,995
2004-05	[1]	4,901	11,523	4,774	10,595
2005-06	[1]	5,195	12,215	5,060	11,231
2006-07	[3, 4]	5,567	13,008	5,412	11,953

[1] Degree-Seeking students that are continuously enrolled beginning in the spring 2002 term (Continuing Students) are charged a reduced tuition/fee rate.

[2] Fees are adjusted to not exceed the Maximum Student Service Fee per academic year for undergraduates and graduates.

[3] Includes the Repair & Rehabilitation (R&R) fee of $2.65, $2.45 and $2.00 per credit hour for Calumet, Fort Wayne and North Central, respectively.

[4] Degree-Seeking students that are continuously enrolled beginning in the fall 2002 term through spring 2006 do not pay the R&R fee.

Student Enrollment

The University attracts students from a variety of backgrounds and geographical locations. The following table presents the University's headcount enrollment for the fall semester of the academic years 2001-02 through 2005-06.

ACADEMIC YEAR	WEST LAFAYETTE CAMPUS FULL-TIME	WEST LAFAYETTE CAMPUS PART-TIME	WEST LAFAYETTE CAMPUS TOTAL	REGIONAL CAMPUSES* FULL-TIME	REGIONAL CAMPUSES* PART-TIME	REGIONAL CAMPUSES* TOTAL	STATEWIDE TECHNOLOGY	UNIVERSITY TOTAL*
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
2003-04	34,867	3,980	38,847	13,255	11,152	24,407	1,526	64,780
2004-05	34,745	3,908	38,653	13,645	10,833	24,478	1,451	64,582
2005-06	34,968	3,744	38,712	14,138	10,478	24,616	1,419	64,747

The following table sets forth the undergraduate and the 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*
2001-02	30,987	7,221	38,208	36,944	53,164
2002-03	30,908	7,656	38,564	37,168	53,693
2003-04	30,851	7,996	38,847	37,471	54,595
2004-05	30,747	7,906	38,653	37,281	54,641
2005-06	30,875	7,837	38,712	37,527	55,172

* 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.

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

Faculty and Employees

As of October 2005, the University's faculty and staff aggregate total was 18,207. Of the total faculty, 58% hold tenured/tenure track appointments.

	West Lafayette	Regional & Statewide Technology	Total
Tenured/Tenure Track Faculty			
Academic, Associate and Assistant Deans	50	20	70
Academic Department Heads	59	43	102
Professors	741	123	864
Associate Professors	551	266	817
Assistant Professors	405	207	612
Instructors	1	14	15
Sub-Total of Tenured/Tenure Track Faculty	**1,807**	**673**	**2,480**
Non-Tenure Appointments			
Clinical/Professional	75	22	97
Continuing Lecturers	105	74	179
Limited-Term Lecturers	162	805	967
Visiting Faculty	144	61	205
Post Doctoral	323	3	326
Sub-Total of Non-Tenure Appointments	**809**	**965**	**1,774**
Adjunct Faculty			
Adjunct Faculty	242	48	290
Sub-Total of Adjunct Faculty	**242**	**48**	**290**
Graduate Student Staff			
Graduate Assistants	1,905	30	1,935
Graduate Lecturers	6	0	6
Graduate Research Assistants	2,351	6	2,357
Graduate Aids	0	168	168
Graduate Student Administrative	199	13	212
Sub-Total of Graduate Student Staff	**4,461**	**217**	**4,678**
Staff			
Administrative Staff	1,306	384	1,690
Operations Assistant	364	61	425
Professional Staff	1,688	93	1,781
Technical Assistant	208	30	238
Extension Educators	272	0	272
Clerical Staff	1,435	398	1,833
Service Staff	2,374	372	2,746
Sub-Total of Staff	**7,647**	**1,338**	**8,985**
GRAND TOTAL ALL STAFF	**14,966**	**3,241**	**18,207**

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

Facilities

Academic and Administrative Facilities: The University has 189 principal buildings used for academic instruction, research, athletics and administrative functions. These buildings are located on the University's four campuses and comprise 3,412 acres. The University, together with related foundations, also owns 14,428 acres of agricultural land throughout the state.

Libraries: The University Library System is made up of the Hicks Undergraduate Library and 13 departmental and school libraries with over 2,459,943 volumes, more than 7,000 electronic data files, and 20,829 serial titles. In addition to books and journals, the Library System has over 3,183,942 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 1,163,441 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 many other specialized research facilities, some of an interdisciplinary nature.

Housing and Dining Facilities: The University provides a variety of student residence and dining operation facilities for single undergraduate students, graduate students and married students. Accommodations, including both room and board, room only, and apartments, are available to both undergraduate and graduate students.

The West Lafayette campus provided 11,682 spaces for students in 2005-06. There are 8,443 room and board spaces, 1,079 graduate housing room spaces, 1,177 single student apartments with food contract options and 983 married student apartments. The Fort Wayne campus provided 568 spaces and the Calumet campus provided 384 spaces for students in 2005-06. In August 2005, 11,545, or 98.8%, were occupied on the West Lafayette campus, 568, or 100%, were occupied on the Fort Wayne campus and 283, or 76.6%, were occupied on the Calumet campus.

The predominant rates for room and board for students at the West Lafayette campus for the 2006-07 academic year are $7,546 with 20 meals per week, $7,002 with 15 meals per week and $6,696 with 10 meals per week. The housing rates at the Fort Wayne campus for the 2006-07 academic year range from $406 to $655 per month. The housing rate at the Calumet campus for the 2006-07 academic year is $415 per month.

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 6,025 people; and the Slayter Center of the Performing Arts.

Financial Operations of the Corporation

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. The following information has been extracted from the Corporation's audited financial statements for the fiscal years ended June 30, 2005, 2004, 2003 and 2002. "Appendix B" contains the audited financial statement for the fiscal years ended June 30, 2005 and 2004.

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

	Fiscal Year Ended June 30 (dollars in thousands)			
	2005	**2004 [1] (Restated)**	**2003**	**2002**
Operating Revenues				
Tuition and Fees	$471,677	$435,709	$392,242	$333,828
Less: Scholarship Allowance	(53,740)	(50,511)	(45,448)	(36,866)
Net Tuition and Fees	$417,937	$385,198	$346,794	$296,962
Federal Appropriations	15,299	15,223	13,912	14,770
County Appropriations	6,992	6,600	6,539	6,403
Grants and Contracts	262,869	244,090	212,251	192,820
Sales and Services	44,484	42,565	38,378	39,352
Auxiliary Enterprises (Net of Scholarship Allowance of $5,944, $5,033, $4,393 and $4,257, Respectively)	196,743	189,022	167,605	162,284
Other Operating Revenues	1,760	1,209	1,159	1,328
Total Operating Revenues	**$946,084**	**$883,907**	**$786,638**	**$713,919**
Operating Expense				
Compensation and Benefits	$887,579	$837,228	$847,236	$788,035
Supplies and Services	338,217	311,180	211,453	227,442
Depreciation Expense	83,627	75,301	67,123	67,482
Scholarships, Fellowships, and Student Awards	29,262	29,150	27,803	25,249
Total Operating Expenses	**$1,338,685**	**$1,252,859**	**$1,153,615**	**$1,108,208**
Net Operating Loss	**($392,601)**	**($368,952)**	**($366,977)**	**($394,289)**
Nonoperating Revenues (Expenses)				
State Appropriations	$358,957	$355,042	$353,423	$348,335
Private Gifts	78,071	81,302	68,764	97,164
Investment Income (Loss)	114,089	109,650	48,252	(6,897)
Interest Expense	(21,814)	(21,412)	(18,415)	(17,448)
Other Nonoperating Revenues, Net	3,997	4,550	5,495	6,835
Total Nonoperating Revenues before Capital and Endowments	**$533,300**	**$529,132**	**$457,519**	**$427,989**
Capital and Endowments				
Capital State Appropriations	$6,076	$8,076	$ -	$ -
Capital Gifts	19,755	28,348	15,279	$47,746
Private Gifts for Permanent Endowments and Charitable Remainder Trusts	40,042	30,116	9,825	9,829
Plant Assets Retired	(3,784)	(3,196)	(9,962)	(2,512)
Total Capital and Endowments	**$62,089**	**$63,344**	**$15,142**	**$55,063**
Total Nonoperating Revenues	**$595,389**	**$592,476**	**$472,661**	**$483,052**
Increase in Net Assets before Change in Accounting Policy	**$202,788**	**$223,524**	**$105,684**	**$88,763**
Cumulative Effect of Change in Accounting Policy				
Assets under Capitalization Level Written Off (2)	(57,713)	-	-	-
Increase in Net Assets	**$145,075**	**$223,524**	**$105,684**	**$88,763**
Net Assets, Beginning of Year	**$2,238,574**	**$2,015,050**	**$1,909,366**	**$1,820,603**
Net Assets, End of Year	**$2,383,649**	**$2,238,574**	**$2,015,050**	**$1,909,366**

[1] Restated to reflect GASB 35

[2] See Notes to Financial Statements

State Appropriations

The Corporation receives a significant portion of the revenues needed to sustain its educational and research activities from the State of Indiana. Other revenues are mainly derived from 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 2005-07 biennial years, are set forth below. This information should be reviewed in conjunction with the University's financial statements, including the Management 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							
2001		288,667	30,306	13,585	25,859	12,462	370,879
2002	[1]	293,222	28,736	-	26,134	-	348,092
2003	[1]	289,982	33,672	-	24,471	7,764	355,889
2004	[1]	301,792	28,359	2,077	24,741	-	356,969
2005	[1]	311,128	22,899	2,077	24,780	-	360,884
Current							
2006	[2]	310,483	22,872	8,306	24,780	1,200	367,641
2007	[2]	314,468	26,103	8,306	24,681	1,200	374,758

[1] One-twelfth of the general operating and special appropriations were deferred and recorded as a receivable in the financial statements. Amounts shown are the appropriated amounts for the fiscal year for general operating and special. The R&R appropriation is the amount received.

[2] Appropriated

Student Financial Aid

Total financial support for students amounted to approximately $480.1 million for the fiscal year that ended June 30, 2005. 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, 2005.

STUDENT FINANCIAL ASSISTANCE
Fiscal Year Ended June 30, 2005
(dollars in thousands)

	West Lafayette	Regional Campuses	University Total
Scholarships and Grants:			
University Scholarships	$13,909	$1,733	$15,642
University Incentive Grant	4,172	0	$4,172
Purdue Opportunity Awards	275	0	$0
Athletic Grant in Aid Awards	6,239	1,180	$7,419
State Awards	16,559	12,667	$29,226
Private Awards	10,517	2,207	$12,724
Indiana Resident Top Scholars	2,377	0	$2,377
Fellowships	8,269	84	$8,353
Institutional Fee Remissions	15,351	1,654	$17,005
Federal Grants	29,174	17,704	$46,878
Total Scholarships and Grants	**$106,842**	**$37,229**	**$143,796**
Loans:			
Federal Stafford Loans	$75,120	$49,867	$124,987
Federal Parent Loans for Undergraduate Students	47,586	1,586	$49,172
Federal Perkins and Health Professions Loans	5,712	1,374	$7,086
Purdue Loans	3,335	0	$3,335
Private Loans	24,709	2,252	$26,961
Total Loans	**$156,462**	**$55,079**	**$211,541**
Employment and Employment Related:			
Work-Study Salaries	$1,385	$685	$2,070
Graduate Student Staff Salaries	69,999	1,814	$71,813
Other Part-Time University Salaries	14,737	3,055	$17,792
Employment Related Fee Remissions	29,789	1,355	$31,144
Other Employment Related Awards	1,907	0	$1,907
Total Employment Related	**$117,817**	**$6,909**	**$124,726**
Total Student Financial Assistance	**$381,121**	**$99,217**	**$480,063**

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 and (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. 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. The current spending policy for the endowment is 4.5%, based on a 12-quarter rolling average.

FISCAL YEAR ENDED JUNE 30	MARKET VALUE
2001	637,911,370
2002	576,339,255
2003	558,351,025
2004	611,088,073
2005	694,177,086

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 available 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	$628,812,683	$63,364,404	$22,687,589
Ross-Ade Foundation	84,584,598	4,406,772	4,396,243
The Purdue Foundation, Inc.	3,919,040	56,618,828	56,618,828
Purdue Alumni Foundation	134,811,761	20,322,587	10,348,644
Indiana-Purdue Foundation at Fort Wayne	6,567,445	2,345,732	2,240,058
Total	**$858,695,527**	**$147,058,323**	**$96,291,362**

Purdue Research Foundation: The Purdue Research Foundation is a nonprofit corporation that may accept gifts, administer trusts, acquire property, negotiate research contracts, and perform other services helpful to Purdue University. Its objectives are exclusively to aid the University. 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 7,325 acres of land, 5,135 acres of which is leased to Purdue University. Four members of the fifteen-member Board of Directors are members of the Board of Trustees of the Corporation. The financial information is as of June 30, 2005.

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 financial information is as of August 31, 2005.

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. The financial information is as of June 30, 2005.

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. In order to achieve investment efficiencies and minimize transaction and other associated costs across the Purdue affiliated Foundations, the termination and dissolution of PAF and the distribution of its managed funds to the Purdue Research Foundation was authorized in September 2005. At December 31, 2005, the assets of the Purdue Alumni Foundation were consolidated into the Purdue Research Foundation. The financial information is as of December 31, 2004.

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 two members of the Board of Trustees of the Corporation. The financial information is as of June 30, 2005.

Fund Raising Activity

The University has embarked on a comprehensive fund-raising effort to generate $1.5 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 as of May 2006 has raised over $1.3 billion toward the $1.5 billion goal.

For the year ended June 30, 2005, the Corporation received approximately $242 million in private support from individuals, corporations, foundations and other sources. Total gifts for the five years ended June 30, 2005, for the Corporation are shown in the following table.

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

	2005	2004	2003	2002	2001
Cash/Securities	$120,171	$127,591	$75,328	$93,073	$95,065
Real Estate	16,324	504	444	21,205	551
Gifts-in-Kind	50,268	36,047	130,230	38,671	14,677
Irrevocable Deferred	4,593	14,501	15,103	11,051	20,442
Pledge Balances	50,628	50,429	90,526	70,334	43,201
Total	**$241,983**	**$229,071**	**$311,630**	**$234,334**	**$173,935**

Grants and Contracts

System-wide sponsored program expenditures for the 2004-2005 fiscal year were $249.6 million, an increase of $24.0 million, or greater than 10% over previous year expenditures. Research project expenditures comprised 80% of the total 2004-2005 sponsored program expenditures. Departments with sponsored research program expenditures in excess of $5 million were: Electrical and Computer Engineering, $22.1 million; Biological Sciences, $16.4 million; Mechanical Engineering, $15.0 million; Chemistry, $13.5 million; Civil Engineering, $11.8 million; Physics, $7.4 million; Medicinal Chemistry and Molecular Pharmacology, $7.4 million; Management Administration and Instruction, $6.7 million; Agronomy, $6.5 million; Computer Science, $6.2 million; Birck Nanotechnology Center, $5.8 million; Biomedical Engineering, $5.7 million; Chemical Engineering, $5.6 million, and Foods and Nutrition, $5.3 million. The percent of the research dollar that was expended for salaries decreased slightly to 38%. The percent for capital expenditures increased to 8%.

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

	2005	2004	2003	2002	2001
Federal Sources					
Department of Health and Human Services	$42,465	$38,594	$34,117	$32,040	$26,628
National Science Foundation	39,605	35,164	28,851	23,973	22,350
Department of Energy	14,472	10,133	10,280	8,475	8,530
Department of Defense	20,218	21,418	18,506	15,871	15,999
Department of Agriculture	15,607	17,565	14,259	11,022	9,872
Other Federal Agencies	25,916	23,736	25,627	18,279	14,720
Total Federal Sources	**$158,283**	**$146,610**	**$131,640**	**$109,660**	**$98,099**
State of Indiana	29,032	24,299	23,306	24,039	18,134
Business and Foundations	53,688	46,359	40,523	35,716	34,909
Non-Profit Organizations	8,618	8,379	9,583	9,846	8,828
Total Non-Federal Sources	**$91,338**	**$79,037**	**$73,412**	**$69,601**	**$61,871**
Total All Sources	**$249,621**	**$225,647**	**$205,052**	**$179,261**	**$159,970**

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 July 6, 2006, is projected to be $523,593,211, and is summarized in the following table.

Title of Indebtedness	Final Maturity	Projected Amount Outstanding as of July 6, 2006	
Bank Note			
Qualified Energy Savings	2011	3,293,211	(1)
Bonds Outstanding			
Student Fee Bonds, Series E	2007	2,000,000	(2)
Student Fee Bonds, Series H	2015	9,500,000	(2)
Student Fee Bonds, Series K	2020	15,200,000	(2)
Student Fee Bonds, Series L	2020	13,300,000	(2)
Student Fee Bonds, Series N	2014	27,815,000	(2)
Student Fee Bonds, Series O	2019	25,805,000	(2)
Student Fee Bonds, Series P	2017	41,940,000	(2)
Student Fee Bonds, Series Q	2010	7,815,000	(2)
Student Fee Bonds, Series R	2023	15,840,000	(2)
Student Fee Bonds, Series S	2026	13,625,000	(2)
Student Fee Bonds, Series T	2027	14,500,000	(2)
Student Fee Bonds, Series U	2022	35,100,000	(2)
Student Fee Bonds, Series V	2027	60,415,000	(2)
Student Facilites System Revenue Bonds, Series 2003A	2028	84,180,000	(3)(4)
Student Facilites System Revenue Bonds, Series 2003B	2029	24,055,000	(3)(4)
Student Facilites System Revenue Bonds, Series 2004A	2033	28,100,000	(3)(4)
Student Facilites System Revenue Bonds, Series 2005A	2029	22,940,000	(3)(4)
Leasehold Indebtedness			
Parking Facilities	2015-2016	17,680,000	(4)
Ross-Ade Stadium Renovation	2027	60,490,000	(4)
Total Outstanding Indebtedness		**$523,593,211**	
Refunded Indebtedness-Escrowed to Maturity or Call Date			
Building Facilities Fee Bonds	2009	3,280,000	(5)
Dormitory Facilities Revenue Bonds, Series A - L	2008	880,000	(5)
Student Fee Bonds, Series M	2006	45,372,500	(5)
Total Refunded Bonds		**$49,532,500**	

(1) Payable from the energy savings projects financed by the borrowings.

(2) Secured by a pledge of Student Fees.

(3) Secured by a pledge of the Net Income of the designated Auxiliary Enterprise.

(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.

Physical Property

Physical property owned by the Corporation, or otherwise available to and utilized by the University, consists primarily of 18,431 acres of land and 433 buildings of 10,000 or more gross square feet. The buildings, together with equipment and furnishings, were valued at an estimated replacement cost of $3.8 billion as of September 30, 2005. The following table sets forth the increase in net plant investment for the five years ended June 30, 2001 through 2005. 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
2001	1,555,654,668	694,013,824	861,640,845
2002	1,681,248,948	747,276,201	933,972,747
2003	1,836,761,164	793,451,993	1,043,309,171
2004	2,016,220,987	848,357,941	1,167,863,046
2005	2,130,035,414	907,927,404	1,222,108,010

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 buildings 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 allocated reserve fund balance was at $6.3 million as of June 30, 2005.

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. The total value of business interruption reported to our insurer is $683 million. Coverage for the Student Facilities System and Purdue Memorial Union is based on an annual estimate of income and payroll. The values from these areas are included in the number above. 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 brought to third parties arising out of accidents on University premises 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 $25,000,000 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. Claim processing within that retention is 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 progress includes the Richard and Patricia Lawson Computer Sciences building, the Weldon Biomedical Engineering building and the Neil Armstrong Millennium Engineering building, all on the West Lafayette campus. In addition, the Music building on the Indiana University-Purdue University Fort Wayne campus and the Cary Quadrangle and Food Service consolidation and renovation projects on the West Lafayette campus are near completion. Construction of a student housing facility on the Calumet campus was completed for the fall 2005 term.

The University is in the process of 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 buildings are planned for the park: the Bindley Biosciences Center - $15 million; Birck Nanotechnology Center - $56.4 million; Burton D. Morgan Center for Entrepreneurship - $7 million; and the Gerald and Edna Mann Hall - $10 million. These facilities were primarily funded from private donations to the University. Construction for three of the buildings is complete: Burton D. Morgan Center for Entrepreneurship, Bindley Biosciences, and Birck Nanotechnology. Construction at Mann Hall should be complete by Spring of 2007.

The University's Board of Trustees has approved the construction and financing of the Windsor Halls Renovation project at $53.0 million, the Replacement Student Housing project at $60 million, Wiley Dining Court at $10.5 million and the second phase of the Fort Wayne student housing project at $10.5 million. The University has received legislative authority to issue bonds in an amount up to $60 million to address various repair and rehabilitation needs of the University. The University plans to issue bonds to fund a portion of these projects during 2006 and 2007.

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.

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APPENDIX B

FINANCIAL REPORT OF THE CORPORATION FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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PURDUE
UNIVERSITY

FINANCIAL REPORT 2004–2005

LETTER OF TRANSMITTAL

To the Board of Trustees of Purdue University:

We are pleased to submit this, the 83rd annual financial report of Purdue University. This report is for the fiscal year that ended June 30, 2005, and sets forth the complete and permanent record of the financial status of the University for the year.

The University Financial Statements have been audited by the Indiana State Board of Accounts, and the Auditors' Report appears on page 2.

Respectfully submitted,

MARTIN C. JISCHKE
President

Respectfully submitted,

MORGAN R. OLSEN
Executive Vice President and Treasurer

Approved for publication and transmission to the governor of the state.

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, 2005 and 2004. 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 did not audit the financial statements of the component units of the University as discussed in Note 1, which represent 100% of the assets and revenues of the discretely presented component units. We also did not audit the trust which maintains the University's portion of trust agreements as discussed in Note 1. The University's interest in the charitable remainder trusts represents approximately 1% of the assets of the University. The financial statements of these units were audited by other auditors whose reports thereon have been furnished to us and our opinion, insofar as it relates to those units, is based upon the reports of the other auditors.

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, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Purdue University, as of June 30, 2005 and 2004, 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 November 9, 2005, 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

November 9, 2005

BOARD OF TRUSTEES

As of June 30, 2005

The responsibility for making rules and regulations to govern the University is vested in a 10-member Board of Trustees appointed by the governor. 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 remaining 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.

J. Timothy McGinley
Chairman of Board
Appointed July 1993
Indianapolis, Indiana
President, House Investments, Inc.
Term: 1989–2007

Michael J. Birck
Hinsdale, Illinois
Chairman and CEO, Tellabs, Inc.
Term: 1999–2006

John A. Edwardson
Wilmette, Illinois
Chairman and CEO, CDW Computer Centers, Inc.
Term: 1995–2005

John D. Hardin Jr.
Vice Chairman of Board
Appointed September 2004
Danville, Indiana
Farmer
Term: 1992–2007

Mamon M. Powers Jr.
Gary, Indiana
President, Powers and Sons Construction Company, Inc.
Term: 1996–2005

Mark W. Townsend
Hartford City, Indiana
Farmer
Term: 2004–2007

Barbara H. Edmondson
Clayton, Indiana
Partner, Edmondson Liberty Farms and Edmondson Farm Management
Term: 1997–2006

Lewis W. Essex
Columbus, Indiana
Retired Chairman and CEO, Essex Castings, Inc.
Term: 1995–2005

Robert E. Peterson
Rochester, Indiana
Attorney
Term: 2003–2006

Sarah L. Cusick
Lima, Ohio
Student
Term: 2003–2005

OFFICERS OF THE UNIVERSITY

As of June 30, 2005

Officers of the Board of Trustees

J. TIMOTHY MCGINLEY, *Chairman*
JOHN D. HARDIN JR., *Vice Chairman*
MORGAN R. OLSEN, *Treasurer*
JAMES S. ALMOND, *Assistant Treasurer and Assistant Secretary*
ROSEANNA M. BEHRINGER, *Secretary*
ANTHONY S. BENTON, *Legal Counsel*

Administrative Staff

MARTIN C. JISCHKE, *President*
SALLY MASON, *Provost*
MORGAN R. OLSEN, *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*
MORGAN J. BURKE, *Director of Intercollegiate Athletics*
PEGGY L. FISH, *Director of Audits*
KEVIN P. GREEN, *Director of State Relations*
JOSEPH B. HORNETT, *Senior Vice President, Purdue Research Foundation*
WAYNE W. KJONAAS, *Vice President for Physical Facilities*
JESSE L. MOORE, *Manager, Supplier Diversity Development*
RABINDRA N. MUKERJEA, *Director of Strategic Planning and Assessment*
THOMAS B. ROBINSON, *Vice President for Student Services*
ALYSA C. ROLLOCK, *Vice President for Human Relations*
CHARLES O. RUTLEDGE, *Vice President for Research*
JOHN A. SAUTTER, *Vice President for Housing and Food Services*
SCOTT W. SEIDLE, *Senior Director of Investments*
TERRY D. STRUEH, *Vice President for Governmental Relations*
GLENN F. TOMPKINS, *Senior Associate Athletic Director — Business*

Regional Campus Staff

HOWARD COHEN, *Chancellor, Purdue University Calumet*
JAMES B. DWORKIN, *Chancellor, Purdue University North Central*
MICHAEL A. WARTELL, *Chancellor, Indiana University-Purdue University Fort Wayne*
G. WILLIAM BACK, *Vice Chancellor for Administration, Purdue University North Central*
WALTER J. BRANSON, *Vice Chancellor for Financial Affairs, Indiana University-Purdue University Fort Wayne*
JAMES K. JOHNSTON, *Vice Chancellor for Administrative Services, Purdue University Calumet*

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2005

INTRODUCTION

The following discussion and analysis provides an overview of the financial position of Purdue University for the fiscal year ended June 30, 2005, the financial activities for the 2004–2005 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 enables 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 is necessary to meet its goals and objectives.

In 2004–2005, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosures" (an amendment of GASB Statement No. 3). As a result, risk disclosures related to the University's investments, which include credit risk, custodial credit risk, interest rate risk, and foreign currency risk, have been presented.

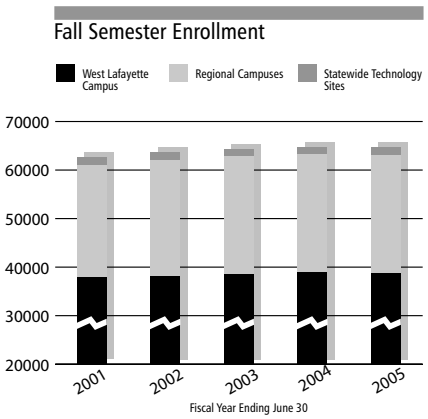
FINANCIAL HIGHLIGHTS

Operating revenues were $946.1 million, compared to $883.9 million in the prior year — an increase of 7.0%. This increase is due primarily to increases in net student fee revenue ($32.7 million), grants and contracts ($18.8 million), and auxiliary enterprises revenue ($7.7 million).

Tuition and fee revenue, less scholarship allowances, increased from $385.2 million in the 2003–2004 fiscal year to $417.9 million in the 2004–2005 fiscal year — an increase of 8.5%. New tuition levels for incoming freshmen were introduced in the fall of 2002 in support of the University's strategic plan. The new fee structure is being phased in over a five-year period. Enrollment patterns for the last five years are illustrated in Figure 1.

Operating expenses increased, but not to the same extent as revenue. Total operating expenses increased 6.9% from $1.25 billion for the 2003–2004 fiscal year to $1.34 billion for the 2004–2005 fiscal year. This change was driven by a 6.0% increase in compensation and benefits — the single largest component of operating expenses — which rose by $50.4 million from $837.2 million to $887.6 million.

Figure 1. Five-Year Enrollment Data*



** Enrollment figures do not include Purdue University students enrolled at the Indiana University-Purdue University Indianapolis campus.*

Nonoperating revenues increased $2.9 million, from $592.5 million in the 2003–2004 fiscal year to $595.4 million in the 2004–2005 fiscal year. Investment income increased $4.4 million from $109.7 million in the 2003–2004 fiscal year to $114.1 million in the 2004–2005 fiscal year. Investment income includes dividends and interest, realized gains and losses, and net unrealized gains. 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, 2004 and June 30, 2005 is contained in investment income.

Capital and endowment activity decreased $1.3 million or -2.0% from the 2003–2004 fiscal year.

The 2004–2005 change in net assets of $145.1 million represents a decrease of $78.4 million or -35.1% from the prior year increase of $223.5 million. The change was driven by a write-down of fixed assets for a change in capitalization levels for certain fixed assets of $57.7 million.

PURDUE UNIVERSITY FINANCIAL STATEMENTS

Use of the Financial Statements

The primary purpose of financial reporting, whether for a commercial enterprise or for a 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 its objectives all serve to influence the form and process by which the accounting is accomplished and the 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.

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 activities 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 and articulates sources and uses of cash. 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 $3.3 billion as of June 30, 2005, compared to $3.2 billion at June 30, 2004, an increase of $137.0 million or 4.3%. Current assets as of June 30, 2005, decreased $2.5 million while noncurrent assets increased $139.5 million or 5.4%.

Figure 2 depicts the portion of total assets that were capital.

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, liability for securities-lending activity, and salaries and wages payable. Noncurrent liabilities include bonds, notes, and leases payable. Total liabilities were $933.8 million at June 30, 2005, and $941.9 million at June 30, 2004. Figure 3 depicts the portion of long-term debt relative to total liabilities.

Figure 2

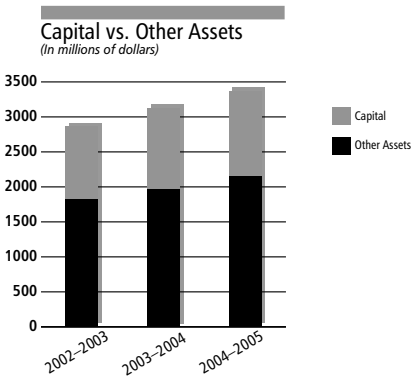
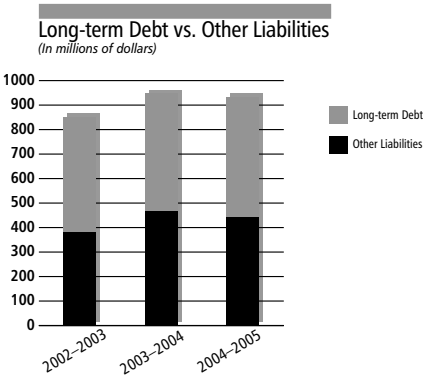


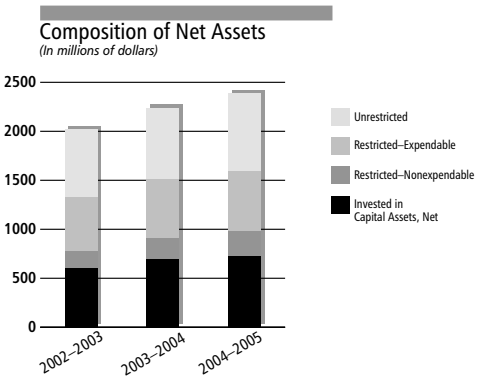
Figure 3



A discussion of the University's capital financing activities appears in the "Debt and Financing Activities" section on page 10.

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, net of accumulated depreciation and related debt and 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 $2.38 billion as of June 30, 2005. Figure 4 provides a comparison across fiscal years of 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

Summary Statement of Net Assets *(Dollars in Thousands)*

	2002–2003	Restated 2003–2004	2004–2005
Current Assets	$654,743	$611,216	$608,709
Capital Assets	1,043,309	1,167,863	1,222,108
Other Assets	1,166,914	1,401,348	1,486,647
Total Assets	2,864,966	3,180,427	3,317,464
Current Liabilities	339,427	407,873	392,627
Noncurrent Liabilities	510,489	533,980	541,188
Total Liabilities	849,916	941,853	933,815
Invested in Capital Assets, Net of Related Debt	605,608	697,257	727,659
Restricted–Nonexpendable	166,886	205,104	248,548
Restricted–Expendable	555,154	604,448	615,405
Unrestricted	687,402	731,765	792,037
Total Net Assets	**$2,015,050**	**$2,238,574**	**$2,383,649**

Capital and Noncapital Projects

The University continues to expand its campuses and renovate existing facilities to meet the needs of its students, faculty, and staff. Significant projects completed during the 2004–2005 fiscal year are listed in Table 2.

Table 2. Major Projects Completed during the 2004–2005 Fiscal Year *(More than $1 Million)*

	Project Total (Dollars in Thousands)
Discovery Park Utilities Extension, Phase III	$ 4,600
Forney Hall of Chemical Engineering Addition	19,250
Heine (Robert E.) Pharmacy Renovation, Phases III and IV	3,660
Purdue Memorial Union Sweet Shop Renovation	1,900
Residence Halls Food Service Facility, Phase II	16,335
Satellite Plant Chiller No. 3 Installation	1,135
Student Housing Facilities at Purdue University Calumet	16,500
Switchgear for Northwest Main Substation	1,000
Waterfield Student Housing at IPFW	23,274
Young Hall Remodeling, Floors 6,7,8	4,200
Total Major Projects Completed	**$91,854**

Table 3. Major Construction Projects in Progress *(More than $1 Million)*

	Project Budget (Dollars in Thousands)
Armstrong Hall of Engineering	$ 53,187
Bindley Bioscience Center	15,000
Biomedical Engineering Building	25,000
Birck Nanotechnology Center	58,300
Calumet Campus Parking Garage	11,500
Cary Quadrangle, Phases V and VI	19,700
Computer Science Building, Phase I (Lawson Hall)	20,000
Discovery Park Site Development, Phase IV and V	1,925
Earhart Residence Hall — Installation of Sprinklers and Student Room Air Conditioning	7,950
Extension of Infrastructure at University and Third	2,625
Forney Hall of Chemical Engineering Renovation	4,750
Purdue University Airport Pavement and Lighting Repair	1,900
Radiation Therapy Facility	1,400
Residence Halls Food Service Consolidation, Phase V	1,025
Residence Halls Food Service Facility, Phase III	11,970
Spurgeon Golf Training Facility	2,722
Visual and Performing Arts, Phase II (Pao Hall)	17,692
Total Major Projects in Progress	**$256,646**

In addition, the University's Board of Trustees has authorized the following major projects, which had not been started as of June 30, 2005:

Table 4. Major Projects Authorized, but Not Started

	Project Budget (Dollars in Thousands)
Aquaculture Building Reconstruction	$ 2,659
Calumet — 169th Street Entry/Exit Relocation	1,000
Discovery Learning Center	10,000
e-Enterprise Center	10,000
Fort Wayne Chiller Replacement	2,000
Fort Wayne Music Building	25,000
Gyte Renovation	24,000
High Voltage Improvement Phase II	25,100
McCutcheon Drive Parking Garage Addition	12,500
McCutcheon Hall Fire Protection and Air Conditioning	8,900
North Central Parking Garage	5,000
Replacement Student Apartments	60,000
Residence Halls Food Service Consolidation, Phase IV	12,382
Dennis J. and Mary Lou Schwartz Tennis Center	7,000
Storm Sewer Modifications	9,500
Wade Utility MACT Compliance	9,000
Windsor Residence Halls Renovation	46,000
Total Major Projects Authorized	**$270,041**

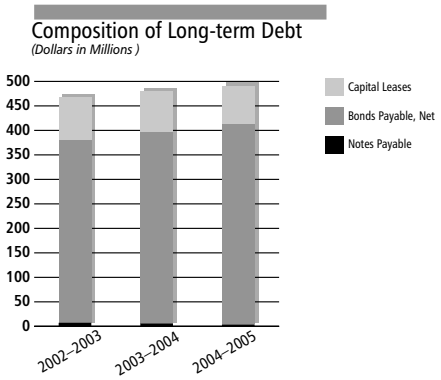
Debt and Financing Activities

During the fiscal year, the University issued two series of bonds: Student Facilities System Revenue Bonds Series 2005A for $24.2 million and Student Fee Bonds Series T for $14.5 million. Series 2005A was issued to finance student housing and dining facilities on the West Lafayette campus. Series T provided partial financing of the Computer Science Building (Lawson Hall) on the West Lafayette campus.

In the 2004–2005 fiscal year, the University maintained its excellent credit ratings by Moody's Investors Service (Aa1) and by Standard & Poor's (AA). In addition, the University's variable-rate debt received short-term ratings by Moody's of VMIG1 and by Standard & Poor's of A-1+.

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

Figure 5

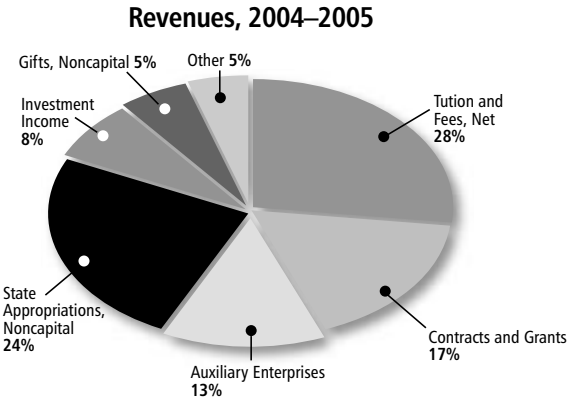


Statement of Revenues, Expenses, and Changes in Net Assets

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 affected 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 expenses. Nonoperating revenues include state appropriations, investment income, 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, excluding endowments and capital, for the 2004–2005 fiscal year.

Figure 6



A summarized comparison of the University's revenues, expenses, and changes in net assets follows in Table 5:

Table 5. ***Summary Statement of Revenues, Expenses, and Changes in Net Assets*** *(Dollars in Thousands)*

	2002–2003	Restated 2003–2004	2004–2005
Operating Revenues			
Tuition and Fees, Net	$ 346,794	$ 385,198	$ 417,937
Grants and Contracts	212,251	244,090	262,869
Auxiliary Enterprises, Net	167,605	189,022	196,743
Other Operating Revenues	59,988	65,597	68,535
Total Operating Revenues	786,638	883,907	946,084
Operating Expenses			
Depreciation	67,123	75,301	83,627
Operating Expense	1,086,492	1,177,558	1,255,058
Total Operating Expenses	1,153,615	1,252,859	1,338,685
Operating Loss	(366,977)	(368,952)	(392,601)
Nonoperating Revenue	457,519	529,132	533,300
Capital and Endowments	15,142	63,344	62,089
Total Nonoperating Revenues	472,661	592,476	595,389
Cumulative Effect of Change in Accounting Policy			(57,713)
Increase in Net Assets	105,684	223,524	145,075
Net Assets, Beginning of Year	1,909,366	2,015,050	2,238,574
Net Assets, End of Year	$2,015,050	$2,238,574	$2,383,649

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. The Statement of Cash Flows also provides an indication of the extent to which operating activities provided or used cash. Table 6 gives a summarized comparison of the University's sources, uses, and changes in cash and cash equivalents.

Table 6. ***Summarized Comparison of Changes in Cash and Cash Equivalents*** *(Dollars in Thousands)*

	2002–2003	2003–2004	2004–2005
Cash Used by Operating Activities	$(289,742)	$(297,226)	$(306,042)
Cash Provided by Noncapital Financing Activities	423,790	453,470	471,119
Cash Provided (Used) by Investing Activities	2,117	(15,732)	(80,954)
Cash Used by Capital and Related Financing Activities	(112,230)	(148,758)	(173,458)
Net Increase (Decrease) in Cash and Cash Equivalents	23,935	(8,246)	(89,335)
Cash and Cash Equivalents, Beginning of Year	459,029	482,964	474,718
Cash and Cash Equivalents, End of Year	**$482,964**	**$474,718**	**$385,383**

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

For the 2005–2006 fiscal year, the University received decreased operating appropriations from the State of Indiana for its West Lafayette (0.5%) and Calumet (1.5%) campuses, while the North Central (0.4%) and Fort Wayne (2.4%) campuses received increased appropriations. All campuses are expected to receive modest operating appropriation increases, ranging from 0.9% for West Lafayette to 3.1% for Fort Wayne, in the 2006–2007 fiscal year. Tuition rate increases were set for the next two fiscal years (2005–2006 and 2006–2007), with six percent increases each year. With this combination of limited increases in operating appropriations and tuition and fees, the University has continued its emphasis on internal reallocations to high-priority initiatives.

The University is expected to receive $16.6 million for Repair and Rehabilitation (R&R) funding from the state over the next two fiscal years, which is nearly 50 percent of the requested formula funding amount. The University received $4.2 million of the $8.3 million R&R funding appropriated for the 2003–2005 biennium. In May 2005, the Board of Trustees approved a dedicated student fee on all campuses for new students only beginning in the fall of 2006 for R&R funding. This dedicated fee will generate nearly $7.3 million annually on the West Lafayette campus alone when fully implemented in 2011. Additional funding sources have been identified to help address the University's deferred maintenance and rehabilitation needs.

Enrollment* at all Purdue campuses decreased to 64,582 for the fall semester of the 2004–2005 academic year, down from 64,780 the previous year. This includes a decrease of 194 students for a total of 38,653 on the West Lafayette campus. Undergraduate enrollment is being carefully managed at the West Lafayette campus, while other campuses in the Purdue system have the ability to serve additional full-time and part-time students.

** Enrollment figures do not include Purdue University students enrolled at the Indiana University-Purdue University Indianapolis campus.*

The University continues its comprehensive fundraising effort to generate $1.5 billion in gifts and pledges by 2007 in support of students, faculty, programs, and facilities. "The Campaign for Purdue" was officially announced in September 2002. As of June 30, 2005, the University community had raised $1.185 billion toward its $1.5 billion goal.

Overall, the University is positioned to maintain its strong financial position while moving into the future.

Particular attention should be given to the "Notes to the Financial Statements" that are an integral part of the financial statements. These notes start on p. 21.

STATEMENT OF NET ASSETS

	As of June 30	
	2005	2004 (Restated)
	(Dollars in Thousands)	
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	$385,383	$474,718
Accounts Receivable, Net of Allowance for Uncollectible Amounts	31,346	60,542
Marketable Securities	132,535	13,330
Pledges Receivable, Net of Allowance for Uncollectible Amounts	23,198	32,511
Notes Receivable, Net of Allowance for Uncollectible Amounts	8,952	9,858
Accrued Revenues	15,322	10,570
Inventories	6,886	6,018
Prepaid Expenses	4,053	2,681
Deferred Expenses	829	783
Funds Held in Trust by Others	205	205
Total Current Assets	**$608,709**	**$611,216**
Noncurrent Assets:		
Notes Receivable, Net of Allowance for Uncollectible Amounts	37,158	35,657
Pledges Receivable, Net of Allowance for Uncollectible Amounts	26,772	32,478
Marketable Securities and Other Investments	1,376,020	1,316,242
Interest in Charitable Remainder Trusts	18,705	16,971
Appropriation Receivable from the State	27,992	
Capital Assets, Net of Accumulated Depreciation	1,222,108	1,167,863
Total Noncurrent Assets	2,708,755	2,569,211
Total Assets	**$3,317,464**	**$3,180,427**
LIABILITIES:		
Current Liabilities:		
Accounts Payable	33,269	39,084
Accrued Salary and Wages	10,398	8,060
Accrued Compensated Absences (Current Portion)	21,686	20,101
Deferred Revenue (Current Portion)	41,718	37,135
Deposits Held in Custody for Others	20,872	19,782
Accrued Expenses	22,573	24,490
Securities Lending Liability	215,068	229,698
Bonds (Net), Leases, and Notes Payable (Current Portion)	27,043	29,523
Total Current Liabilities	**$392,627**	**$407,873**

(continued on page 15)

STATEMENT OF NET ASSETS *(continued)*

	As of June 30	
	2005	**2004** (Restated)
	(Dollars in Thousands)	
Noncurrent Liabilities:		
Accrued Compensated Absences (Less Current Portion)	17,014	15,712
Deferred Revenue (Less Current Portion)	6,569	12,456
Funds Held in Trust for Others	6,512	6,554
Bonds (Net), Leases, and Notes Payable (Less Current Portion)	490,372	478,715
Advances from Federal Government	20,721	20,543
Total Noncurrent Liabilities	541,188	533,980
Total Liabilities	**$ 933,815**	**$ 941,853**
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	727,659	697,257
Restricted		
Nonexpendable		
Instruction and Research	125,085	96,804
Student Aid	99,254	87,364
Other	24,209	20,936
Total Nonexpendable	$248,548	$205,104
Expendable		
Instruction and Research	69,515	77,446
Student Aid	60,239	57,911
Auxiliary Enterprises	3,384	2,713
Construction	66,401	99,389
Other (Note 1)	415,866	366,989
Total Expendable	$ 615,405	$ 604,448
Unrestricted	792,037	731,765
Total Net Assets	**$2,383,649**	**$2,238,574**

See Accompanying "Notes to the Financial Statements."

COMPONENT UNITS

Statements of Financial Position

	Purdue Research Foundation	Purdue Alumni Foundation
	Statement reported as of	
	June 30, 2005	December 31, 2004
	(Dollars in Thousands)	
Assets		
Cash and Cash Equivalents	$ 8,377	$ 5,038
Accounts and Other Receivables	1,790	197
Pledges Receivable	2,268	
Investments in Securities	523,146	147,729
Investment in Securities Held for Purdue Alumni Foundation	21,259	
Investment in INCAPS	153	
Mortgages and Contracts	225	
Notes Receivable	2,031	
Investment in AmeriPlex PRF, LLC	8,611	
Real Estate	106,031	209
Less Allowances	(10,853)	
Net Real Estate	$ 95,178	$ 209
Other Assets and Equipment	$ 7,762	$ 20
Less Allowances	(2,517)	
Net Other Assets and Equipment	$ 5,245	$ 20
Interest in Charitable Remainder Trusts	$ 26,581	$ 2,673
Interest in Charitable Perpetual Trust	17,132	
Total Assets	**$711,996**	**$155,866**
Liabilities and Net Assets		
Liabilities		
Accounts Payable	$ 3,136	$ 86
Net Funds Held as Custodian	19,043	9,514
Bonds Payable	18,280	
Mortgages and Notes Payable	22,394	
Funds Held for Purdue Alumni Foundation	21,259	
Gift Annuity Payable	1,685	
Total Liabilities	**$ 85,797**	**$ 9,600**
Net Assets		
Unrestricted	$ 99,174	$ 9,346
Temporarily Restricted	360,990	94,045
Permanently Restricted	83,001	21,235
Unrealized Gains	83,034	21,640
Total Net Assets	$626,199	$146,266
Total Liabilities and Net Assets	**$711,996**	**$155,866**

See Note 1.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	For the Year Ended June 30	
	2005	**2004** (Restated)
	(Dollars in Thousands)	
Operating Revenues		
Tuition and Fees	$ 471,677	$ 435,709
Less: Scholarship Allowance	(53,740)	(50,511)
Net Tuition and Fees (Pledged for Repayment of Student Fee Bonds)	$ 417,937	$ 385,198
Federal Appropriations	15,299	15,223
County Appropriations	6,992	6,600
Grants and Contracts	262,869	244,090
Sales and Services	44,484	42,565
Auxiliary Enterprises (Net of Scholarship Allowance of $5,944 and $5,033 Respectively)	196,743	189,022
Other Operating Revenues	1,760	1,209
Total Operating Revenues	**$ 946,084**	**$ 883,907**
Operating Expenses		
Compensation and Benefits	887,579	837,228
Supplies and Services	338,217	311,180
Depreciation Expense	83,627	75,301
Scholarships, Fellowships, and Student Awards	29,262	29,150
Total Operating Expenses	**$1,338,685**	**$1,252,859**
Net Operating Loss	**(392,601)**	**(368,952)**
Nonoperating Revenues (Expenses)		
State Appropriations	358,957	355,042
Private Gifts	78,071	81,302
Investment Income	114,089	109,650
Interest Expense	(21,814)	(21,412)
Other Nonoperating Revenues, Net	3,997	4,550
Total Nonoperating Revenues before Capital and Endowments	**$ 533,300**	**$ 529,132**
Capital and Endowments		
Capital State Appropriations	6,076	8,076
Capital Gifts	19,755	28,348
Private Gifts for Permanent Endowments and Charitable Remainder Trusts	40,042	30,116
Plant Assets Retired	(3,784)	(3,196)
Total Capital and Endowments	**$ 62,089**	**$ 63,344**
Total Nonoperating Revenues	**595,389**	**592,476**
Increase in Net Assets before Change in Accounting Policy	202,788	223,524
Cumulative Effect of Change in Accounting Policy		
Assets under Capitalization Level Written Off (Note 1)	(57,713)	
INCREASE IN NET ASSETS	**$ 145,075**	**$ 223,524**
Net Assets, Beginning of Year	2,238,574	2,015,050
Net Assets, End of Year	$2,383,649	$2,238,574

See Accompanying "Notes to the Financial Statements."

COMPONENT UNITS

Statements of Activities

	Purdue Research Foundation	Purdue Alumni Foundation
	Statement reported for the year ended	
	June 30, 2005	December 31, 2004
	(Dollars in Thousands)	
Revenue and Support		
Amount Received for Purdue University Research Projects	$ 57,690	
Less Payments to Purdue University	(57,690)	
Administrative Fee on Research Projects		
Contributions	16,300	$ 6,625
Income on Investments	11,129	2,669
Net Unrealized and Realized Gains	49,769	11,348
Loss on Investment in Inproteo and INCAPS	(2,017)	
Change in Gift Annuities	40	
Revenue from Pledges	57	
Increase (Decrease) in Interests in Charitable Trusts	(2,223)	
Change in Value of Charitable Remainder Trusts		140
Rents	4,782	
Royalties	3,953	
Other	490	508
Net Assets Released from Restrictions		
Total Revenue and Support	$ 82,280	$ 21,290
Expenses and Losses		
Expenses for the Benefit of Purdue University		
Contributions to Purdue University	$ 6,669	
Scholarships, Awards, Athletics, and Other Projects		$ 9,642
Patent and Royalty	3,096	
Grants	9,805	
Services for Purdue University	1,547	
Development Office	1,027	
Other	544	
Total Expenses for the Benefit of Purdue University	$ 22,688	$ 9,642
Administrative and Other Expenses		
Salaries and Benefits	$ 4,775	
Property Management	4,444	
Professional Fees	1,873	$ 512
Supplies	963	
Interest	672	
Research Park	453	
Other	808	195
Total Administrative and Other Expenses	$ 13,988	$ 707
Change in Net Assets	$ 45,604	$ 10,941
Net Assets, Beginning of Year	580,595	135,325
Net Assets, End of Year	**$626,199**	**$146,266**

See Note 1.

STATEMENT OF CASH FLOWS

	For the Year Ended June 30	
	2005	2004
	(Dollars in Thousands)	
Cash Flows by Operating Activities		
Tuition and Fees, Net of Scholarship Allowances	$ 419,727	$ 385,762
Federal Appropriations	15,299	15,223
County Appropriations	6,992	6,600
Grants and Contracts	261,428	242,622
Sales and Services	43,347	42,401
Auxiliary Enterprises, Net of Scholarship Allowances	196,622	187,353
Other Operating Revenues	2,410	555
Compensation and Benefits	(883,939)	(842,826)
Supplies and Services	(337,692)	(304,199)
Scholarships, Fellowships, and Student Awards	(29,262)	(29,292)
Student Loans Issued	(10,386)	(9,873)
Student Loans Collected	9,412	8,448
Cash Used by Operating Activities	$(306,042)	$(297,226)
Cash Flows by Noncapital Financing Activities		
State Appropriations	358,184	354,674
Gifts for Other than Capital Purposes	113,740	75,548
Funds Held in Trust for Others and Deferred Gifts	(5,017)	18,554
Other Nonoperating Revenues, Net	4,212	4,694
Cash Provided by Noncapital Financing Activities	$471,119	$453,470
Cash Flows by Investing Activities		
Purchase of Investments	(5,770,338)	(6,730,399)
Proceeds from Sales and Maturities of Investments	5,647,215	6,671,221
Interest and Dividends on Investments, Net	42,169	43,446
Cash Used by Investing Activities	$ (80,954)	$ (15,732)
Cash Flows by Capital and Related Financing Activities		
Debt Repayment	(29,138)	(29,155)
Capital Debt Proceeds	38,700	41,950
Interest Expense	(22,171)	(20,159)
Capital Gifts Received	31,085	38,111
State Appropriations for Capital Projects	11,076	3,076
Funds Held in Trust by Others		5,840
Construction or Purchase of Capital Assets	(203,010)	(188,421)
Cash Used by Capital and Related Financing Activities	$(173,458)	$(148,758)
Net Decrease in Cash and Cash Equivalents	(89,335)	(8,246)
Cash and Cash Equivalents, Beginning of Year	474,718	482,964
Cash and Cash Equivalents, End of Year	$ 385,383	$ 474,718

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(continued on page 20)

STATEMENT OF CASH FLOWS *(continued)*

Reconciliation of Cash Used for Operating Activities (Indirect Method)

Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:	For the Year Ended June 30 2005	2004
	(Dollars in Thousands)	
Operating Loss	$(392,601)	$(368,952)
Depreciation Expense	83,627	75,301
Gifts in Kind	2,083	6,990
Changes in Assets and Liabilities:		
Accounts Receivable	(3,009)	(2,678)
Notes Receivable	(1,053)	(1,424)
Accrued Revenues	(1,601)	(1,278)
Inventories	(868)	149
Prepaid Expenses	(1,372)	(2,053)
Deferred Expenses	(46)	(200)
Accrued Compensated Absences	2,888	935
Accounts Payable	783	1,891
Deferred Revenue	4,009	6,240
Deposits Held in Custody for Others	164	(5,784)
Accrued Expenses	(1,561)	(8,843)
Accrued Salary and Wages	2,337	2,368
Advances from Federal Government	178	112
Cash Used by Operating Activities	$(306,042)	$(297,226)

See Accompanying "Notes to the Financial Statements."

BIRCK NANOTECHNOLOGY CENTER

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," within the financial reporting guidelines of GASB Statement No. 34, "Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments," as well as with other accounting principles generally accepted in the United States of America, as prescribed by the GASB.

During fiscal year 2005, the University adopted GASB Statement No. 40, "Deposit and Investment Risk Disclosures," which is an amendment of GASB Statement No. 3.

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 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.

Reporting Entity. 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, and debt service. Its nonexempt employees participate in the state's public employees retirement program. (See Note 12.)

The financial reporting entity, as defined by GASB Statement No. 14, "The Financial Reporting Entity," consists of the primary government and all of its component units. Component units are legally separate organizations for which the primary government is financially accountable and other organizations for which the significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete.

The University adopted GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units," which 1) provides criteria for determining whether certain university-related organizations should be reported as component units based on the nature and significance of their relationship with a primary government, and 2) clarifies reporting requirements for these organizations. Based on these criteria, the financial statements define the University as the primary government, and classify two of its entities, the Purdue Research Foundation and the Purdue Alumni Foundation, as discretely presented component units. Two other entities, The Purdue Foundation and Ross-Ade Foundation, continue to be blended within the University's statements and are not separately presented, in accordance with GASB Statement No. 14.

Discrete Component Units

Purdue Research Foundation. Purdue Research Foundation (PRF) was created in 1930. The primary purpose of PRF is to promote the educational purpose of Purdue University; award scholarships, grants, or other financial assistance to students and faculty; seek, acquire, and hold gifts and endowments for the needs of the University; and acquire property or facilities for the future use or benefit of the University. PRF is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. PRF provided grants, contracts, and gifts to Purdue University totaling approximately $22.7 million during its most recent fiscal year. PRF's fiscal year begins July 1 and ends June 30. PRF's audited financial statements, as presented in Purdue University's financial report, were rounded to the nearest thousand dollars. Complete financial statements for the foundation can be obtained by writing to: Purdue Research Foundation, 3000 Kent Avenue, West Lafayette, IN 47906.

Purdue Alumni Foundation. Purdue Alumni Foundation (PAF) was created in 1944 by the Purdue Alumni Association, Inc. The primary purpose of PAF is to offer ways and means for alumni of Purdue University, as well as others, to provide scholarships and awards and support athletics and other University-related activities. PAF is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. PAF provided grants, contracts, and gifts to Purdue University totaling approximately $9.6 million during its most recent fiscal year. PAF's fiscal year begins January 1 and ends December 31. PAF's audited financial statements, as presented in Purdue University's financial report, were rounded to the nearest thousand dollars. PAF provided $4.3 million for building construction costs to the Ross-Ade Foundation, a University blended component unit. The gift income and corresponding asset value are reflected in the University's financial statements. The University recognized $6.5 million of gift income from PAF for the period January to June 2005. Complete financial statements for the foundation can be obtained by writing to: Purdue Alumni Foundation, 3000 Kent Avenue, West Lafayette, IN 47906.

Both PRF and PAF are private nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, "Financial Reporting of Not-for-Profit Organizations." As such, certain revenue recognition criteria and presentation features differ from GASB revenue recognition criteria and presentation features. No modifications have been made to the foundations' financial information in the University's financial report for these differences.

Blended Component Units

The Purdue Foundation, Inc. The Purdue Foundation, Inc., was created in 1979. It is a separately incorporated, not-for-profit entity. The primary purpose of the foundation is the solicitation, receipt, and acceptance of gifts, donations, and bequests of funds and other property for the benefit of Purdue

University. The foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Purdue University is the sole beneficiary of The Purdue Foundation.

Ross-Ade Foundation. The Ross-Ade Foundation was created in 1923. It is a separately incorporated, not-for-profit entity organized as an affiliated organization. The 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).

Other

IPFW Foundation. The University is also the co-beneficiary with Indiana University of the Indiana-Purdue Foundation at Indiana University-Purdue University Fort Wayne.

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. 35 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 accounts. The amount of the allowance was $1,130,093 for the 2004–2005 fiscal year and $1,057,086 for the 2003–2004 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 $3,092,205 for the 2004–2005 fiscal year and $3,954,682 for the 2003–2004 fiscal year.

Notes Receivable. Notes receivable primarily represent student loan repayments due the University and are presented net of an allowance for doubtful accounts of $73,417 for the 2004–2005 fiscal year and $73,675 for the 2003–2004 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, 2005. Fair value is generally based on quoted market price. Investments, exclusive of endowment funds, may be classified as 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, 2005. 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 following table. Capital assets are removed from the records at the time of disposal. Effective July 1, 2004, the University changed its capitalization level from $10,000 to $100,000 for land improvements and infrastructure, and to expense library books if they fall under the $2,500 per item threshold for moveable equipment. Assets with a total cost of $64.0 million and accumulated depreciation of $6.3 million were retired and are reflected as the cumulative effect of a change in accounting policy of $57.7 million. This amount represents assets previously capitalized but not meeting the new capitalization levels.

The University does not capitalize works of art or historical treasures that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain nor encumbered in any means. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

Property Class	Threshold	Useful Life
Moveable Equipment (including fabricated equipment)	$2,500	More than one year
Software	$100,000	5 years
Administrative Systems	$500,000	7 years
Buildings and Related Components	$100,000	10 to 50 years
Land Improvements	$100,000	Varies
Infrastructure	$100,000	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 83 percent or $345.9 million of the "other" category comes 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 and 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 interest — 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 benefits. Expenses are accrued when incurred and measurable. Expenses are reported using natural classifications in the Statement of Revenues, Expenses, and Changes in Net Assets. Functional reporting appears in Note 14. 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. Restricted funds are categorized as restricted until the external stipulations have been satisfied.

Student Fees. Tuition and fees assessed to students are reported net of scholarship allowances. Scholarship allowances represent amounts credited 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 benefits expenses.

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 governmental 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 and when eligibility requirements have been met.

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. For the 2004–2005 fiscal year, revenue from gifts-in-kind of $5,040,183 was recognized. Comparative data for 2003–2004 reflect $18,415,416 in gifts-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.

Purdue Research Foundation Trust Funds. The Purdue Research Foundation (PRF) Trust Funds are various revocable and irrevocable trusts established for the benefit of Purdue University, Purdue Research Foundation, Purdue Alumni Foundation, and affiliates. The Purdue Research Foundation acts as trustee for these trusts. The Internal Revenue Service has determined that the PRF Trust Funds are exempt from federal income tax as defined in Sections 642 and 664 of the Internal Revenue Code.

The University, beginning in 2003–2004, records its interest in PRF Trusts' charitable remainder trusts based on the estimated present value of future cash flows. Future cash flows are estimated using an assumed investment rate of return on the underlying investments that will satisfy the trust requirements and an applicable discount rate at the time of contribution. The University's discrete component units reflect their respective PRF Trust interests on the Statements of Financial Position. The fair value of funds held by PRF Trusts for Purdue University was $30,204,730 for 2004–2005 and $29,491,686 for 2003–2004. Change in fair value from one fiscal year to the next is reflective of changes in the market value of the underlying investments; new trusts being added; and the maturation and liquidation of existing trusts.

Reclassifications/Restatement. $70.5 million of compensation and benefits expenses in 2003–2004 were reclassified as supplies and services to properly reflect the classification in the Statement of Revenues, Expenses, and Changes in Net Assets and in the Statement of Cash Flows. Also for 2003–2004, the Statement of Net Assets reflects the following changes to better reflect the allocation of appreciated endowment investment market value: a $22.9 million increase to unrestricted net assets, a $19.8 million decrease to restricted expendable net assets, and a $3.1 million decrease of funds held in trust and increase of investment income as reflected on the Statement of Revenues, Expenses, and Changes in Net Assets. The 2003–2004 Statement of Cash Flows reclassified $30.5 million of net realized gains from Interest and Dividends, net to Proceeds from the Sales and Maturities of Investments.

NOTE 2 — CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, revolving and change funds, cash in transit, credit card deposits in transit, securities lending cash collateral, and certain investments with original maturities three months or less. 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. As of June 30, 2005, the bank balance of the University's deposits (demand deposit accounts) was $6,540,589.99, of which $127,916.30 was covered by federal depository insurance. The remaining balance was insured by the State of Indiana's 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 approved by the Board of Trustees, outlines parameters for investment activity for the University. As of June 30, 2005, the University had the following investments:

Investment Type	Market Value
U.S. Agencies	$ 167,044,665
Asset Backed Securities	52,729,834
Corporate Bonds	257,296,654
Equity	492,897,501
Mortgage Backed Securities	154,786,369
Private Equity	107,793,147
Real Estate	6,384,237
U.S. Treasuries and Securities	201,891,527
Securities Lending Cash Collateral	215,068,334
Mutual Funds and Cash	238,045,873
Total	**$1,893,938,141**

Investment Policies, Interest Rate, and Credit Risks. The University's cash management investment policy outlines the parameters for cash management 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. Portfolios will be invested in securities that result in a weighted average credit quality rating of at least "AA" or better as recognized by a national rating agency. The portfolio will be positioned to maintain sufficient liquidity to meet the operating needs of the University. Funds not required to meet cash needs will be invested over a longer-term horizon.

Invested bond proceeds follow investment practices in compliance with arbitrage regulations, and generally have maturities of three years or less. These investments are readily available to match expected construction expenditures.

The University's investment policy for endowments outlines the parameters for endowment investments for the University. The Board of Trustees approved this policy on May 9, 2003. For the University's endowment pool, as a partial hedge against prolonged economic contraction, a commitment to intermediate and long-term bonds should be maintained. The Investment Committee has adopted a

target allocation of 20 percent for the Fixed Income fund. Portfolios will be invested in securities that result in a weighted average credit quality rating of at least "AA" or better.

The estimated fair value of investments is based on quoted market prices except for certain investments — primarily private equity partnerships, hedge funds, and similar alternative investments — for which quoted market prices are not available. The estimated fair value of these investments is based on valuations provided by external investment managers within the past fiscal year through June 30. Because alternative investments are not readily marketable, their estimated value may differ from the value that would have been used had a ready market value for such investments existed.

The University had the following fixed income investments and maturities (in thousands):

			(Maturity)		
Sector	**0 To 1 Year**	**1 To 5 Years**	**6 To 10 Years**	**>10 Years**	**Totals**
U.S. Agencies	$ 69,922	$ 83,822	$ 12,204	$ 1,097	$ 167,045
Asset Backed Securities		36,474	6,294	9,961	52,729
Corporate Bonds	15,444	148,180	83,034	10,639	257,297
Mortgage Backed Securities	5,189	19,521	22,068	108,008	154,786
U.S. Treasury and Securities	58,254	112,695	25,434	5,509	201,892
Securities Lending Cash Collateral	215,068				215,068
Mutual Funds and Cash	86,382	109,742	35,313	6,609	238,046
Total	**$450,259**	**$510,434**	**$184,347**	**$141,823**	**$1,286,863**

The distribution of investment securities by credit ratings is summarized below (dollars in thousands). The Federal National Mortgage Association and Federal Home Loan Mortgage Company debt instruments represent $162.7 million (8.6%) and $123.4 million (6.5%), respectively:

AAA	$ 595,068	31.4%
AA	71,419	3.8%
A	72,258	3.8%
BAA	79,518	4.2%
BA	12,106	0.7%
B	2,352	0.1%
CAA	394	0.0%
Unrated	1,060,823	56.0%
Total	**$1,893,938**	**100.0%**

Investment Custodial Credit Risk. Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the University will not be able to recover the value of the investments that are in the possession of an outside party. The University does not have a formal investment policy for custodial credit risk. As of June 30, 2005, with the exception of $107.8 million in private placements and investments in limited partnerships, all investments were held in University accounts at the University's custodial banks.

Foreign Currency Risk. Endowment equity managers may invest in common stocks, preferred stocks or fixed income instruments convertible into common stocks, and American Depository Receipts of foreign corporations. The University's endowment fixed income managers may invest in foreign fixed income securities equivalent in quality to permitted domestic securities, but not to exceed 20 percent of the assets entrusted to the manager. All currency exposures are to be hedged into the U.S. dollar unless otherwise approved by the Investment Committee.

The University did not have direct exposure to foreign currency risk as of June 30, 2005.

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. As of June 30, 2005, the University had securities with a market value of $223,915,850 involved in loans. These loans were supported by collateral of $228,322,005. Of this collateral amount, $215,068,334 was cash and is included in cash and cash equivalents in the Statement of Net Assets, and $13,253,671 was acceptable noncash collateral. The University does not have the ability to pledge or sell the noncash 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. As of June 30, 2005, 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 comingled 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, 2005, income from its participation in this securities-lending program was $5,397,787, and the expense was $5,052,670. Net income to the University from this program was $345,117. 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 2004–2005 fiscal year, the State of Indiana deferred payment of the University's June operating appropriation of $27,992,315, representing 47.2% of total accounts receivable (net).

Accrued liabilities for payments related to construction in progress were $12,294,974 as of June 30, 2005, representing 37.0% of current accounts payable.

NOTE 6 — COMPENSATED ABSENCES

University faculty, administrative, and professional (exempt) employees earn vacation and sick leave on a monthly basis. Clerical and service employees earn vacation and sick leave on a biweekly basis.

Exempt employees may accrue vacation benefits up to a maximum of 44 days. Clerical and service staff may earn vacation of up to 320 hours. For all classes of employees, vacation is payable upon termination.

Exempt staff sick leave is awarded to a maximum of three months at full pay and three months at three-quarter pay each year (and not carried forward to the next year), and any unused sick leave is not payable upon termination. Clerical and service staff may accumulate sick leave hours with no limit. Upon termination and if the employee qualifies as an official retiree, 25 percent of all accrued, unused sick leave up to and including 520 hours are paid, and 100 percent of all accrued, unused sick leave that exceeds 520 hours are paid.

The compensated absences liability is calculated based on the pay rates in effect as of the balance sheet date. For clerical and service staff, the liability is calculated using actual sick leave hours and vacation hours earned as of the balance sheet date. For exempt staff, samples are used to apply an estimate of the vacation liability accrual for all exempt staff as of the balance sheet date.

NOTE 7 — CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, is summarized below (dollars in thousands).

Capital Assets Activity *(Dollars in Thousands)*

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital Assets, Not Being Depreciated:				
Land	$ 21,492	$	$	$ 21,492
Construction in Progress	120,133	113,668	67,861	165,940
Total, Capital Assets, Not Being Depreciated	$ 141,625	$ 113,668	$ 67,861	$ 187,432
Capital Assets, Being Depreciated:				
Land Improvements	55,953	1,476	6,299	51,130
Infrastructure	36,781	10,357	1,932	45,206
Buildings	1,323,321	96,114	1,441	1,417,994
Equipment	443,836	44,732	75,975	412,593
Operating Software	2,192	975		3,167
Administrative Software	12,514			12,514
Total, Capital Assets, Being Depreciated	$1,874,597	$ 153,654	$ 85,647	$1,942,604
Less Accumulated Depreciation:				
Land Improvements	40,202	1,919	5,591	36,530
Infrastructure	7,248	2,442	737	8,953
Buildings	550,562	45,893	900	595,555
Equipment	246,284	30,731	16,830	260,185
Software (Operating and Administrative)	4,063	2,642		6,705
Total Accumulated Depreciation	$ 848,359	$ 83,627	$ 24,058	$ 907,928
Total Capital Assets, Net of Accumulated Depreciation	$1,167,863	$183,695	$129,450	$1,222,108

NOTE 8 — DEBT RELATED TO CAPITAL ASSETS

Notes Payable. Notes outstanding of $5,685,142 as of June 30, 2005 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, 2005 was $860,000. The interest rate as of June 30, 2005 was 2.56%.

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 included both capital and non-capital 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, 2005 was $4,726,592. The interest rate for the notes ranged from 2.63% to 5.04% as of June 30, 2005.

On December 16, 2003, a non-interest-bearing note for forestry woodlands was issued for $164,250. The outstanding balance as of June 30, 2005, was $98,550.

Bonds Payable. Bonds payable as of June 30, 2005 total $424,480,000, consisting of the following issues:

Issue	Issue Date	Interest Rates	Maturity Dates	Outstanding June 30, 2005
Student Facilities System Revenue Bonds:				
Series 2003A	2003	4.0%–5.38%	2004–2028	$91,525,000
Series 2003B	2003	2.0%–5.0%	2005–2029	24,350,000
Series 2004A	2004	Variable	2008–2033	28,100,000
Series 2005A	2005	Variable	2005–2029	24,200,000
Student Fee Bonds:				
Series E	1990	3.0%–3.9%	2004–2007	6,500,000
Series H	1993	2.78%–5.25%	1998–2015	10,600,000
Series K	1995	2.2%–5.63%	1997–2020	16,800,000
Series L	1995	3.0%–5.63%	1997–2020	14,700,000
Series N	1998	3.55%–5.5%	1998–2014	39,635,000
Series O	1998	2.68%–5.63%	2000–2019	28,820,000
Series P	1998	4.0%–5.25%	1999–2017	47,860,000
Series Q	2000	2.63%–6.0%	2002–2022	46,015,000
Series R	2002	3.0%–5.38%	2002–2023	17,025,000
Series S	2004	Variable	2007–2026	13,850,000
Series T	2004	Variable	2008–2027	14,500,000
Total				**$424,480,000**

The Student Fee Bonds are secured by a pledge of student fees, and the Student Facilities System Revenue Bonds are secured by a pledge of any other available income, except student fees and state appropriations. Student fees (net of scholarship allowance) were $417,936,985 for the 2004–2005 fiscal year.

On October 27, 2004, Student Fee Bonds, Series T, were issued in the amount of $14.5 million. This series was issued to finance a portion of the costs of Phase I of the new Computer Science Building. As of June 30, 2005, the balance outstanding was $14.5 million.

On February 23, 2005, Student Facilities System Revenue Bonds, Series 2005A, were issued in the amount of $24.2 million. This series was issued to finance construction and renovation of campus housing and food service facilities on Purdue's West Lafayette campus. As of June 30, 2005, the balance outstanding was $24.2 million.

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

Fiscal Year	Principal	Interest	Total
2006	$ 20,870,000	$ 19,343,452	$ 40,213,452
2007	21,815,000	18,347,048	40,162,048
2008	22,955,000	17,282,853	40,237,853
2009	19,520,000	16,342,241	35,862,241
2010	20,035,000	15,356,035	35,391,035
2011–2015	115,240,000	59,532,391	174,772,391
2016–2020	87,525,000	33,842,429	121,367,429
2021–2025	59,680,000	16,732,657	76,412,657
2026–2030	44,740,000	5,650,030	50,390,030
2031–2033	12,100,000	745,500	12,845,500
	$424,480,000	$203,174,636	$627,654,636
Add Unamortized Premium	5,119,590		5,119,590
Total	**$429,599,590**	**$203,174,636**	**$632,774,226**

Capital Leases. On June 30, 2005, long-term debt included amounts relating to properties with a net book value of $93,339,497 leased from a blended component unit. The outstanding balance on these leases as of June 30, 2005, was $82,130,000. The debt payments on these properties in the 2004–2005 fiscal year totaled $8,173,821, consisting of $3,795,000 principal and $4,378,821 interest.

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

Fiscal Year	Principal	Interest	Total
2006	$ 3,960,000	$ 4,207,407	$ 8,167,407
2007	4,165,000	4,007,352	8,172,352
2008	4,380,000	3,790,029	8,170,029
2009	4,595,000	3,572,954	8,167,954
2010	4,395,000	3,342,429	7,737,429
2011–2015	17,930,000	13,910,230	31,840,230
2016–2020	15,135,000	9,348,581	24,483,581
2021–2025	18,710,000	5,112,750	23,822,750
2026–2027	8,860,000	670,000	9,530,000
Total	**$82,130,000**	**$47,961,732**	**$130,091,732**

NOTE 9 — OTHER DEBT INFORMATION

Long-term Liabilities. Long-term liability activity (expressed in thousands of dollars) for the year ended June 30, 2005, is summarized below:

Long-term Liabilities *(Dollars in Thousands)*

	Restated Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005	Current Portion
Advances from Federal Government	$ 20,543	$ 793	$ 615	$ 20,721	
Bonds Payable, Net	414,909	38,700	24,009	429,600	$21,281
Compensated Absences	35,813	36,264	33,377	38,700	21,686
Deferred Revenue	12,456	139	6,026	6,569	
Funds Held in Trust for Others	6,554	4,763	4,805	6,512	
Leases Payable to Affiliated Foundations	85,925		3,795	82,130	3,960
Notes Payable	7,404		1,719	5,685	1,802
Total	**$583,604**	**$80,659**	**$74,346**	**$589,917**	**$48,729**

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 have been 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, 2005
Building Facilities Fee Bonds	2009	$5,880,000
Dormitory Facilities Revenue Bonds, Series A–L	2008	1,693,000
Student Fee Bonds, Series M	2006	47,525,000

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 by 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. On June 30, 2005, the outstanding amount of these bonds was $5,805,000. 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 expenses for rent under these leases for the year ended June 30, 2005 were $8,633,614 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 average of the ending values for the prior twelve quarters in semiannual distributions. Each distribution includes both income and equity components. Market appreciation of the pool was $361,188,276 as of June 30, 2005. Of this amount, 35.5% 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 it is involved in a number of claims, the University does not anticipate 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.

Construction Projects. As of June 30, 2005, contractual obligations for capital construction projects were $100,808,691.

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, natural resources, and real estate investments over the next several fiscal years. As of June 30, 2005, the University had the following unfunded commitments: $46,156,372 to seventeen Private Equity/Venture Capital managers, $4,475,500 to three private real estate managers, $2,450,000 to one natural resource manager, and $2,977,303 to the Indiana Future Fund. 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
2005–2006	$14,014,794
2006–2007	14,014,794
2007–2008	14,014,794
2008–2009	14,014,793

NOTE 12 — RETIREMENT PLANS

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

All Employees. University employees are participants in various retirement programs, including the Federal Insurance Contributions Act (FICA). For the 2004–2005 fiscal year, the University's cost was $39,522,120 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 2004–2005 fiscal year, the University made contributions totaling $55,355,440 to this plan. For the fiscal year ended June 30, 2005, there were 5,715 employees participating in TIAA with annual pay equal to $376,347,750.

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 2004–2005 fiscal year, the University made contributions totaling $8,790,288 to this plan. For the fiscal year ended June 30, 2005, there were 5,024 employees participating in PERF with annual pay equal to $128,869,359.

The required employer's contribution was determined as part of the July 1, 2004 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 33 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 W. 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, 2005, there were 101 employees participating in Police/Fire with annual pay equal to $4,538,032.

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 S. Grant Street, West Lafayette, IN 47907-2024.

The pension benefit obligation was computed as part of an actuarial valuation performed as of July 1, 2004. 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, 2004, of $2.6 million, which is being amortized over a 30-year period. The required contribution to the plan for the 2004–2005 fiscal year was $916,749, consisting of $598,460 normal cost, $258,314 amortization of the unfunded liability, and $59,975 of interest. Of the required amount, $125,741 represents employee contributions, and $791,008 represents the University's contribution. The actual amount contributed by the University was $818,246. The required contribution was determined as part of the July 1, 2004 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 of Dollars)*

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†	2002	134,304	138,342	4,038	97.1%	109,160	3.7%	5,544	111.9%	(4,048)
	2003	142,790	127,758	(15,032)	111.8%	109,468	-13.7%	5,934	108.4%	(4,549)
	2004	UNDER	REVIEW		UNDER	REVIEW		UNDER	REVIEW	
Police/Fire	2002	12,175	15,674	3,499	77.7%	3,867	90.5%	868	107.1%	(54)
	2003	13,384	16,730	3,346	80.0%	4,298	77.8%	912	100.0%	0
	2004	15,007	17,618	2,611	85.2%	4,538	57.5%	917	103.4%	(27)

**Data for 2005 not available from actuaries.*
†University portion only.

Cooperative Extension Service. As of June 30, 2005, there were 66 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 is $250,000 per occurrence. There is $1 million retention per occurrence or wrongful act for general, automobile, and professional and educators' legal liability coverages. The University retains the entire risk for medical benefits. The maximum liability to the University for job-related illnesses or injuries is $250,000 per incident, with a maximum annual aggregate liability of $7.0 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, 2005 is based on actuarial estimates. The income benefit liability for employees disabled before January 1, 2004, was transferred to an insurance carrier, and all future disabled income benefit liability is now fully insured. Changes in the balances of claims liabilities during the 2004–2005 and 2003–2004 fiscal years were as follows:

	Year Ended June 30, 2005	Year Ended June 30, 2004
Beginning Liability	$14,914,193	$23,782,576
Claims Incurred	57,357,438	58,860,507
Claims Payments	(59,202,942)	(67,728,890)
Ending Liability	**$13,068,689**	**$14,914,193**

HOVDE HALL OF ADMINISTRATION

NOTE 14 — OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification (expressed in thousands of dollars) for the fiscal years ended June 30, 2005 and June 30, 2004 are summarized as follows:

Operating Expenses by Function for the Year Ended June 30, 2005

	Compensation and Benefits	Supplies and Services	Depreciation	Scholarships, Fellowships, and Student Awards	Total
Instruction and Departmental Research	$409,129	$ 64,862			$ 473,991
Organized Activities Related to Instruction and Research	7,550	9,363			16,913
Sponsored Research	102,783	50,032			152,815
Other Separately Budgeted Research	34,958	5,511			40,469
Extension and Public Service	66,202	27,462			93,664
Academic Support	15,804	16,593			32,397
Student Services	27,714	6,830			34,544
Physical Plant Operations and Maintenance	56,577	37,566			94,143
General Administration	58,883	22,926			81,809
General Institutional Services	27,209	8,897			36,106
Student Aid	1,399	1,495		$29,262	32,156
Auxiliary Enterprises	79,371	86,680			166,051
Depreciation			$83,627		83,627
Total	**$887,579**	**$338,217**	**$83,627**	**$29,262**	**$1,338,685**

Operating Expenses by Function for the Year Ended June 30, 2004 (Restated)

	Compensation and Benefits	Supplies and Services	Depreciation	Scholarships, Fellowships, and Student Awards	Total
Instruction and Departmental Research	$385,569	$ 61,734			$ 447,303
Organized Activities Related to Instruction and Research	7,278	8,388			15,666
Sponsored Research	98,271	41,138			139,409
Other Separately Budgeted Research	33,170	5,605			38,775
Extension and Public Service	64,104	25,758			89,862
Academic Support	15,366	14,283			29,649
Student Services	26,153	7,020			33,173
Physical Plant Operations and Maintenance	48,435	32,001			80,436
General Administration	57,205	26,980			84,185
General Institutional Services	22,531	7,773			30,304
Student Aid	1,562	19		$29,150	30,731
Auxiliary Enterprises	77,584	80,481			158,065
Depreciation			$75,301		75,301
Total	**$837,228**	**$311,180**	**$75,301**	**$29,150**	**$1,252,859**

NOTE 15 — SUBSEQUENT EVENTS

On July 20, 2005, the University issued Student Fee Bonds, Series U, in the amount of $35,200,000, with a fixed rate of interest. This series was issued as a partial refunding of the Series Q bonds.

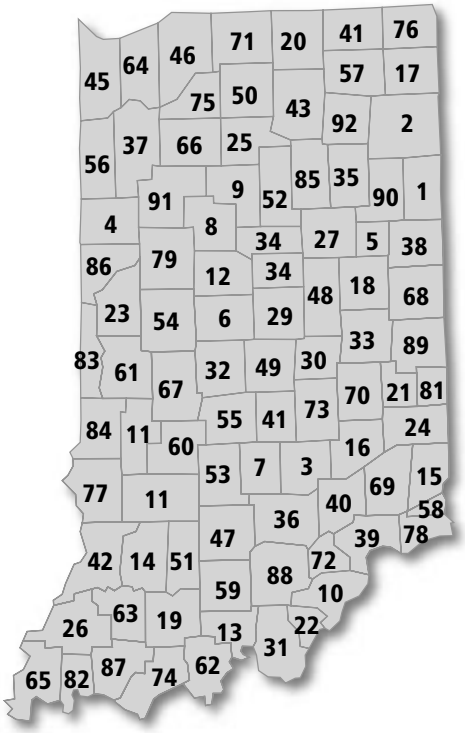
On September 23, 2005, the Purdue University Board of Trustees as beneficiary of the Purdue Alumni Foundation (PAF) consented to the dissolution of PAF with the distribution of its managed funds, subject to all liabilities and applicable restrictions, to the Purdue Research Foundation (PRF), and the balance of all other funds (unrestricted funds) to the Purdue Alumni Association, Inc. On September 29, 2005, the PRF Board of Directors accepted the managed fund assets of PAF upon dissolution. The dissolution is expected to be completed by January 1, 2006.

On October 12, 2005, the University issued Student Fee Bonds, Series V, in the amount of $60,415,000, with a variable rate of interest. This series will be issued to assist in the financing of the Armstrong Hall of Engineering on the West Lafayette campus and the Music Building on the Fort Wayne campus.

IN-STATE ENROLLMENT (UNAUDITED)

Total In-State Enrollment by County, Fall 2004–2005 Academic Year

The overall (in-state and out-of-state) enrollment at Purdue University was 64,582 students for the 2004–2005 fall semester. The breakdown was: West Lafayette, 38,653; Calumet, 9,222; Fort Wayne, 11,810; North Central, 3,441; and Statewide Technology, 1,456. (The enrollment figures do not include 4,164 Purdue University students at Indiana University-Purdue University Indianapolis.) Although students came to Purdue from all over the world, 73% system-wide came from within Indiana.



	County	West Lafayette	Regional Campuses	Statewide Technology Sites	Total
1	Adams	98	406		504
2	Allen	1,101	7,311	5	8,417
3	Bartholomew	269	4	130	403
4	Benton	148	3	8	159
5	Blackford	26	10		36
6	Boone	370	3	1	374
7	Brown	11		6	17
8	Carroll	179	2	9	190
9	Cass	186	19	40	245
10	Clark	149	1	36	186
11	Clay	60	2	1	63
12	Clinton	245	6	17	268
13	Crawford	15			15
14	Daviess	50	1		51
15	De Kalb	99	530	1	630
16	Dearborn	184		5	189
17	Decatur	134	1	43	178
18	Delaware	168	22	20	210
19	Dubois	164	1	2	167
20	Elkhart	519	61	51	631
21	Fayette	51	2	26	79
22	Floyd	174	1	37	212
23	Fountain	126	2	1	129
24	Franklin	68		7	75
25	Fulton	86	29	5	120
26	Gibson	87			87
27	Grant	158	54	19	231
28	Greene	47		1	48
29	Hamilton	1,264	12	25	1,301
30	Hancock	278		6	284
31	Harrison	58		12	70
32	Hendricks	525	2	9	536
33	Henry	107	2	17	126
34	Howard	404	7	129	540
35	Huntington	121	435	1	557
36	Jackson	98		36	134
37	Jasper	243	166	1	410
38	Jay	25	13	3	41
39	Jefferson	71		10	81
40	Jennings	43		27	70
41	Johnson	318		13	331
42	Knox	103	2		105
43	Kosciusko	282	450	7	739
44	La Grange	70	105	1	176
45	Lake	2,129	7,631	3	9,763
46	La Porte	416	1,592	5	2,013
47	Lawrence	87		1	88
48	Madison	291	4	89	384
49	Marion	1,938	20	50	2,008
50	Marshall	176	31	14	221
51	Martin	14			14
52	Miami	132	19	39	190
53	Monroe	188	6	2	196
54	Montgomery	204	4	12	220
55	Morgan	165	3	2	170
56	Newton	84	29		113
57	Noble	101	453	1	555
58	Ohio	15			15
59	Orange	54		2	56
60	Owen	18			18
61	Parke	29		2	31
62	Perry	31		1	32
63	Pike	24			24
64	Porter	875	2,093	2	2,970
65	Posey	85	1		86
66	Pulaski	113	26	2	141
67	Putnam	104	1	2	107
68	Randolph	42	5	9	56
69	Ripley	90	3	27	120
70	Rush	59		5	64
71	St. Joseph	987	98	129	1,214
72	Scott	26		5	31
73	Shelby	136	1	8	145
74	Spencer	77	2		79
75	Starke	89	140	3	232
76	Steuben	93	260		353
77	Sullivan	23			23
78	Switzerland	22		1	23
79	Tippecanoe	3,184	33	72	3,289
80	Tipton	103		12	115
81	Union	11		2	13
82	Vanderburgh	352	2	1	355
83	Vermillion	45			45
84	Vigo	194	1		195
85	Wabash	106	183	2	291
86	Warren	60		1	61
87	Warrick	194	2		196
88	Washington	31	2	14	47
89	Wayne	167	4	73	244
90	Wells	84	344	1	429
91	White	286	5	7	298
92	Whitley	82	493		575
	Total	**22,798**	**23,156**	**1,369**	**47,323**

ACKNOWLEDGEMENTS:

The following staff members of the Department of Accounting Services, Office of the Comptroller, prepared the 2004–2005 Financial Report and the included financial statements.

JAMES S. ALMOND — *Vice President for Business Services and Assistant Treasurer*

JOHN R. SHIPLEY — *University Comptroller*

KELLEY M. BUTLER — *Unrestricted/Restricted Funds Accountant*

CHARLIE J. KLUMPP — *Unrestricted Funds Accountant*

SUSAN D. KOTTERMAN — *Gift Funds Accountant*

BROCK E. MARTIN — *Plant and Auxiliary Funds Accountant*

ANTONIO L. C. MARZOLI — *Property Accounting Administrator*

MARKO C. PETROVIC — *Accounting Systems and Research Analyst*

NEIL A. SMITH — *System and Reconciliation Administrator*

KATHERINE L. VANDERWALL — *Endowment and Investment Accountant*

MATTHEW D. WESTHUIS — *Data Analyst*

KENNETH J. WILSON — *Assistant Comptroller*

FINANCIAL REPORT 2005

It's Happening Here!

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APPENDIX C

FORM OF APPROVING OPINION
OF BOND COUNSEL

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July 6, 2006

The Trustees of Purdue University
West Lafayette, Indiana

J.P. Morgan Trust Company,
National Association, as Trustee
Indianapolis, Indiana

Merrill Lynch, Pierce, Fenner
& Smith Incorporated
New York, New York

Re: The Trustees of Purdue University Student Fee Bonds, Series W (the "Bonds") issued by The Trustees of Purdue University (the "Corporation") pursuant to an Amended and Restated Trust Indenture dated as of July 1, 1985, as heretofore supplemented and amended, and as further supplemented by a Twenty-Third Supplemental Indenture dated as of July 1, 2006 (collectively, the "Indenture") to J.P. Morgan Trust Company, National Association (as successor to NBD Bank, N.A.), Indianapolis, Indiana, as trustee (the "Trustee"); Principal amount $41,600,000

Ladies and Gentlemen:

We have examined a transcript of the proceedings had by the Corporation relative to the authorization, issuance and sale of the Bonds to provide funds for the financing of the Project (as defined in the Indenture), as certified by the Secretary or Assistant Secretary of the Corporation, and the Indenture as executed and delivered for the purpose of securing the payment of the Bonds and the interest thereon.

We have relied upon a certified transcript of proceedings and other certificates and representations of the Corporation, including the tax covenants and representations (the "Tax Covenants"), and have not undertaken to verify any facts by independent investigation.

Based on the foregoing and our review of such other information, papers and documents as we believe necessary or advisable, we are of the opinion that:

(1) The Indenture has been duly authorized, executed and delivered by the Corporation and, assuming due authorization, execution and delivery thereof by the Trustee, is a valid and binding agreement of the Corporation, enforceable in accordance with its terms.

(2) The Bonds have been duly authorized, executed and issued and are the valid and binding obligations of the Corporation, enforceable in accordance with their terms.

(3) Under existing laws, judicial decisions, regulations and rulings, the interest on the Bonds is exempt from income taxation in the State of Indiana. This opinion relates only to the exemption of interest on the Bonds from state income taxes.

(4) Under existing laws, regulations, rulings and judicial decisions, the interest on the Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). This opinion relates only to the exclusion from gross income of interest on the Bonds for federal income tax purposes under Section 103 of the Code and is conditioned on continuing compliance by the Corporation with the Tax Covenants. Failure to comply with the Tax Covenants could cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue.

It is to be understood that the rights of the owners of the Bonds, the Corporation and the Trustee and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore and hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity. It is also to be understood that the rights of the owners of the Bonds, the Corporation and the Trustee and the enforceability of the Bonds and the Indenture may be subject to the valid exercise of the constitutional powers of the State of Indiana and the United States of America.

Very truly yours,

APPENDIX D

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

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SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

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 a Sixteenth Supplement to Continuing Disclosure Undertaking Agreement, dated as of July 1, 2006 (collectively, the "Undertaking"), with J.P. Morgan Trust Company, National Association (as successor to NBD Bank, N.A.), as Counterparty. Pursuant to the terms of the Undertaking, the Corporation will agree to provide the following information while any of the Series W Bonds are Outstanding:

- Audited Financial Statements. 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, 2006, together with the auditor's report and all notes thereto; and

- Financial Information in this Official Statement. 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, 2006, 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") (along with other information specified in official statements for Student Facilities System Revenue Bonds); provided, however, that the updating information may be provided in such format as the Corporation deems appropriate:

ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS
(Estimated Total Debt Service Column Only)

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

- Event Notices. 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 W Bonds;
- modifications to the rights of owners of the Series W Bonds;
- Series W Bond calls;
- defeasances;
- release, substitution or sale of property securing repayment of the Series W 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 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 W 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 W 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 W 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 W 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 W 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 W 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 W 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 W 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 W 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 the requisite percentage of Outstanding Series W Bonds as required under Section 13.01 of 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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