NEW ISSUE
BOOK-ENTRY ONLY

RATINGS:
Moody's: Aaa
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 AA Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. Such exclusion is conditioned on continuing compliance by the Corporation 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 AA Bonds is exempt from income taxation in the State of Indiana. See "TAX MATTERS," "ORIGINAL ISSUE DISCOUNT," "BOND PREMIUM" and APPENDIX C herein.

PURDUE UNIVERSITY

$54,555,000
THE TRUSTEES OF PURDUE UNIVERSITY
Purdue University Student Fee Bonds, Series AA

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 AA, dated as of the date of delivery (the "Series AA Bonds"), in the original aggregate principal amount of $54,555,000. The Series AA Bonds are being issued pursuant to resolutions adopted and actions authorized by the Board of Trustees 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-Eighth Supplemental Indenture dated as of August 1, 2012 (the "Twenty-Eighth Supplemental Indenture" and, collectively with the Amended and Restated Indenture, the "Indenture"), by and between the Corporation and The Bank of New York Mellon Trust Company, N.A. (as successor to NBD Bank, N.A.), Indianapolis, Indiana, as trustee (the "Trustee"), for the purpose of financing the costs of certain projects. See "PLAN OF FINANCE."

Interest on the Series AA Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2013, 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 AA Bonds are issuable only as fully registered bonds, and will be issued in denominations of $5,000 or any integral multiple thereof. The Series AA 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 AA Bonds will be made in book-entry only form, and purchasers of a beneficial interest in the Series AA Bonds will not receive physical delivery of the certificates representing their interests in the Series AA Bonds. The principal and interest on the Series AA Bonds will be paid to DTC or its nominee as the registered owner of the Series AA Bonds. Disbursement of such payments to owners of beneficial interests in the Series AA Bonds will be the responsibility of DTC and its participants and indirect participants. See "DESCRIPTION OF SERIES AA BONDS--Book-Entry-Only System."

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

The Series AA 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 AA 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 AA Bonds against the State of Indiana or 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 certain funds under the Indenture for payment of the Series AA Bonds. The Corporation has no taxing power. See "SECURITY AND SOURCES OF PAYMENT FOR STUDENT FEE BONDS."

See the inside cover page for maturities, principal amounts, interest rates, yields and CUSIP* numbers

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series AA 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 LLP, Lafayette, Indiana, and for the Underwriters by Barnes & Thornburg LLP, Indianapolis, Indiana. John S. Vincent & Company LLC is serving as financial advisor to the Corporation. It is anticipated that the Series AA Bonds will be available for delivery to DTC in New York, New York, on or about August 9, 2012.

MORGAN STANLEY

Loop Capital Markets **Cabrera Capital Markets, LLC**

Official Statement dated: August 1, 2012

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIP[1] NUMBERS

$54,555,000
The Trustees of Purdue University
Purdue University Student Fee Bonds, Series AA

Due July 1	Principal Amount	Interest Rate	Yield	CUSIP
2013	$1,745,000	1.250%	0.215%	746189SD2
2014	1,785,000	4.000	0.370	746189SE0
2015	1,865,000	4.000	0.480	746189SF7
2016	1,940,000	4.000	0.600	746189SG5
2017	2,015,000	4.000	0.770	746189SH3
2018	2,110,000	5.000	1.030	746189SJ9
2019	2,215,000	5.000	1.320	746189SK6
2020	2,320,000	4.000	1.540	746189SL4
2021	2,425,000	5.000	1.730	746189SM2
2022	2,550,000	5.000	1.910	746189SN0
2023	2,680,000	5.000	2.040*	746189SP5
2024	2,820,000	5.000	2.170*	746189SQ3
2025	2,965,000	5.000	2.280*	746189SR1
2026	3,115,000	5.000	2.370*	746189SS9
2027	3,270,000	5.000	2.440*	746189ST7
2028	480,000	3.000	3.100	746189SU4
2028	2,955,000	5.000	2.510*	746189SZ3
2029	3,590,000	4.000	2.860*	746189SV2
2030	3,755,000	5.000	2.650*	746189SW0
2031	3,910,000	3.250	3.350	746189SX8
2032	4,045,000	3.250	3.400	746189SY6

* Yield calculated to the first optional call date of July 1, 2022.

* Term expires June 30, 2013.

** Dr. Sands will serve as Interim President and Dr. Lechtenberg as Interim Executive Vice President for Academic Affairs and Provost until January 2013. See “Presidential Appointment”.

*** Dr. Carwein will take office September 2012. Until then, Walter Branson, Vice Chancellor, IPFW, will serve as Interim Chancellor.

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 AA 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 AA 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 AA 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 AA 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, masters and doctorate degrees are awarded in each school. Purdue University's 2012 Spring semester headcount enrollment for all campuses exceeded 67,000, excluding the Indianapolis campus. An additional 4,900 Purdue students attend the Indiana University-Purdue University campus in Indianapolis. See Appendix A.

PURPOSES OF ISSUE. The Corporation's Purdue University Student Fee Bonds, Series AA (the "Series AA Bonds"), are being issued (i) to finance the costs of certain capital projects on the West Lafayette campus of Purdue University, as hereinafter described (the "Projects"), (ii) to refund certain temporary short-term TECP (as hereinafter defined) which was issued to finance a portion of the costs of the Projects, and (iii) to pay certain costs of issuing the Series AA Bonds. See "PLAN OF FINANCE."

SECURITY. The Series AA Bonds, together with the Purdue University Student Fee Bonds, Series N, Series P, Series U, Series W, Series X, Series Y, Series Z-1 and Series Z-2, 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 AA Bonds, the Corporation has no intention to enter into any Qualified Swap Agreement. The Series AA 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 AA Bonds against the State of Indiana or 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 AA 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 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 AA 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 AA Bonds. Purchases of the Series AA Bonds by investors will be made in book-entry form only and individual purchasers will not receive physical delivery of Series AA Bond certificates. See "DESCRIPTION OF SERIES AA BONDS -- Book-Entry-Only System."

DEBT SERVICE COVERAGE. The following debt service coverage summary is based on Student Fees for the Fiscal Years ended June 30, 2011 and June 30, 2010, and the Annual Debt Service Requirements on all Outstanding Bonds, including the Series AA Bonds.

	(in thousands)	
	2011	2010
Student Fees	$659,832	$615,423
Coverage*	12.6 x	11.7 x

* Maximum Annual Debt Service (FY 2014) ($52,417,319).

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. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE -- Covenants of the Corporation."

RESERVE FUND. No reserve fund exists for the Series AA 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 AA 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. See "SECURITY AND SOURCES OF PAYMENT FOR THE STUDENT FEE BONDS -- Issuance of Additional Bonds."

CONTINUING DISCLOSURE. Pursuant to the continuing disclosure requirements promulgated by the Securities and Exchange Commission in SEC Rule 15c2-12, as amended (the "Rule"), the Corporation has executed and delivered an Amended and Restated Continuing Disclosure Undertaking Agreement dated as of November 1, 2010, as heretofore supplemented, to be further supplemented by a Fourth Supplement to Continuing Disclosure Undertaking Agreement to be dated as of August 1, 2012 (as supplemented, the "Restated Undertaking"), pursuant to which the Corporation will agree to provide (i) on an annual basis to the Municipal Securities Rulemaking Board ("MSRB") certain annual financial and operating information, and (ii) notice to the MSRB upon the occurrence of certain events more fully described herein. See "APPENDIX D: SUMMARY OF AMENDED AND RESTATED CONTINUING DISCLOSURE UNDERTAKING AGREEMENT." The Corporation is in compliance with undertakings previously entered into by it pursuant to the Rule.

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OFFICIAL STATEMENT

$54,555,000
The Trustees of Purdue University
Purdue University Student Fee Bonds, Series AA

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 $54,555,000 aggregate principal amount of its Purdue University Student Fee Bonds, Series AA (the "Series AA Bonds").

The Series AA Bonds are being issued under Indiana Code 21-34-6 through 10, as amended (the "Act"), and pursuant to resolutions adopted by and actions authorized by the Board of Trustees of the Corporation, 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 The Bank of New York Mellon Trust Company, N.A. (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-Eighth Supplemental Indenture dated as of August 1, 2012, by and between the Corporation and the Trustee (the "Twenty-Eighth Supplemental Indenture"; the Amended and Restated Indenture, as supplemented by the Twenty-Eighth Supplemental Indenture, are 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 AA 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 AA 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 AA 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 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. The Corporation has not entered into any Qualified Swap Agreements and has no present intention to enter into any Qualified Swap Agreements. The Series AA 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 AA Bonds against the State of Indiana or 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 certain funds under the Indenture for payment of the Series AA Bonds. The Corporation has no taxing power.

Under the Indenture, the Corporation has issued and has outstanding as of July 15, 2012, $407,305,000 in cumulative aggregate principal amount of its (i) Purdue University Student Fee Bonds, Series N (the "Series N Bonds"); (ii) Purdue University Student Fee Bonds, Series P (the

"Series P Bonds"); (iii) Purdue University Student Fee Bonds, Series U (the "Series U Bonds"); (iv) Purdue University Student Fee Bonds, Series W (the "Series W Bonds"); (v) Purdue University Student Fee Bonds, Series X (the "Series X Bonds"); (vi) Purdue University Student Fee Bonds, Series Y (the "Series Y Bonds"); (vii) Tax-Exempt Purdue University Student Fee Bonds, Series Z-1 (the "Series Z-1 Bonds"); and (viii) Taxable Purdue University Student Fee Bonds, Series Z-2 (Build America Bonds – Direct Pay Option) (the "Series Z-2 Bonds") (the Bonds referred to in clauses (i) through (viii) 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 AA 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 AA Bonds, together with 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 AA 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 AA Bonds are subject to redemption prior to maturity, as described herein. See "DESCRIPTION OF SERIES AA BONDS -- Redemption".

The Corporation has entered into a Fourth Supplement to the Restated Undertaking for the benefit of the beneficial owners of the Series AA Bonds, obligating itself to provide certain continuing disclosure as described in detail in "APPENDIX D: SUMMARY OF AMENDED AND RESTATED 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 AA BONDS

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

DESCRIPTION OF SERIES AA BONDS

General

The Series AA Bonds will be issued in the principal amount of $54,555,000 and will be dated and bear interest from the date of issuance. The Series AA Bonds will bear interest (payable January 1 and July 1 of each year, with the first interest payment being January 1, 2013 (each, an "Interest Payment Date")) at the rates and will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Series AA Bonds will be computed on the basis of a 360-day year, consisting of twelve 30-day months.

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

The Series AA Bonds will be registered on the books of the Corporation kept for that purpose (the "Bond Register") at the principal corporate trust operations office of the Trustee as Bond Registrar. The principal of the Series AA Bonds is payable upon presentation and surrender thereof at the principal operations office of the Trustee. Interest on the Series AA Bonds is payable on each Interest Payment Date by check mailed on the first Business Day prior to such Interest Payment Date, 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 such Interest Payment Date (each, a "Record Date"), or by wire transfer on the Interest Payment Date to any Registered Owner of $1,000,000 or more in aggregate principal amount who requests the same in writing to the Trustee at least two Business Days prior to such Interest Payment Date.

If payment of any principal of or interest on any Series AA Bond is due on any date which is not a Business Day, such payment may be made on the next Business Day with the same effect as if made on such date.

Redemption

Optional Redemption. The Series AA Bonds maturing on or after July 1, 2023, are subject to redemption prior to maturity at the option of the Corporation at any time on or after July 1, 2022, in whole or in part, in any order of maturity designated by the Corporation (less than all of the Series AA Bonds of a single 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 AA Bond to be redeemed, plus accrued interest to the date of redemption.

Selection of Bonds to be Redeemed. For so long as the Series AA Bonds are registered to DTC or its nominee, if less than all of the Series AA 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 AA 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 AA Bonds to be redeemed, the Series AA Bonds or portions of Series AA Bonds of such maturity to be redeemed. If the owner of any such Series AA Bond of a denomination greater than $5,000 fails to present such Series AA Bond to the Trustee for payment and exchange, such Series AA 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 AA 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 or any integral multiple thereof. Upon surrender of any Series AA 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 AA Bond or Series AA Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Series AA Bond surrendered.

Notice of Redemption. Notice of redemption of the Series AA 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 AA Bond to be redeemed (such Bondholder being DTC or its nominee for so long as the Series AA 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 AA Bond will not affect the validity of any proceedings for the redemption of other Series AA 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 AA 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 AA Bonds are held in book-entry-only form, the Trustee will mail notices of redemption of Series AA 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."

Release Concerning Redeemed Series AA Bonds. If the amount necessary to redeem any Series AA 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 AA Bonds, and such Series AA Bonds will no longer be deemed to be outstanding under the Indenture. Thereafter, such Series AA 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 (a) deliver to the Trustee Series AA Bonds purchased with available moneys of the Corporation and (b) instruct the Trustee to apply the principal amount of such Series AA Bonds so delivered for credit at 100% of the principal amount thereof against the principal amount of Series AA 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 of the Series AA Bonds. The Series AA 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 AA Bond certificate will be issued for the Series AA Bonds (designating each maturity thereof and the interest rate for each maturity or within a 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 3.5 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Series AA 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 AA 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 AA Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series AA 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 AA Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series AA Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series AA Bond documents. For example, Beneficial Owners of the Series AA Bonds may wish to ascertain that the nominee holding the Series AA Bond for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series AA 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 issue to be redeemed.

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

Redemption proceeds, distributions, and other payments on the Series AA Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Trustee, on the 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, the Corporation or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and other payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of' DTC) is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Disclaimer

THE INFORMATION PROVIDED ABOVE UNDER "BOOK-ENTRY-ONLY SYSTEM" HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE CORPORATION, THE TRUSTEE OR THE UNDERWRITERS AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

The Corporation and the Trustee will have no responsibility or obligation with respect to:

(i) the accuracy of the records of DTC, its nominee or any Direct Participant or Indirect Participant with respect to any beneficial ownership interest in any Series AA Bonds;

(ii) the delivery to any Direct Participant or Indirect Participant or any other person, other than an owner, as shown in the bond register, of any notice with respect to any Series AA Bond including, without limitation, any notice of redemption;

(iii) the payment to any Direct Participant or Indirect Participant or any other person, other than an owner, as shown in the bond register, of any amount with respect to the principal of or premium, if any, or interest on any Series AA Bond; or

(iv) any consent given by DTC or its nominee as registered owner.

Prior to any discontinuation of the book-entry only system described under this caption, the Corporation and the Trustee may treat DTC as, and deem DTC to be, the absolute owner of the Series AA Bonds for all purposes whatsoever, including, without limitation:

(i) the payment of the principal of and premium, if any, and interest on the Series AA Bonds;

(ii) giving notices of redemption and other matters with respect to the Series AA Bonds;

(iii) registering transfers with respect to the Series AA Bonds; and

(iv) the selection of Series AA Bonds for redemption.

Payment of Principal and Interest on Series AA Bonds

For so long as the Series AA 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 AA Bonds are no longer registered under a book-entry-only system, the Series AA 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 AA Bonds shall be made as described above under "General."

Interest Account. The Trustee shall establish and maintain, so long as any Series AA Bonds are outstanding, a separate account within the Sinking Fund created by the Indenture known as the Series AA Interest Account. The Trustee will allocate from amounts in the Sinking Fund to the Series AA Interest Account amounts which are sufficient to pay interest on the Outstanding Series AA Bonds as such becomes due. On or before the first day of each January and July (or, if such first day is not a Business Day, then on the first Business Day after such day), the Trustee will deposit in the Series AA Interest Account moneys received from the Corporation in an amount equal to the difference, if any, between (a) the interest due on the Series AA Bonds on such Interest Payment Date and (b) the amount of money on deposit in the Series AA Interest Account available to pay such interest. Moneys on deposit in the Series AA Interest Account shall be used by the Trustee to pay interest on the Series AA Bonds on regularly scheduled Interest Payment Dates.

Principal Account. The Trustee shall establish and maintain, so long as any Series AA Bonds are outstanding, a separate account within the Sinking Fund to be known as the Series AA Principal Account. All payments made by the Corporation in respect to principal of the Series AA Bonds shall be deposited as and when received by the Trustee in the Series AA Principal Account. On or before the first day of each July (or, if such first day is not a Business Day, then on the first Business Day after such day), commencing July 1, 2013, the Trustee will deposit in the Series AA Principal Account moneys received from the Corporation in an amount equal to the difference, if any, between (a) the principal amount of Series AA Bonds maturing on such July 1 and (b) the amount of money then on deposit in the Series AA Principal Account available to pay the principal of the Series AA Bonds. Moneys on deposit in the Series AA Principal Account shall be used by the Trustee to pay the principal of the Series AA Bonds when due.

No Recourse. No recourse shall be had for the payment of the principal of or interest on any of the Series AA 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 AA Bonds

For so long as the Series AA 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 AA Bonds."

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

The Trustee serves as the Bond Registrar for the Series AA 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 AA Bonds or (ii) the Corporation elects to discontinue its use of DTC as a securities depository for the Series AA 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 AA Bonds, as are necessary or appropriate to discontinue use of DTC as a securities depository for the Series AA Bonds and to transfer the ownership of each of the Series AA Bonds to such person or persons, including any other securities depository, as the Owner of such Series AA Bonds may direct in accordance with the Indenture. Upon the occurrence of either event, if ownership of the Series AA Bonds is transferred to the Owners, the Trustee will execute and deliver to the Owners of the Series AA Bonds, fully registered replacement Series AA Bonds ("Replacement Series AA 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 AA Bonds, will be paid by the Corporation.

The principal of the Replacement Series AA Bonds will be payable at the corporate trust operations office of the Trustee and interest on the Replacement Series AA Bonds will be paid 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 AA Bonds" above.

Upon surrender for transfer or exchange of any of the Series AA Bonds at the corporate trust operations 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 AA Bond or Series AA Bonds of the same maturity of authorized denominations for a like aggregate principal amount. Any Series AA Bond or Series AA Bonds may be exchanged at said office of the Bond Registrar for a like aggregate principal amount of any Series AA Bond or Series AA Bonds of the same maturity of other authorized denominations. The Trustee will not be required to transfer or exchange any Series AA Bond after notice calling such Series AA Bond or portion thereof for redemption has been mailed or during the period of 15 days prior to the mailing of a notice of redemption of any Series AA Bond of the same maturity. No service charge or payment shall be required to be made by the Owner of any Series AA Bond requesting an exchange, registration or transfer of any Series AA 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 AA 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 AA 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 or interest on the Series AA 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 AA 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 Purdue 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 AA 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 AA Bonds. The pledge of Student Fees for the Series AA Bonds and any other obligations issued on a parity with the Series AA 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 AA Bonds (or any other Student Fee Bonds which are Outstanding). Accordingly, the Series AA 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.

Additional 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, Additional 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 AA 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 Student Fees:

Obligation	Delivery Date	Final Maturity	Original Amount Issued	Amount Outstanding as of July 15, 2012
Series N Bonds	January 27, 1998	July 1, 2014	$72,590,000	$4,510,000
Series P Bonds	December 2, 1998	July 1, 2017	64,255,000	20,295,000
Series U Bonds	July 20, 2005	July 1, 2022	35,200,000	29,945,000
Series W Bonds	July 6, 2006	July 1, 2026	41,600,000	33,265,000
Series X Bonds	April 9, 2009	July 1, 2028	106,925,000	93,530,000
Series Y Bonds	March 17, 2010	July 1, 2027	74,130,000	64,590,000
Series Z-1 Bonds	November 23, 2010	July 1, 2024	68,320,000	60,465,000
Series Z-2 Bonds	November 23, 2010	July 1, 2035	100,705,000	100,705,000

The Act provides general authorization for the incurrence of indebtedness by the Corporation, for miscellaneous purposes, subject to approvals from the General Assembly (unless, after the issuance thereof, the total amount of outstanding bonds issued by the Corporation without General Assembly approval will not exceed $2,000,000), the Governor, the State Budget Committee and State Budget Agency. As of July 15, 2012, 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, subject to any necessary approvals from the Governor, 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 tax-exempt commercial program ("TECP") which it uses to finance, on an interim basis, among other things, the costs of various projects which may be financed on a permanent basis with Student Fee Bonds (or auxiliary revenue bonds). A portion of the costs of the Projects has been financed with TECP and will be refunded with a portion of the Series AA Bonds on August 9, 2012. As of July 15, 2012, the Corporation has $22,867,000 of TECP outstanding in Series 2010-1. See "Outstanding Indebtedness" in APPENDIX A and "ESTIMATED SOURCES AND USES OF FUNDS".

DEBT SERVICE COVERAGE

The following debt service coverage summary is based on Student Fees for the Fiscal Years ended June 30, 2011 and June 30, 2010, and the Annual Debt Service Requirements on all Outstanding Student Fee Bonds, including the Series AA Bonds.

	(in thousands)	
	2011	2010
Student Fees	$659,832	$615,423
Coverage*	12.6 x	11.7 x

* Maximum Annual Debt Service (FY 2014) ($52,417,319).

ANNUAL DEBT SERVICE REQUIREMENTS

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

Fiscal Year Ending June 30	Series N Bonds	Series P Bonds	Series R Bonds	Series U Bonds	Series W Bonds	Series X Bonds	Series Y Bonds	Series Z-1 Bonds	Series Z-2 Bonds*	Series AA Bonds	Total
2013	$4,080,625	$5,262,850	$799,500	$3,923,343	$3,307,030	$8,648,288	$6,121,175	$9,108,800	$4,409,812	$938,127	$46,599,549
2014	4,147,775	5,257,481		3,952,718	3,308,430	8,647,288	6,119,075	11,770,925	5,101,184	4,112,444	52,417,319
2015	513,750	5,235,956		3,915,843	3,305,893	8,626,525	6,127,375	11,673,175	5,102,642	4,105,838	48,606,996
2016		5,247,225		3,908,343	3,303,560	8,630,388	6,121,850	9,700,050	6,872,641	4,112,838	47,896,893
2017		5,240,238		3,925,988	3,296,903	8,633,263	6,121,713	7,282,550	7,991,337	4,111,738	46,603,727
2018		1,729,231		3,919,143	3,289,138	8,624,888	6,124,900	7,250,550	7,961,127	4,107,638	43,006,613
2019				3,921,176	3,289,563	8,610,138	6,125,150	7,220,175	7,917,521	4,109,588	41,193,310
2020				3,891,056	3,284,313	8,608,263	6,125,650	6,181,550	7,869,999	4,106,463	40,067,293
2021				3,887,425	3,283,355	8,596,475	6,125,900	4,717,050	7,827,524	4,109,688	38,547,417
2022				3,066,394	3,276,600	8,588,538	6,120,525	2,294,675	7,769,873	4,107,663	35,224,267
2023				3,068,488	3,273,750	8,579,981	6,128,775	2,296,300	7,718,778	4,108,288	35,174,360
2024					3,275,025	8,570,019	6,120,150	2,297,550	7,662,587	4,107,538	32,032,868
2025					3,270,775	8,557,863	6,124,150	300,900	8,316,058	4,110,038	30,679,783
2026					3,264,025	8,547,594	6,120,025		8,536,312	4,110,413	30,578,368
2027					3,259,138	8,543,031	5,629,775		8,446,262	4,108,413	29,986,618
2028						8,528,256	5,161,200		8,338,905	4,103,788	26,132,149
2029						8,522,875			8,226,310	4,105,963	20,855,148
2030									8,113,088	4,108,088	12,221,175
2031									8,003,590	4,107,413	12,111,003
2032									5,580,277	4,105,000	9,685,277
2033									5,499,714	4,110,731	9,610,445
2034									5,410,616		5,410,616
2035									5,322,717		5,322,717
2036									5,225,750		5,225,750

* Not reduced by federal subsidy payments for Build America Bonds

PLAN OF FINANCE

The Series AA Bonds are being issued (i) to finance, refinance or reimburse the Corporation for the costs of the Projects, (ii) to refund TECP previously issued for a portion of the costs of the Projects, and (iii) to pay costs of issuance of the Series AA Bonds.

The Projects

Drug Discovery: This project will construct a new Drug Discovery facility on the West Lafayette campus, which will be part of the Life and Health Sciences Quad and which will partially replace existing laboratory space in Wetherill Laboratory. The facility will include state-of-the-art chemistry research space providing proper environmental controls and an animal imaging center, with support space for animal housing, microscopy and tissue culture research.

Health And Human Sciences: This project will construct a new Health and Human Sciences Research Facility on the West Lafayette campus, as part of the Life and Health Sciences Quad. The facility will be constructed to combine the departments of Speech Language and Hearing Sciences, Clinical Facilities, and Medical Education. The goals of the facility include but are not limited to supporting the education and research goals of the participating departments, expanding opportunities for cross-disciplinary learning, and preserving the image and culture associated with the existing buildings.

Student Fitness And Wellness: This project will renovate and improve the 1957 Recreational Sports Center at the West Lafayette campus, with a primary focus on cardiovascular fitness space, free weight, indoor jogging/walking and group exercise/multipurpose space. The project will also include upgrades to existing athletic venues, additional support space, and enhancements to the existing electrical and mechanical systems.

Repair and Rehabilitation Projects: The Series AA Bonds will include the financing of a variety of repair and rehabilitation projects on the West Lafayette campus of Purdue University.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds:	
Principal Amount of Series AA Bonds	$54,555,000.00
Net Original Issue Premium	8,869,484.20
Total Sources of Funds	$63,424,484.20
Uses of Funds:	
Refund TECP for Project Costs	$14,207,934.35
Remaining Project Costs	48,802,065.65
Underwriters' Discount	190,581.31
Costs of Issuance	223,902.89
Total Uses of Funds	$63,424,484.20

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 Student Fee 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 Student Fee Bonds of any series (or multiple series of Student Fee 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 Student Fee 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 Corporation may elect to waive the provisions of clause (iii) above for any one or more series of Student Fee Bonds at the time of delivery thereof and treat such one or more series of Student Fee 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 Student Fee Bonds issued at a discount shall not be considered a balloon maturity unless the original principal amount of such Student Fee Bonds would be considered a balloon maturity. For any Student Fee Bonds with respect to which the Corporation 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 the Indenture, subject to any applicable interest rate floor or cap with respect to such variable rate.

"Business Day" means any day other than a Saturday, Sunday or other day on which banks located in the State of Indiana or New York are required or authorized to remain closed.

"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 Student Fee Bonds when due. Any such insurance policy, guaranty or surety bond or similar instrument shall be noncancellable during the term of the Student Fee 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 Corporation to purchase Student Fee 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 Student Fee 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 Student Fee Bonds which have been duly authenticated, and delivered by the Trustee under the Indenture, except:

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

(b) Student Fee 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 Student Fee Bonds) in the manner and with the type of investments provided in the Indenture; provided that if such Student Fee 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) Student Fee Bonds in lieu of which others have been authenticated under the Indenture.

"Parity Bonds" means the Series N Bonds, Series P Bonds, Series U Bonds, Series W Bonds, Series X Bonds, Series Y Bonds, Series Z-1 Bonds, Series Z-2 Bonds, Series AA 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 Corporation's right to receive the same, and all Funds held by the Trustee pursuant to the Indenture.

"Projects" or "Project" means the following projects of the Corporation: (i) Drug Discovery Building, (ii) Health and Human Sciences Building, (iii) Student Fitness and Wellness Center, and (iv) various R&R Projects.

"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 in the Indenture and in an Indenture supplemental thereto; and (v) which has been designated in writing to the Trustee by an authorized representative of the Corporation 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.

"Rebate Agreement" means the Construction and Rebate Agreement between the Issuer and the Trustee, dated as of August 1, 2012.

"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 (including the Outstanding Student Fee Bonds and the Series AA Bonds) 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 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 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 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 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 X Bonds" means the Purdue University Student Fee Bonds, Series X, in the initial aggregate principal amount of One Hundred Six Million Nine Hundred Twenty-Five Thousand Dollars ($106,925,000), and any Student Fee Bonds in substitution or replacement therefor.

"Series Y Bonds" means the Purdue University Student Fee Bonds, Series Y, in the initial aggregate principal amount of Seventy-Four Million One Hundred Thirty Thousand Dollars ($74,130,000), and any Student Fee Bonds in substitution or replacement therefor.

"Series Z-1 Bonds" means the Tax-Exempt Purdue University Student Fee Bonds, Series Z-1, in the initial aggregate principal amount of Sixty-Eight Million Three Hundred Twenty Thousand Dollars ($68,320,000), and any Student Fee Bonds in substitution or replacement therefor.

"Series Z-2 Bonds" means the Taxable Purdue University Student Fee Bonds, Series Z-2 (Build America Bonds – Direct Pay Option), in the initial aggregate principal amount of One Hundred Million Seven Hundred Five Thousand Dollars ($100,705,000), and any Student Fee Bonds in substitution or replacement therefor.

"Series AA Bonds" means the Purdue University Student Fee Bonds, Series AA, in the initial aggregate principal amount of Fifty-Four Million Five Hundred Fifty-Five Thousand Dollars ($54,555,000), and any Student Fee Bonds in substitution or replacement therefor.

"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 AA Bonds are Outstanding separate accounts known as the Series AA Principal Account and the Series AA Interest Account. On or before each interest or principal payment date on the Series N Bonds, the Series P Bonds, the Series U Bonds, the Series W Bonds, the Series X Bonds, the Series Y Bonds, the Series Z-1 Bonds, the Series Z-2 Bonds, the Series AA 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 AA Bonds, and the Outstanding Student Fee Bonds and the Series AA 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.

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

Moneys deposited to the credit of the Series AA Project Fund will be deposited in the following Accounts of the Series AA Project Fund:

TECP Refunding Account. Moneys in the "TECP Refunding Account" will be used to refund a portion of the Corporation's Tax Exempt Commercial Paper, Series 2010-1 on August 9, 2012. Amounts in the TECP Refunding Account are not Pledged Funds and will not be available to pay any principal of or interest on the Series AA Bonds.

Project Accounts. A portion of the proceeds of the Series AA Bonds will be deposited into the (i) the "Drug Discovery Account"; (ii) the "Health and Human Sciences Account"; (iii) the "Student Fitness and Wellness Center Account"; and (iv) the "R&R Projects Account". Amounts in each such Account will be applied only toward the cost of (or to reimburse the Corporation for payment theretofore made by it on account of) any portion of the Projects for which such Account is created. Upon the completion of any portion of the Projects for which any such Account is created, any balance of moneys in such Account will, at the option of the Corporation, be (i) applied to pay other costs associated with such portion of the Projects, (ii) transferred to the Series AA Interest Account of the Sinking Fund to pay interest on the Series AA Bonds, (iii) transferred to the Series AA Principal Account of the Sinking Fund to pay principal of the Series AA Bonds, (iv) deposited in the Rebate Fund, or (v) transferred to an additional project account as provided in the Indenture and the Rebate Agreement.

Moneys on deposit in the Series AA Project Fund and all the accounts thereof (except the TECP Refunding Account) will be invested in accordance with the provisions of the Rebate Agreement, and income or losses resulting from such investments will be credited or debited to the "Earnings Account" (described herein).

If, at any time it becomes impossible or impractical for the Corporation to expend moneys deposited in a Project Account, the Corporation may transfer such moneys to a new account for a different project in accordance with the requirements of the Indenture and the Rebate Agreement.

Earnings Account. Moneys on deposit in the Earnings Account will, at the option of the Corporation, be (i) be used as needed to pay costs of the Projects, or any other costs associated with the equipping, landscaping or furnishing of the Projects, prior to the completion of construction of the Projects; or (ii) if funds are available, be applied to pay construction period interest. After completion of the Projects, amounts held in the Earnings Account may, at the option of the Corporation, (i) be transferred to the Rebate Fund established pursuant to the Rebate Agreement; (ii) be deposited in the Series AA Interest Account of the Sinking Fund, to pay interest on the Series AA Bonds; (iii) transferred to the Series AA Principal Account of the Sinking Fund to pay principal of the Series AA Bonds, (iv) be deposited in the Series AA Principal Account of the Sinking Fund, to pay principal of the Series AA Bonds; or (v) be transferred to an additional project account, if any, described in the Indenture.

Expense Account. The Corporation will establish a separate account in the Series AA 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 AA Bonds. Moneys on deposit in the Expense Account will be applied to pay certain costs of issuing the Series AA Bonds. Any moneys remaining in the Expense Account on February 9, 2013, will be transferred to the Series AA 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 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, is 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 Student Fee Bonds then Outstanding.

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 (iv) 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 AA Bonds:

(a) that it will not permit the facilities financed with the proceeds of the Series AA Bonds to be used in such manner as would result in the loss of the exclusion of interest on the Series AA 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 affect the exclusion from gross income for federal income tax purposes of interest on the Series AA Bonds; this covenant is based solely on current law in effect and in existence on the date of delivery of said Series AA Bonds; and

(b) that it will not make any investment or do any other act or thing during the period that any Series AA Bonds are Outstanding which would cause any of the Series AA 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 AA Bonds.

However, it will not be an event of default under the Indenture if the interest on the Series AA 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 AA 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. 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; provided, that earnings and other investment income on money in each Account of the Series AA Project Fund will be deposited as described above under "Series AA Project Fund;" and provided 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 either an order of insolvency or reorganization entered against it or 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.

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 first to the payment of principal of and interest on the Student Fee Bonds and the maintenance of the Reserve Fund, then to repay providers of Reserve Fund Credit Instruments, and finally 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 is otherwise 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 pays all expenses and fees of the Trustee and Paying Agent, and (3) the Corporation keeps, performs and observes 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 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 pays or causes to be paid, or makes provisions for payment in accordance with the Indenture, to the holders of all Student Fee Bonds then Outstanding 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 (except for the moneys, Federal Securities and Escrowed Municipals deposited as described in 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 any action by or notice to the holders of any Student Fee Bonds:

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 or to surrender any right or power 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 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 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;

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

10. for any other purpose not prohibited by the 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; or

11. to provide for the terms under which Qualified Swap Agreements may be entered into by the Corporation in connection with any Student Fee Bonds, including the relation of Qualified Swap Receipts and Qualified Swap Payments by the Corporation to the flow of funds set forth in the Indenture applicable to such Student Fee Bonds, and all other necessary or appropriate terms and conditions of such Qualified Swap consistent with the Indenture; provided, however, that such Qualified Swap Agreement does not have an adverse effect on any rating of the Student Fee Bonds by any nationally recognized rating agency currently rating such Student Fee Bonds, without regard to any other factors which may affect such rating.

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 holder of any Student Fee Bonds 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 described above.

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 AA 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, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. This opinion relates only to the exclusion from gross income of interest on the Series AA 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 (as hereinafter deemed). Failure to comply with the Tax Covenants could cause interest on the Series AA 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 AA Bonds is exempt from income taxation in the State of Indiana. This opinion relates only to the exemption of interest on the Series AA Bonds for State income tax purposes. See APPENDIX C for the form of opinion of Bond Counsel.

The Code imposes certain requirements which must be met subsequent to the issuance of the Series AA Bonds as a condition to the exclusion from gross income of interest on the Series AA 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 AA Bonds, that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Series AA Bonds pursuant to Section 103 of the Code (collectively, the “Tax Covenants”). The Indenture and certain certificates and agreements to be delivered on the date of delivery of the Series AA Bonds establish procedures under which compliance with the requirements of the Code can be met.

Indiana Code (IC) 6-5.5 imposes a franchise tax on certain taxpayers (as defined in IC 6-5.5) which, in general, include 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 this legislation on their ownership of the Series AA Bonds.

Although Bond Counsel will render an opinion that interest on the Series AA Bonds is excludable from gross income under Section 103 of the Code for federal income tax purposes and exempt from State income tax, the accrual or receipt of interest on the Series AA Bonds may otherwise affect a Bondholder’s federal income tax or state tax liability. The nature and extent of these other tax consequences will depend upon a Bondholder’s particular tax status and a Bondholder’s other items of income or deduction. Taxpayers who may be affected by such other tax consequences include, without limitation, financial institutions, certain insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Series AA Bonds. Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the Series AA Bonds should consult their own tax advisors with regard to the other tax consequences of owning the Series AA Bonds.

ORIGINAL ISSUE DISCOUNT

The initial public offering prices of a portion of the Series AA Bonds maturing on July 1, 2028 (CUSIP 746189SU4) and the Series AA Bonds maturing on July 1, 2031 and July 1, 2032 (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 inside 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 AA Bonds maturing on July 1, 2013 through and including July 1, 2027, a portion of the Series AA Bonds maturing on July 1, 2028 (CUSIP 746189SZ3), and the Series AA Bonds maturing on July 1, 2029 and July 1, 2030 (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 AA Bonds

As of the date of delivery the Series AA 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 AA Bonds or the pledging of the Pledged Funds, or in any way contesting, questioning or affecting the validity of any provision of the Series AA Bonds, the proceedings or the authority of the Corporation taken with respect to the issuance or sale thereof, the resolutions authorizing the Series AA Bonds, or the Indenture. Neither the creation, organization or existence of the Corporation nor the title of any of the present members of the Board of Trustees or other Corporation officers to their respective offices is being contested.

Other Proceedings

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 Services, a division of The McGraw-Hill Companies, Inc. ("S&P") have given the Series AA Bonds the ratings of "Aaa" and "AA+," respectively. An explanation of the rating by Moody's may be obtained from such agency at 7 World Trade Center at 250 Greenwich Street, New York, New York, 10007, and an explanation of the rating by S&P may be obtained from such agency at 55 Water Street, New York, New York, 10004.

The ratings are not a recommendation to buy, sell or hold any of the Series AA Bonds. There is no assurance that the ratings will remain in effect for any given period of time or that a rating will not be revised downward or withdrawn entirely by Moody's or S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price or marketability of the Series AA Bonds.

CERTAIN LEGAL MATTERS

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

UNDERWRITING

Morgan Stanley & Co. LLC, for itself and as the representative of others as shown on the cover page hereof (the "Underwriters"), has agreed to purchase the Series AA Bonds subject to certain conditions precedent, and the Underwriters are obligated to purchase all Series AA Bonds issued at an underwriting discount of $190,581.31 from the initial public offering prices producing the prices or yields set forth on the inside cover page of this Official Statement. The Underwriters may offer and sell the Series AA Bonds to certain dealers (including dealers depositing the Series AA Bonds into unit investment trusts) and to others at a price lower than that offered to the public. The initial public offering price may be changed from time to time by the Underwriters.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Series AA Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series AA 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 AA Bonds.

MISCELLANEOUS

During the initial offering period for the Series AA 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 Morgan Stanley & Co. LLC at 1221 Avenue of the Americas, New York, NY 10020. 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/A.V. Diaz
A.V. Diaz, Treasurer

Dated: August 1, 2012

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APPENDIX A

PURDUE UNIVERSITY
AND THE TRUSTEES OF PURDUE UNIVERSITY

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Purdue University
and
The Trustees of Purdue University

General

Purdue University (the "University") was established in 1869 and is one of sixty-eight land-grant colleges and universities created as a result of the Morrill Act of 1862. The University was originally established to teach agricultural and mechanical arts and was named in honor of John Purdue, a substantial donor to the University. The University is one of the seven state-supported universities in Indiana. The University has grown from 39 students and six instructors at its inception, to an estimated population in excess of 67,000 full-time and part-time students and more than 5,000 faculty on its main, regional, and statewide campuses as of Spring 2012. An additional 4,900 Purdue students were enrolled in Spring 2012 at the Indiana University-Purdue University campus in Indianapolis.

Purdue University is composed of four campuses, with its main campus in West Lafayette and regional campuses serving other areas of the state located in Hammond (Calumet), Fort Wayne (IPFW), and Westville (North Central). Indiana University and Purdue University jointly offer academic programs at the Fort Wayne campus and at the campus in Indianapolis (IUPUI). Purdue University has fiscal responsibilities for IPFW while Indiana University has fiscal responsibilities for IUPUI. Purdue University also operates a Statewide Technology Program at numerous locations throughout Indiana.

Academic Colleges and Schools of Purdue University

The University divides its academic year into two semesters and a summer term. As part of its long-term planning, the University is currently exploring a three semester academic year on the West Lafayette campus that would replace the current academic calendar consisting of two semesters and a summer term. The University offers courses in the arts, humanities, engineering, science, technology, and professional fields. The University also has a continuing education program, offers non-degree lifelong learning programs, and provides outreach through its extension educators located in the 92 counties of Indiana. The major areas and fields of study at Purdue University's campuses are organized into specific colleges and schools.

The major areas and fields of study at the West Lafayette campus are organized into the ten academic colleges as follows: Agriculture; Education; Engineering; Health and Human Sciences; Liberal Arts; Management; Pharmacy; Science; Technology; and Veterinary Medicine. Undergraduate, Masters, and Doctor of Philosophy degrees are awarded in all schools. The University also awards the professional degrees of Doctor of Pharmacy and Doctor of Veterinary Medicine.

The major areas and fields of study at the regional campuses are organized as follows:

<u>Calumet</u> - Education; Engineering; Computer Science; General Studies; Mathematics & Science; Management; Liberal Arts & Social Sciences; Nursing; and Technology.

<u>IPFW</u> - Arts & Sciences; Agriculture; Business & Management Sciences; Continuing Studies; Education; Engineering, Technology & Computer Science; Health Sciences; Labor Studies; Organizational Leadership & Supervision; Public & Environmental Affairs; and Visual & Performing Arts.

<u>North Central</u> - Behavioral Sciences; Social Sciences & Humanities; Biology/Chemistry; Business; Computer Technology; Developmental Studies; Elementary Education; Engineering Technology; Letters & Languages; Math/Statistics/Physics; and Nursing.

Accreditation and Membership

The University is fully accredited in all of its departments and divisions by the Higher Learning Commission of 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 is guided by a five-year strategic plan that was created under the leadership of Dr. France Córdova and was approved by the Board of Trustees of the University in 2008. The plan intends to: 1) position the University to meet the challenges facing humanity; 2) grow and create opportunities for Indiana and the global economy; and 3) enhance student learning for success in a changing world. The plan's foundation consists of the following three goals: 1) launch tomorrow's leaders by enhancing student success with careers in a dynamic global society, as well as fostering intellectual, professional and personal development for lifelong learning; 2) promote discovery with delivery by conducting field-defining research with breakthrough outcomes and catalyzing research-based economic development and entrepreneurship; and 3) meet global challenges by enhancing Purdue's presence and impact in addressing the grand challenges of humanity.

Trustees

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 major construction projects and 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 follow.

The Board of Trustees of the Corporation

Officers of the Corporation

The current officers of the Corporation are listed below.

Keith J. Krach, *Chairman*
Thomas E. Spurgeon, *Vice Chairman*
Alphonso V. Diaz, *Treasurer*
James S. Almond, *Assistant Treasurer and Assistant Secretary*
Janice A. Indrutz, *Corporate Secretary*
Thomas B. Parent, *Legal Counsel*
Anthony S. Benton, *Assistant Legal Counsel*

Principal Administrative Officers of the University

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

Timothy D. Sands, *Interim President***
Victor L. Lechtenberg, *Interim Executive Vice President for Academic Affairs and Provost***
Alphonso V. Diaz, *Executive Vice President for Business and Finance, Treasurer*
James S. Almond, *Senior Vice President for Business Services and Assistant Treasurer*
Richard O. Buckius, *Vice President for Research*
Morgan J. Burke, *Director of Intercollegiate Athletics*
Lisa D. Calvert, *Vice President for Development*
Melissa E. Exum, *Vice President for Student Affairs*
Peggy L. Fish, *Director of Audits*
Suresh Garimella, *Associate Vice President for Engagement*
Julie K. Griffith, *Vice President for Public Affairs*
Joseph B. Hornett, *Senior Vice President, Purdue Research Foundation*
Luis E. Lewin, *Vice President for Human Resources*
William G. McCartney, *Vice President for Information Technology and Chief Information Officer*
Beth M. McCuskey, *Associate Vice President for Housing and Food Services*
Robert E. McMains, *Vice President for Physical Facilities*
Alysa C. Rollock, *Vice President for Ethics and Compliance*
Timothy J. Sanders, *Associate Vice President for Governmental Relations*
Scott W. Seidle, *Chief Investment Officer*
Teri Lucie Thompson, *Vice President for Marketing and Media*

Regional Campus Staff
Thomas L. Keon, *Chancellor, Purdue University Calumet*
James B. Dworkin, *Chancellor, Purdue University North Central*
Vicky L. Carwein, *Chancellor, Indiana University-Purdue University Fort Wayne****

* Term expires June 30, 2013

** Dr. Sands will serve as Interim President and Dr. Lechtenberg as Interim Executive Vice President for Academic Affairs and Provost until January 2013. See "Presidential Appointment"

*** Dr. Carwein will take office September 2012. Until then, Walter Branson, Vice Chancellor, IPFW, will serve as interim Chancellor

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 a headcount of approximately 30,000.

ACADEMIC YEAR	APPLICATIONS RECEIVED	APPLICATIONS ACCEPTED	PERCENT ACCEPTED	STUDENTS ENROLLED	YIELD OVERALL	YIELD IN STATE
2007-08	25,929	20,429	78.8%	6,888	33.7%	58.3%
2008-09	29,952	21,423	71.5%	7,063	33.0%	55.3%
2009-10	27,213	19,905	73.1%	6,171	31.0%	54.1%
2010-11	30,707	19,993	65.1%	6,347	31.7%	54.5%
2011-12	29,513	20,163	68.3%	6,659	33.0%	57.3%

The freshman applicants at the West Lafayette campus for the fall semesters 2007 through 2011 had an average combined score for the Scholastic Aptitude Test (SAT) verbal and mathematical test of 1145, 1152, 1161, 1166 and 1175 respectively. Sixty-nine percent of the Fall 2011 freshman class had a high school grade point average between 3.5 and 4.0 and ninety-five percent of the Fall 2011 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 tuition and general fees applicable to both full-time and part-time students at the West Lafayette campus for the academic years 2008-09 through 2012-13. Approximately 48% of the total undergraduate and graduate students at the West Lafayette campus and approximately 12% of regional campus students were non-residents of the State of Indiana during 2011-12.

WEST LAFAYETTE CAMPUS TUITION AND FEES

ACADEMIC YEAR		FULL-TIME (PER ACADEMIC YEAR) INDIANA RESIDENT	FULL-TIME (PER ACADEMIC YEAR) NON-RESIDENT	PART-TIME (PER CREDIT HOUR) INDIANA RESIDENT	PART-TIME (PER CREDIT HOUR) NON-RESIDENT
2008-09	1	$7,750	$23,224	$278	$771
2009-10	1,2	8,638	25,118	309	835
2010-11	1,2	9,070	26,622	325	885
2011-12	1,2,3,4	9,478	27,646	336	916
2012-13	1,2,3,4	9,900	28,702	348	948

[1] Includes the Repair & Rehabilitation (R&R) fee per semester of $137 in Fall 2008, $144 in Fall 2009, $151 in Fall 2010, $156 in Fall 2011 and $161 in Fall 2012. For purposes of assessing the R&R fee, students are defined as those beginning Summer 2006 and thereafter. All students will be assessed the R&R fee effective Fall 2011.

[2] A new to campus fee of $250 began in Fall 2009 with each entering class and will be fully phased in Fall 2014.

[3] Includes a Student Fitness and Wellness fee per semester of $46 in Fall 2011 and $91 in Fall 2012.

[4] All international students will be assessed the International Student Tuition fee (if applicable) effective Fall 2016.

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

The table below sets forth the tuition and fees charged per academic year to students attending each regional campus of the University for the academic years 2008-09 through 2012-13. The tuition and 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 TUITION AND FEES
(PER ACADEMIC YEAR)

CAMPUS	ACADEMIC YEAR		UNDERGRADUATE INDIANA RESIDENT	UNDERGRADUATE NON-RESIDENT	GRADUATE INDIANA RESIDENT	GRADUATE NON-RESIDENT
CALUMET						
	2008-09	1,2	$5,969	$13,279	$5,860	$12,238
	2009-10	3	6,308	14,115	6,146	12,966
	2010-11	4	6,623	14,961	6,454	13,744
	2011-12	5	6,789	15,336	6,616	14,088
	2012-13	6	6,959	15,720	6,781	14,441
FORT WAYNE						
	2008-09	2	$6,596	$15,545	$6,505	$14,454
	2009-10	3	6,926	16,478	6,830	15,322
	2010-11	4	7,272	17,466	7,172	16,241
	2011-12	5	7,454	17,903	7,351	16,646
	2012-13	6	7,640	18,350	7,535	17,063
NORTH CENTRAL						
	2008-09	2	$6,080	$14,205	$5,910	$13,054
	2009-10	3	6,384	15,057	6,205	13,836
	2010-11	4	6,704	15,960	6,515	14,666
	2011-12	5	6,872	16,359	6,678	15,034
	2012-13	6	7,044	16,769	6,845	15,409

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

[2] Includes the Repair & Rehabilitation (R&R) fee of $2.95, $2.65 and $2.20 per credit hour for Calumet, Fort Wayne and North Central, respectively, in Fall 2008. Students, for purposes of assessing the R&R fee, are defined as those beginning Summer 2006 for North Central and Fall 2006 for Calumet and Fort Wayne. All students were assessed the R&R fee effective Fall 2011.

[3] Includes the R&R fee of $3.10, $2.80 and $2.30 per credit hour for Calumet, Fort Wayne and North Central, respectively, in Fall 2009. Students, for purposes of assessing the R&R fee, are defined as those beginning Summer 2006 for North Central and Fall 2006 for Calumet and Fort Wayne. All students were assessed the R&R fee effective Fall 2011.

[4] Includes the R&R fee of $3.25, $2.95 and $2.40 per credit hour for Calumet, Fort Wayne and North Central, respectively, in Fall 2010. Students, for purposes of assessing the R&R fee, are defined as those beginning Summer 2006 for North Central and Fall 2006 for Calumet and Fort Wayne. All students were assessed the R&R fee effective Fall 2011.

[5] Includes the R&R fee of $3.35, $3.00 and $2.45 per credit hour for Calumet, Fort Wayne and North Central, respectively, in Fall 2011. Students, for purposes of assessing the R&R fee, are defined as those beginning Summer 2006 for North Central and Fall 2006 for Calumet and Fort Wayne. All students were assessed the R&R fee effective Fall 2011.

[6] Includes the R&R fee of $3.45, $3.10 and $2.50 per credit hour for Calumet, Fort Wayne and North Central, respectively, in Fall 2012.

Student Enrollment

The University attracts students from a variety of backgrounds and geographical locations. In the most recent year reported below, approximately 52% of the University's students are residents of Indiana. The student body represents all 50 states and 127 countries. The following table presents the University’s headcount enrollment for the Fall semester of the academic years 2007-08 through 2011-12.

	WEST LAFAYETTE CAMPUS			REGIONAL CAMPUSES				
ACADEMIC YEAR	FULL-TIME	PART-TIME	TOTAL	FULL-TIME	PART-TIME	TOTAL	STATEWIDE TECHNOLOGY	UNIVERSITY TOTAL[1]
2007-08	35,549	3,553	39,102	15,367	10,135	25,502	1,383	65,987
2008-09	36,901	3,189	40,090	16,005	9,903	25,908	1,361	67,359
2009-10	36,487	3,210	39,697	17,427	10,844	28,271	1,387	69,355
2010-11	36,392	3,334	39,726	18,083	10,530	28,613	1,355	69,694
2011-12	36,193	3,444	39,637	17,160	12,231	29,391	1,231	70,259

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

	WEST LAFAYETTE				PURDUE SYSTEM
ACADEMIC YEAR	UNDERGRADUATE	GRADUATE & PROFESSIONAL	TOTAL	FULL-TIME EQUIVALENT[2]	FULL-TIME EQUIVALENT[1,2]
2007-08	31,186	7,916	39,102	38,060	56,747
2008-09	31,761	8,329	40,090	38,585	57,783
2009-10	31,145	8,552	39,697	37,986	58,886
2010-11	30,836	8,890	39,726	37,959	59,271
2011-12	30,776	8,861	39,637	37,959	58,928

[1] 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.

[2] The full-time equivalent numbers for academic years 2008-09 and 2009-10 previously reported have been restated to be consistent with the IPEDS calculation of dividing total credit hours by 15 for undergraduate, professional and certificate students and by 12 for graduate students.

The University projects that enrollment at the West Lafayette campus will remain stable at or near current levels.

Faculty and Employees

As of October 2011, the University's faculty and staff aggregate total was 19,204. Of the total faculty, 69% hold tenured/tenure track appointments.

	West Lafayette	Regional & Statewide Technology	Total
Tenured/Tenure Track Faculty			
Academic, Associate and Assistant Deans	57	21	78
Academic Department Heads	83	47	130
Professors	768	154	922
Associate Professors	545	274	819
Assistant Professors	373	186	559
Instructors	1	6	7
Sub-Total of Tenured/Tenure Track Faculty	**1,827**	**688**	**2,515**
Non-Tenure Appointments			
Clinical/Professional	120	39	159
Research Faculty	33	0	33
Visiting Faculty	75	46	121
Post Doctoral	324	4	328
Sub-Total of Non-Tenure Appointments	**552**	**89**	**641**
Continuing Lecturers and Limited-Term Lecturers[1]			
Continuing Lecturers	150	131	281
Limited-Term Lecturers	153	921	1,074
Sub-Total of Continuing Lecturers and Limited-Term Lecturers	**303**	**1,052**	**1,355**
Adjunct Faculty			
Adjunct Faculty	339	172	511
Sub-Total of Adjunct Faculty	**339**	**172**	**511**
Graduate Student Staff			
Graduate Assistants	1,670	70	1,740
Fellow Administered as Graduate Assistant	144	0	144
Graduate Lecturers	32	0	32
Graduate Research Assistants	2,539	20	2,559
Graduate Administrative/Professional	241	19	260
Graduate Aides	0	204	204
Sub-Total of Graduate Student Staff	**4,626**	**313**	**4,939**
Staff			
Management	550	104	654
Administrative Staff	1,094	283	1,377
Operations Assistant	413	77	490
Professional Staff	294	15	309
Professional Assistant	1,194	215	1,409
Technical Assistant	275	22	297
Extension Educators	286	0	286
Clerical Staff	1,156	374	1,530
Service Staff	2,467	424	2,891
Sub-Total of Staff	**7,729**	**1,514**	**9,243**
GRAND TOTAL ALL STAFF	**15,376**	**3,828**	**19,204**

[1] Continuing Lecturers and Limited -Term Lecturers previously reported as Non-Tenure Appointments are reported separately from Faculty beginning October 2010.

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

Facilities (As of Fall 2011)

Academic, Administrative, Athletic and Residential Facilities: The University has 218 principal buildings of 10,000 or more square feet used for academic instruction, research, athletics, residential and administrative functions. These buildings are located on the University's four campuses that comprise 3,712 acres. The University, together with related foundations, also owns 14,518 acres of land used for agricultural purposes throughout the state.

Libraries: The Purdue University Libraries system on the West Lafayette campus includes 11 subject-oriented libraries, the Hicks Undergraduate Library and the Virginia Kelly Karnes Archives and Special Collections Research Center. The campus library system consists of 2.6 million printed volumes, over 500,000 electronic books, 59,000 electronic and print journals, more than 483,000 government documents, and 3.1 million microforms, with access to more.

Research Facilities: The University has approximately 1.4 million square feet of research laboratories located on its West Lafayette campus. In addition to the 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 11,617 spaces for students in 2011-12. The Fort Wayne campus provided 1,204 spaces and the Calumet campus provided 744 spaces for students in 2011-12. Occupancy on the West Lafayette campus was 96% for the 2011-12 academic year. Occupancy was 85% on the Fort Wayne campus and 80% on the Calumet campus for the 2011-12 academic year.

The predominant rates for room and board at the West Lafayette campus for the 2012-13 academic year are $10,258 with 20 meals per week, $9,870 with 15 meals per week, $9,580 with 12 meals per week, and $9,168 with 10 meals per week. The 2012-13 monthly housing rates at the Fort Wayne campus and Calumet campus will range from $399 to $776 and $517 to $602, respectively.

Athletic Facilities: The University is home to Ross-Ade stadium which seats 62,500 for football games. Additional facilities include Mackey Arena for basketball games, the Birck Boilermaker Golf Complex, Boilermaker Aquatic Center, Intercollegiate Athletic Facility, Lambert Fieldhouse, Mollenkopf Athletic Center, Rankin Track and Field, Schwartz Tennis Center, soccer and softball complexes, a cross country course and a baseball field.

Parking Facilities: The University has nine parking garages on the West Lafayette campus, one on the Calumet campus and two on the Fort Wayne campus. Construction of a third parking garage was recently completed at the Fort Wayne campus. Additional parking capacity is provided by surface lots on all four campuses.

Other Facilities: The University's other facilities at the West Lafayette campus include the Purdue University Airport; the Edward C. Elliott Hall of Music which seats 6,025 people; and the Slayter Center of the Performing Arts. In addition, Discovery Park provides facilities for interdisciplinary research and education.

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, 2011, 2010, 2009 and 2008.

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

	Fiscal Year Ended June 30 (dollars in thousands)			
	2011	2010	2009	2008
Operating Revenues				
Tuition and Fees	$757,072	$700,118	$641,327	$596,019
Less: Scholarship Allowance	(97,240)	(84,695)	(67,233)	(70,228)
Net Tuition and Fees	$659,832	$615,423	$574,094	$525,791
Federal Grants	15,683	13,217	14,464	16,901
County Grants	7,951	6,932	9,486	7,862
Grants and Contracts	366,567	339,392	285,347	278,481
Sales and Services	65,219	64,509	56,598	60,568
Auxiliary Enterprises (Net of Scholarship Allowance of $13,344, $11,900, $9,438 and $8,133, Respectively)	232,213	220,023	213,044	211,676
Other Operating Revenues	4,008	3,881	3,465	5,141
Total Operating Revenues	**$1,351,473**	**$1,263,377**	**$1,156,498**	**$1,106,420**
Operating Expenses				
Compensation and Benefits	$1,201,083	$1,172,492	$1,119,862	$1,060,743
Supplies and Services	395,617	388,288	391,221	390,310
Depreciation Expense	119,820	112,629	112,244	106,652
Scholarships, Fellowships, and Student Awards	70,173	65,231	57,331	38,354
Total Operating Expenses	**$1,786,693**	**$1,738,640**	**$1,680,658**	**$1,596,059**
Net Operating Loss	**($435,220)**	**($475,263)**	**($524,160)**	**($489,639)**
Nonoperating Revenues (Expenses)				
State Appropriations	$385,300	$387,561	$393,250	$377,004
Grants and Contracts	77,973	66,634	42,978	37,567
Private Gifts	67,160	70,354	99,395	90,063
Investment Income (Loss)	270,794	211,720	(169,206)	39,989
Interest Expense	(27,665)	(24,718)	(22,412)	(22,853)
Other Nonoperating Revenues, Net	6,128	3,782	4,404	9,720
Total Nonoperating Revenues before Capital/Endowments	**$779,690**	**$715,333**	**$348,409**	**$531,490**
Capital and Endowments				
State Capital Appropriations				$18,889
Capital Gifts	$5,287	$20,009	$12,190	27,882
Private Gifts for Permanent Endowments and Charitable Remainder Trusts	23,817	28,046	18,138	38,059
Plant Assets Retired and Insurance Recoveries	(4,759)	(1,627)	(2,385)	518
Total Capital and Endowments	**$24,345**	**$46,428**	**$27,943**	**$85,348**
Total Nonoperating Revenues	**$804,035**	**$761,761**	**$376,352**	**$616,838**
Cumulative Effect of Change in Accounting Policy				
Assets under Capitalization Level Written Off	**$0**	**($19,340)**	**$0**	**$0**
Increase (Decrease) in Net Assets	**$368,815**	**$267,158**	**($147,808)**	**$127,199**
Net Assets, Beginning of Year	**$3,081,141**	**$2,813,983**	**$2,961,791**	**$2,834,592**
Net Assets, End of Year	**$3,449,956**	**$3,081,141**	**$2,813,983**	**$2,961,791**

Student Fees

The “Student Fees” (for purposes of the Corporation’s student fee indenture) for the past four years are listed on the previous page in the table labeled “Financial Operations of the Corporation” on the line item “Net Tuition and Fees”.

Budgeting

The University’s Board of Trustees approves an operating budget for each fiscal year based upon the proposed budget submitted by the President and senior administrative officers of the University. To establish an operating budget, the University takes into consideration appropriations from the State and revenue from all other sources including student fees. On a biennial basis the University submits a request to the Indiana Commission for Higher Education and the State Budget Agency seeking appropriations from the General Assembly. The State appropriations include funding for operations, fee replacement (debt service), capital, repair and rehabilitation and other public service functions. See “State Appropriations”.

State Appropriations

To sustain its mission and educational activities, the University receives a portion of revenues from the State of Indiana. Other revenues are derived substantially from student fees and the federal government.

The University 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 University to fund major repair and rehabilitation projects and to assist with debt service.

The State appropriations received by the University for fiscal years 2008 through 2012, and budgeted for fiscal year 2013 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						
2008 [1]	325,309	26,024	9,889	25,671	5,000	391,893
2009	337,260 [2]	28,243	-	27,755	-	393,258
2010	324,308	30,567	-	26,919	- [3]	381,794
2011	317,986	31,779	-	26,919	9,534 [3]	386,218
2012	312,325	29,009 [4]	-	26,954	-	368,288
Budgeted						
2013	312,325	32,184	-	26,954	-	371,463

[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] $3,685,506 was committed to fiscal year 2010 for R&R.

[3] A non-recurring appropriation of $45,474,070 was designated by the State for the 2009-2011 biennium for (a) R&R or (b) R&R or General Operating Expense. These funds were initially appropriated by the State under the American Recovery and Reinvestment Act (ARRA) of 2009. During 2009-2010, $35,131,844 reverted to the State and the balance of $10,342,226 was available for 2010-2011 but not appropriated. An additional $10 million was available to be allocated between Purdue and Indiana University in fiscal year 2011 at the discretion of the State Budget Agency but was not appropriated.

[4] Net of bond proceeds interest income in the amount of approximately $2.8 million, appropriated by the State but not claimed by the University.

IRS Audit

An Internal Revenue Service audit focused on the University's unrelated business income tax was recently completed. No additional taxes were due as a result of this audit.

Student Financial Aid

Continued economic weakness, displaced workers and diminished family resources continue to perpetuate an increased need for financial assistance. Fortunately, there was a 6% increase in State Awards and a 15% increase in Federal Pell Grants from 2009-10 to 2010-11. Contrary to the national trend, Purdue University's growth rate for scholarships and grants exceeded the growth rate for loans. A U.S. Department of Education Program Review of financial aid policies and awarding practices was conducted in 2010. The University received no findings of liability.

The following table summarizes the financial aid provided to students of the University from various sources for the year that ended June 30, 2011.

STUDENT FINANCIAL ASSISTANCE
Fiscal Year Ended June 30, 2011

	West Lafayette	Regional Campuses	Total
Scholarships and Grants:			
University Scholarships, Grants & Fee Remissions	$63,027,178	$9,599,408	$72,626,586
University Incentive Grant	8,396,403	0	8,396,403
Purdue Opportunity Awards	283,500	0	283,500
Athletic Grant-in-Aid	9,481,368	2,143,443	11,624,811
State Awards	21,094,459	21,648,891	42,743,350
Private Awards	11,910,203	3,399,872	15,310,075
Indiana Resident Top Scholars	782,714	0	782,714
Fellowships	10,656,027	0	10,656,027
Federal Pell Grants	29,229,484	44,702,735	73,932,219
Federal SEOG	1,486,146	807,218	2,293,364
Federal Academic Competitiveness Grant	1,304,087	908,284	2,212,371
Federal SMART Grant	1,980,628	543,539	2,524,167
Other Federal Grants	14,395,658	1,703,612	16,099,270
Total Scholarships and Grants	**$174,027,855**	**$85,457,002**	**$259,484,857**
Loans:			
Federal Stafford Loans	$122,682,577	$112,301,731	$234,984,308
Federal Parent Loans for Undergraduate Students	65,378,042	6,296,765	71,674,807
Federal Graduate PLUS Loans	3,953,901	252,258	4,206,159
Federal Perkins and Health Professions Loans	5,849,015	512,066	6,361,081
Purdue Loans	4,894,334	0	4,894,334
Private Loans	20,748,046	3,834,400	24,582,446
Total Loans	**$223,505,915**	**$123,197,220**	**$346,703,135**
Employment and Employment Related:			
Work-Study Salaries	$1,617,411	$731,272	$2,348,683
Graduate Student Staff Salaries	84,625,489	3,587,575	88,213,064
Other Part-Time University Salaries	17,467,996	3,442,819	20,910,815
Employment Related Fee Remissions	45,698,338	2,477,820	48,176,158
Other Employment Related Awards	2,394,000	0	2,394,000
Total Employment Related	**$151,803,234**	**$10,239,486**	**$162,042,720**
Total Student Financial Assistance	**$549,337,004**	**$218,893,708**	**$768,230,712**

Other Post-Employment Benefits (OPEB)

In the financial statements for the year ending June 30, 2011, the University reported Other Post-Employment Benefits (OPEB) annual cost of $14.755 million. The University currently offers participation in its medical plan to retirees (1) who are 55 or older, (2) whose sum of age plus years of service is equal to or greater than 70 and (3) who have at least ten years of service. Early retirees are given the option to continue their medical insurance if they pay the entire cost of the blended medical plan rate, which includes both active employees and early retirees. The early retirees benefit in that the cost of the benefit exceeds the cost of the plans, which creates an implicit rate subsidy. After the retiree reaches the age of 65, the program is no longer offered. The University also offers a long-term disability program, which includes retirement benefit payments, medical and life insurance premium payments for a small required premium paid by the employee. After the employee reaches the age of 65, the program is no longer available.

See "APPENDIX B" Note 7 to the Financial Statements and “Retirement Plans” below for further information.

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 of the Corporation. The market value figures at the end of fiscal years 2007 through 2011 are shown below. These values are not pledged under the Indenture and do not include separately held endowments valued at $34,318,612 on June 30, 2011. The current spending policy for the endowment is 5.0%, based on a 12-quarter rolling average.

FISCAL YEAR ENDED JUNE 30	ENDOWMENT MARKET VALUE
2007	$968,961,174
2008	957,298,693
2009	873,040,938
2010	987,207,372
2011	1,239,002,010

As of May 31, 2012, the unaudited market value of the Corporation’s endowment was $1,146,873,808. The unaudited consolidated market value of the endowment (including Purdue Research Foundation) was $1,894,769,767 (including net additions) as of May 31, 2012.

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 each foundation for the fiscal year ending June 30, 2011 is shown in the following table.

FOUNDATION	ASSET (BOOK) VALUE	INCOME	DISBURSED TO/FOR THE CORPORATION
Purdue Research Foundation	$967,304,328	$80,235,772	$42,352,123
Ross-Ade Foundation	158,772,277	11,898,849	5,322,591
The Purdue Foundation, Inc.	3,423,785	43,309,695	43,309,695
Indiana-Purdue Foundation at Fort Wayne	13,110,056	4,119,532	2,677,330
Total	**$1,142,610,446**	**$139,563,848**	**$93,661,739**

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 the University. Its objectives are exclusively to aid the University. This Foundation developed the Purdue Research Park that provides a program for collaboration between research and development activities of industry and the basic research of the University. The Foundation owns 7,505 acres of land, 6,166 acres of which is leased to the University.

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 five member Board of Directors of this Foundation includes the University President, who serves as Chief Executive Officer of the Board, and two members of the Board of Trustees of the Corporation.

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

IPFW Foundation: IPFW 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 has 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.

Fund Raising Activity

The University currently has a $304 million "Student Access and Success" campaign underway. The first phase of this campaign supports the Intercollegiate Athletics program at Purdue, and as of June 30, 2011 has raised $31.7 million of the $32 million goal. This phase of the campaign supplemented the funding of a Mackey Arena complex renovation and addition with an authorized budget of $99.5 million. The renovation brought the basketball arena and various proximate facilities up to current standards for program space, fan amenities, and accessibility of the University's 500 student-athletes. The second phase of the campaign, Student Access and Success, will raise money for student programs and scholarships. At June 30, 2011, $171 million of the $304 million goal has been raised. The campaign is expected to continue through 2014. The previous "Campaign for Purdue" fund-raising effort which began in 2001 generated $1.7 billion, and was completed on June 30, 2007. Gift giving is shown below for fiscal years 2007 through 2011.

TOTAL GIFT GIVING BY CATEGORY
(dollars in thousands)

	2011	2010	2009	2008	2007
Cash/Securities	$121,863	$140,823	$98,119	$118,391	$136,825
Real Estate	0	0	0	4,130	11,192
Gifts-in-Kind	72,812	62,933	61,778	8,754	24,491
Irrevocable Deferred	7,127	8,422	6,707	9,227	7,026
Pledge Balances	37,972	30,186	40,230	54,209	140,527
Total	**$239,774**	**$242,364**	**$206,834**	**$194,711**	**$320,061**

Grants and Contracts

System-wide sponsored program expenditures for the 2010-2011 fiscal year was $371.9 million, an increase of $21.1 million, or approximately 6%, over previous year expenditures. Departments with sponsored research program expenditures in excess of $5 million were: Electrical & Computer Engineering, $34.5 million; Civil Engineering, $31.2 million; Mechanical Engineering, $24.7 million; Chemistry, $19.0 million; Biological Sciences, $18.5 million; Chemical Engineering, $11.1 million; Computer Sciences, $10.6 million; Physics, $9.7 million; Agronomy, $8.7 million; Medicinal Chemistry and Molecular Pharmacology, $7.6 million; Biomedical Engineering, $6.7 million; Food and Nutrition, $6.6 million; Agricultural & Biological Engineering, $6.6 million; Engineering Education; $6.3 million; Nuclear Engineering, $5.6 million; Earth and Atmospheric Sciences, $5.6 million; Child Development and Family Studies, $5.6 million; and Horticulture and Landscape Architecture $5.2 million. During Fiscal 2011, the University benefited from Federal stimulus money provided under the American Recovery and Reinvestment Act of 2009.

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

	2011	2010	2009	2008	2007
Federal Sources					
Department of HHS	$60,764	$57,315	$48,204	$50,449	$48,474
National Science Foundation	88,863	72,251	49,828	49,911	45,241
Department of Energy	30,825	28,017	21,232	15,181	14,099
Department of Defense	32,942	32,927	27,138	24,844	21,489
Department of Agriculture	18,966	15,943	13,234	13,925	12,749
Other Federal Agencies	36,156	33,270	26,511	24,620	27,290
Total Federal Sources	**$268,516**	**$239,723**	**$186,147**	**$178,930**	**$169,342**
State of Indiana	25,312	28,866	29,013	28,237	26,242
Business and Foundations	67,242	70,038	72,512	66,615	59,811
Non-Profit Organizations	10,916	12,252	11,418	11,252	9,160
Total Non-Federal Sources	**$103,470**	**$111,156**	**$112,943**	**$106,104**	**$95,213**
Total All Sources	**$371,986**	**$350,879**	**$299,090**	**$285,034**	**$264,555**

Outstanding Indebtedness

The Corporation is authorized by various acts of the Indiana General Assembly to issue bonds for the purpose of financing construction of 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 is summarized in the following table.

Title of Indebtedness	Final Maturity	Amount Oustanding as of 7/15/2012	
Bank Notes and Commercial Paper			
Commercial Paper, Series 2010-1	2018	$22,867,000	(3)
Bonds Outstanding			
Student Fee Bonds, Series N	2014	4,510,000	(1)
Student Fee Bonds, Series P	2017	20,295,000	(1)
Student Fee Bonds, Series U	2022	29,945,000	(1)
Student Fee Bonds, Series W	2026	33,265,000	(1)
Student Fee Bonds, Series X	2028	93,530,000	(1)
Student Fee Bonds, Series Y	2027	64,590,000	(1)
Student Fee Bonds, Series Z1	2024	60,465,000	(1)
Student Fee Bonds, Series Z2	2035	100,705,000	(1)
Student Facilities System Revenue Bonds, Series 2003A	2014	8,870,000	(2)(3)
Student Facilities System Revenue Bonds, Series 2003B	2018	4,165,000	(2)(3)
Student Facilities System Revenue Bonds, Series 2004A	2033	17,600,000	(2)(3)
Student Facilities System Revenue Bonds, Series 2005A	2029	6,020,000	(2)(3)
Student Facilities System Revenue Bonds, Series 2007A	2029	61,865,000	(2)(3)
Student Facilities System Revenue Bonds, Series 2007B	2032	23,840,000	(2)(3)
Student Facilities System Revenue Bonds, Series 2007C	2032	25,520,000	(2)(3)
Student Facilities System Revenue Bonds, Series 2009A	2034	34,175,000	(2)(3)
Student Facilities System Revenue Bonds, Series 2009B	2035	39,490,000	(2)(3)
Student Facilities System Revenue Bonds, Series 2010A	2030	24,985,000	(2)(3)
Student Facilities System Revenue Bonds, Series 2011A	2025	46,805,000	(2)(3)
Leasehold Indebtedness			
Parking Facilities (COPS 1998)	2015	2,555,000	(3)
Parking Facilities and Ross-Ade Stadium Renovation (COPS 2006)	2027	49,545,000	(3)
COPS 2009A (tax-exempt)	2015	5,830,000	(3)
COPS 2009B (taxable Build America Bonds)	2031	42,795,000	(3)
COPS 2011A (taxable Build America Bonds)	2035	32,185,000	(3)
Total Outstanding Indebtedness		**$856,417,000**	
Refunded Indebtedness-Escrowed to Maturity or Call Date			
Student Facilities System Revenue Bonds, Series 2003A & 2003B	2013	66,295,000	(4)
Total Refunded Bonds		**$66,295,000**	

(1) Secured by a pledge of Student Fees.

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

(3) Payable from available funds of the Corporation.

(4) 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 18,230 acres of land and 456 buildings of which 218 had 10,000 or more gross square feet. The buildings, together with equipment and furnishings, were valued at an estimated replacement cost for insurance purposes at approximately $5.4 billion as of August 30, 2011. The following table sets forth the increase in net plant investment for the five years ended June 30, 2007 through 2011. 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
2007	$2,483,026,403	$1,059,735,776	$1,423,290,627
2008	2,661,207,559	1,150,413,909	1,510,793,650
2009	2,847,281,562	1,240,572,632	1,606,708,930
2010	2,983,743,727	1,271,122,957	1,712,620,770
2011	3,199,534,972	1,363,558,581	1,835,976,391

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, 2011.

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 the Corporation's insurer is $1.3 billion, which is based on values gathered from the annual IPEDS Finance Survey. A $250,000 deductible applies per occurrence and is funded by the Corporation.

Premises and Operations Liability: The Corporation procures insurance for liability brought by 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 $2,000,000 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 recently completed on the West Lafayette campus includes the Roger B. Gatewood Mechanical Engineering Wing addition; Marriott Hall; Bailey Hall; the renovation of Mackey Arena Complex; First Street Towers residence hall (west wing); and the five phases of the Windsor Hall renovation. Projects currently under construction on the West Lafayette campus include: the construction of the strategic infrastructure improvements; Student Health and Wellness facility; a Health and Human Sciences Research Facility and parking garage; a drug discovery facility; and a variety of Repair and Rehabilitation projects. On the Fort Wayne regional campus, construction of a student services and library complex and a new parking garage have been recently completed.

Major projects approved by the Board of Trustees on the West Lafayette campus include the construction of a $21 million northwest athletic site (phase I), a $39.9 million Vawter Field Housing residence hall, and a $30 million Center for Student Excellence and Leadership. These projects will be funded by a combination of capital reserves, gifts, state appropriations and bond financing.

The Corporation has received legislative authority to issue debt in an amount up to a total of $60 million to address various repair and rehabilitation needs of the Corporation. In addition, each campus is authorized to issue up to $15 million in qualified energy savings projects. Many of these projects are under construction and currently funded in part or in whole under the University's existing tax-exempt commercial paper program or long term bonds.

The Corporation received no new capital appropriations during the 2011 legislative session for the 2011-13 biennium. In the 2009 legislative session, authorization to issue bonds for $30 million in construction of a new student services and activities complex ($23.7 million to be fee replaced) on the North Central campus was received, but no fee replacement appropriation has been granted. An existing authorization was increased to $8 million to borrow for a new parking garage at the North Central campus in 2009.

Retirement Plans

The Corporation participates in a defined contribution retirement plan for its faculty and administrative-professional staff. The retirement plan provides fully-vested, fully-funded, investment options. Prior to January 1, 2011, the University contributed 11% of each participating employee's salary up to $9,000 and 15% of the salary above $9,000 up to allowable limits. Effective January 1, 2011 this plan was amended to require the employee to make a mandatory contribution equal to 4% of salary combined with the University's contribution of 10% of salary. A one-time adjustment was made to salaries of eligible employees to offset the impact of the mandatory contribution. This plan is administered by Fidelity Investments. The Corporation is current with all payments due to Fidelity Investments.

The clerical and service staff participates in the Public Employees Retirement Fund ("PERF") of the State of Indiana, which is the defined benefit 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 annual required contribution from the University is established by PERF and may increase or decrease from year to year, depending on factors outside of the University's control. The Corporation is current with all payments due to PERF.

The Corporation participates in a supplemental pension program for the University's police officers and firefighters. This plan is a defined benefit plan sponsored by the University which, together with the PERF plan described above, provides for a total retirement benefit that is comparable to the benefits received by municipal police and fire personnel in Indiana. The program is an agent single-employer defined benefit plan administered by TIAA-CREF. The Corporation is current with all payments due to TIAA-CREF.

With respect to the PERF plan, it should be noted that (i) the information included in this pension disclosure relies on information produced by the PERF pension plan and their independent accountants and actuaries, (ii) actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and (iii) actuarial assessments are based upon a variety of assumptions, one or more of which may prove to be inaccurate or be changed in the future, and will change with the future experience of the PERF pension plan.

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 visiting www.in.gov/perf.

See "APPENDIX B" Note 9 to the Financial Statements for further information.

Presidential Appointment

The Purdue Board of Trustees unanimously selected current Indiana Governor Mitchell E. Daniels Jr. to be the University's 12th president, succeeding France A. Córdova, who left office July 15, 2012 under Purdue's mandatory retirement age policy for senior executives. Until Mr. Daniels takes office in January 2013 at the conclusion of his second term as governor, Dr. Timothy D. Sands, currently, the Executive Vice President for Academic Affairs and Provost, will serve as Interim President. Dr. Victor L. Lechtenberg, currently, the special assistant to the President and a prior interim Provost of the University, will serve as Interim Executive Vice President for Academic Affairs and Provost. Mr. Daniels was elected Indiana's 49th governor in 2004 and re-elected in 2008. Mr. Daniels has held a variety of top-level positions in business and politics: at Eli Lilly and Co., including service as president of the company's North American Pharmaceutical Operations; CEO of the Hudson Institute, then a contract research organization known for its analyses of the central role of technology in human progress; adviser to President Ronald Reagan; director of the Office of Management and Budget for President George W. Bush; and chief of staff for Indiana Senator Richard Lugar. Mr. Daniels earned a bachelor's degree with honors from the Woodrow Wilson School of Public and International Affairs at Princeton University in 1971 and a law degree from Georgetown University in 1979. He is the recipient of eight honorary degrees, from institutions including Butler University, Rose-Hulman Institute of Technology and Wabash College.

Indiana University-Purdue University Fort Wayne Chancellor Appointment

On June 19, 2012, the Purdue University Board of Trustees named Vicky L. Carwein as the new chancellor for Indiana University-Purdue University Fort Wayne (IPFW). Carwein, currently the chancellor at Washington State University Tri-Cities in Richland, Washington, becomes IPFW's ninth chancellor on September 1, 2012. She previously served as president at Westfield State College in Westfield, Massachusetts, and chancellor at the University of Washington at Tacoma. Carwein replaces Michael Wartell who retired from IPFW on June 30, 2012 under Purdue's mandatory retirement age policy for senior executives. Wartell joined Indiana University-Purdue University in 1993 and served as chancellor at IPFW since 1994. Walter Branson, Vice Chancellor for IPFW since 1993, will serve as interim Chancellor.

Forward Looking Statements

Certain information contained in this document and in the financial report accompanying this document contains "forward looking statements" based on current expectations, estimates, forecasts and projections about and assumptions made by the University. These forward-looking statements may be identified by the use of forward-looking terms such as "may," "will," "expects," "believes," "anticipates," "plans," "estimates," "projects," "targets," "forecasts," and "seeks" or the negatives of such terms or other variations on such terms or comparable terminology. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that could cause actual outcomes and results to differ materially. These risks and uncertainties include demographic changes, demand for higher education services of the University, competition with other higher education institutions and general domestic economic conditions including economic conditions of the State of Indiana. The University disclaims any intention or obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

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APPENDIX B

FINANCIAL REPORT OF
THE CORPORATION FOR THE FISCAL YEAR
ENDED JUNE 30, 2011

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2011

FINANCIAL REPORT

PURDUE
UNIVERSITY

LETTER OF TRANSMITTAL

To the Board of Trustees of Purdue University:

President France A. Córdova

We are pleased to submit this, the 89th annual financial report of Purdue University. This report is for the fiscal year that ended June 30, 2011, 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 5.

Respectfully submitted,

FRANCE A. CÓRDOVA
President

Respectfully submitted,

ALPHONSO V. DIAZ
Executive Vice President for Business and Finance, Treasurer

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

REPORT OF THE TREASURER

This report presents Purdue University's financial position and the results of operations for the fiscal years ended June 30, 2011 and 2010. We provide this financial report as part of the University's commitment to report annually on its fiscal affairs. These financial statements have been audited by the Indiana State Board of Accounts and their report, which is unqualified opinion, appears on page 5.

Purdue University continues its long tradition of being recognized as a world-class research university. The University offers instruction in a wide range of disciplines and grants undergraduate and graduate degrees through four campuses. To maintain the quality of its programs, Purdue has taken a long-term approach to financial planning with the implementation of Sustaining New Synergies strategies and the development of a Decadal Funding Plan. Sustaining New Synergies involves a multi-year approach focused on identifying sustainable practices to manage fiscal challenges while continuing to make investments in the University's New Synergies Strategic Plan. The development of a Decadal Plan takes a longer-term view and is focused on identifying new resource opportunities to enhance the excellence and reputation of all aspects of the University's mission.

The University's recently created scholarship programs continue to attract top undergraduates (Presidential and Trustees merit scholarships), to support lower- and middle-income students (Purdue Promise program and Purdue Marquis Scholarship), and to reward promising leaders from targeted high schools (Emerging Urban Leaders Scholarship). The size and academic quality of the freshman class at the West Lafayette campus increased for the fifth consecutive year. The student body continues to be made up from every county in Indiana, all 50 states and more than 125 countries. Enrollment at all Purdue campuses reached an all-time high of 70,259 for the fall semester of the 2012 academic year.

During fiscal year 2011, sponsored program award activity continued at a robust level totaling nearly $420 million. The University extends its global outreach with the $32 million Strengthening Afghan Agriculture Faculties agreement, while Purdue's impact domestically is also realized with the $6.3 million funding from the Lilly Endowment for the Strengthening Supports to Military Families in Indiana and Beyond. Significant impact will also be realized by the creation of the first Science and Technology Center in Indiana funded with a $25 million award from the National Science Foundation.

The University continued its investment in its facilities with completed major construction projects in excess of $164 million during fiscal year 2011, including the $34.5 million expansion of its Mechanical Engineering Building and $28.6 million renovation of the Lilly Hall of Life Sciences. Additional capital investments estimated at over $529 million were underway as of June 30, 2011, including the $99.5 million Mackey Complex renovation and addition, the $99 million Student Fitness and Wellness Center renovation and addition, the $59.6 million Windsor Residence Halls renovation, and the $42.4 million Fort Wayne Student Services and Library Complex.

Purdue University continues to be dedicated to the success of our students as future leaders, the development of new partnerships to expand the horizons of research and economic development leading to jobs of the future, and a continued strengthening of the state of Indiana as a global leader in science, technology, engineering, mathematics and agriculture disciplines.

ALPHONSO V. DIAZ
Executive Vice President for Business and Finance, Treasurer

BOARD OF TRUSTEES

As of June 30, 2011

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 21-23-3. 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.

Keith J. Krach
Chairman of Board
Appointed July 2009
Los Gatos, Calif.
CEO, 3points LLC
Term: 2007-2013

Mamon M. Powers Jr.
Vice Chairman of Board
Appointed July 2009
Gary, Ind.
President, Powers and Sons Construction Company Inc.
Term: 1996-2011

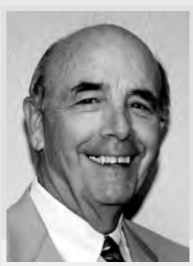
Michael R. Berghoff
Indianapolis, Ind.
President, Lenex Steel Co.
Term: 2009-2012

Michael J. Birck
Hinsdale, Ill.
Chairman and CEO, Tellabs Inc.
Term: 1999-2012

JoAnn Brouillette
West Lafayette, Ind.
Managing Partner and President, Demeter LP
Term: 2006-2012

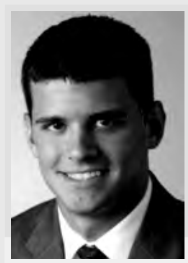
John D. Hardin Jr.
Danville, Ind.
Farmer
Term: 1992-2013

Gary J. Lehman
West Lafayette, Ind.
President and CEO, Fairfield Manufacturing Inc.
Term: 2010-2014



Thomas E. Spurgeon
Peoria, Ill.
Consultant, Lincoln Office
Term: 2005-2014

Don Thompson
Burr Ridge, Ill.
President and COO, McDonald's Corp.
Term: 2009-2013



Tyler J. Teykl
Rosenberg, Texas
Student
Term: 2009-2011

OFFICERS OF THE UNIVERSITY

As of June 30, 2011

OFFICERS OF THE BOARD OF TRUSTEES

KEITH J. KRACH, *Chairman*
MAMON M. POWERS JR., *Vice Chairman*
ALPHONSO V. DIAZ, *Treasurer*
JAMES S. ALMOND, *Assistant Treasurer and Assistant Secretary*
JANICE A. BEARD, *Secretary*
ANTHONY S. BENTON, *Legal Counsel*

ADMINISTRATIVE OFFICERS

FRANCE A. CÓRDOVA, *President*
TIMOTHY D. SANDS, *Executive Vice President for Academic Affairs and Provost*
ALPHONSO V. DIAZ, *Executive Vice President for Business and Finance, Treasurer*
JAMES S. ALMOND, *Senior Vice President for Business Services and Assistant Treasurer*
RICHARD O. BUCKIUS, *Vice President for Research*
MORGAN J. BURKE, *Director of Intercollegiate Athletics*
LISA D. CALVERT, *Vice President for Development*
MELISSA E. EXUM, *Vice President for Student Affairs*
PEGGY L. FISH, *Director of Audits*
JOSEPH B. HORNETT, *Senior Vice President, Treasurer, Purdue Research Foundation*
LUIS E. LEWIN, *Vice President for Human Resources*
WILLIAM G. MCCARTNEY, *Vice President for Information Technology and CIO*
ROBERT E. MCMAINS, *Vice President for Physical Facilities*
JESSE L. MOORE, *Director, Supplier Diversity Development*
RABINDRA N. MUKERJEA, *Executive Director of Strategic Planning and Assessment*
ALYSA CHRISTMAS ROLLOCK, *Vice President for Ethics and Compliance*
KEN L. SANDEL, *Director of Physical and Capital Planning*
TIMOTHY J. SANDERS, *Associate Vice President for Governmental Relations*
TERI L. THOMPSON, *Vice President for Marketing and Media*

REGIONAL CAMPUS STAFF

HOWARD S. COHEN, *Chancellor, Purdue University Calumet*
JAMES B. DWORKIN, *Chancellor, Purdue University North Central*
MICHAEL A. WARTELL, *Chancellor, Indiana University-Purdue University Fort Wayne*
STEPHEN R. TURNER, *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*

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Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF PURDUE UNIVERSITY, WEST LAFAYETTE, INDIANA

We have audited the accompanying basic financial statements of Purdue University (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2011 and 2010. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the component unit of the University as discussed in Note 1, which represents 100% of the assets and revenues of the discretely presented component unit. 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 0.4% of the assets of the University. Those statements 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 audits 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 audits provide a reasonable basis for our opinion.

In our opinion, based on our audits 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, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2011, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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.

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The Introductory Section, In-State Enrollment, and Acknowledgements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Introductory Section, In-State Enrollment, and Acknowledgements have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS
State Board of Accounts

October 21, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011 and 2010

We are pleased to present this financial discussion and analysis of Purdue University (the University). It is intended to make the University's financial statements easier to understand and communicate our financial situation in an open and accountable manner. 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 information reported.

The following discussion and analysis provides an overview of the financial position and activities of the University for the fiscal years ended June 30, 2011 and 2010 (Fiscal Years 2011 and 2010, respectively), with comparative financial information for Fiscal Year 2009. Since this presentation includes highly summarized data, it should be read in conjunction with the financial statements, which have the following other parts:

- **Report of Independent Auditors** presents an unqualified opinion prepared by our auditors (the Indiana State Board of Accounts) on the fairness (in all material respects) of our financial statements.
- **Statements of Net Assets** present the assets, liabilities and net assets of the University at a point in time (June 30, 2011 and 2010). Their purpose is to present a financial snapshot of the University. They aid readers in determining the assets available to continue the University's operations; how much the University owes to employees, vendors and investors; and a picture of net assets and their availability for expenditure by the University.
- **Statements of Revenues, Expenses and Changes in Net Assets** present the total revenues earned and expenses incurred by the University for operating, nonoperating and other related activities during a period of time (the years ended June 30, 2011 and 2010). Their purpose is to assess the University's operating and nonoperating activities.
- **Statements of Cash Flows** present cash receipts and payments of the University during a period of time (the years ended June 30, 2011 and 2010). Their purpose is to assess the University's ability to generate net cash flows and meet its obligations as they come due.
- **Notes to the Financial Statements** present additional information to support the financial statements and are commonly referred to as "Notes." Their purpose is to clarify and expand on the information in the financial statements. Notes are referenced in this discussion to indicate where details of the financial highlights may be found.

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

We suggest that you combine this financial analysis and discussion with relevant nonfinancial indicators to assess the University overall. Examples of nonfinancial indicators include trend and quality of applicants, freshman class size, student retention, building condition, and campus safety. Information about nonfinancial indicators is not included in this analysis but may be obtained from the University's Office of Institutional Research (see www.purdue.edu/datadigest/).

FINANCIAL HIGHLIGHTS

Statement of Net Assets

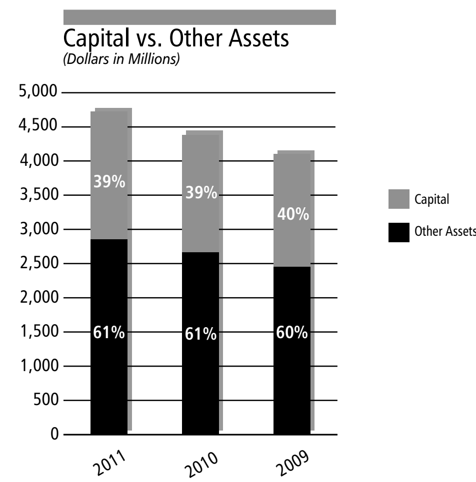
A summarized comparison of the University's assets, liabilities and net assets appears in Table 1 and demonstrates that the University has grown over the past three fiscal years.

Current assets include those that may be used to support current operations, such as cash and cash equivalents, account and certain other receivables, and inventories. Noncurrent assets include capital assets, certain pledges receivable and investments. As of June 30, 2011 and 2010, total assets were approximately $4,720,345,000 and $4,365,653,000, respectively, an increase of $354,692,000, or 8.1%, and $326,628,000, or 8.1%, for Fiscal Years 2011 and 2010, respectively. The overall growth in assets is attributed to increases in investments and capital assets.

Figure 1 depicts the portion of total assets that were capital. More information about capital assets is provided in the Capital Asset and Debt Administration section.

Current assets decreased approximately $99,743,000 as of June 30, 2011, and increased approximately $107,370,000 as of June 30, 2010, respectively. As of June 30, 2011 and 2010, cash and cash equivalents were approximately $510,192,000 and

Figure 1



"Gateway to the Future" arch

$562,410,000, respectively, a decrease of $52,218,000 and an increase of $51,102,000, respectively. This included $9,936,000 and $169,831,000 in security lending assets. The University decided to terminate its security lending program during fiscal year 2011 but did not completely exit it until the first quarter of the next fiscal year (further discussion in Note 12). As detailed in the Capital Asset and Debt Administration section, the University has an active capital financing program that has resulted in invested bond proceeds of $172,963,000 and $120,706,000 as of June 30, 2011 and 2010, respectively. As of June 30, 2011 and 2010, the remaining $372,293,000 and $271,873,000 of cash and cash equivalents is available for operations. The increase in operating cash results from the University's program-focused and conservative spending in response to the current economic conditions (further detailed in the Economic Factors That Will Affect the Future section).

As of June 30, 2011 and 2010, noncurrent assets increased $454,435,000, or 12.8%, and $219,258,000, or 6.6%, respectively. Marketable securities and other investments increased approximately $277,148,000 in Fiscal Year 2011 compared to the $157,276,000 increase in Fiscal Year 2010. This was the result of an improvement in the market over the prior fiscal year. Please reference a more detailed discussion in the Statement of Revenues, Expenses and Changes in Net Assets section.

Current liabilities are generally expected to become due and payable over the course of the following fiscal year. These include accounts and other payables, deferred revenues, the current portion of long-term debt, liability for securities lending activity, and salaries and related compensation payables. Current liabilities include variable-rate demand bonds, although most of the bonds are expected to be paid in future fiscal years. Noncurrent liabilities include bonds, notes and leases payable. Total liabilities were approximately $1,270,389,000 and $1,284,512,000 on June 30, 2011 and 2010, respectively.

Table 1. Summary Statement of Net Assets (Dollars in Thousands)

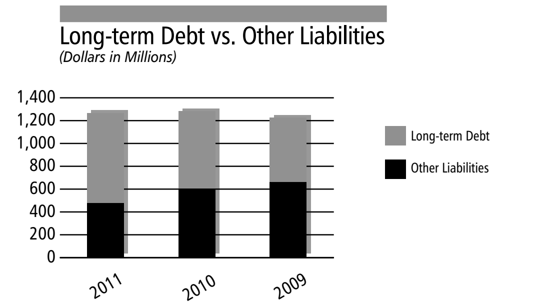
	2011	2010	2009
Current Assets	$713,392	$813,135	$705,765
Capital Assets	1,835,976	1,712,621	1,606,709
Other Assets	2,170,977	1,839,897	1,726,551
Total Assets	**$4,720,345**	**$4,365,653**	**$4,039,025**
Current Liabilities	$357,622	$538,773	$588,689
Noncurrent Liabilities	912,767	745,739	636,353
Total Liabilities	**$1,270,389**	**$1,284,512**	**$1,225,042**
Invested in Capital Assets, Net of Related Debt	$1,035,092	$984,844	$964,652
Restricted-Nonexpendable	448,180	430,685	398,025
Restricted-Expendable	762,968	647,859	584,106
Unrestricted	1,203,716	1,017,753	867,200
Total Net Assets	**$3,449,956**	**$3,081,141**	**$2,813,983**

Figure 2 depicts the portion of long-term debt (noncurrent) relative to total liabilities.

Securities lending liabilities decreased $159,895,000 in Fiscal Year 2011 and increased $31,894,000 in Fiscal Year 2010, respectively. For a detailed discussion of the University's security lending program, please refer to Notes 2 and 12.

Bonds, leases and notes payable increased $127,159,000 and $15,703,000 in Fiscal Year 2011 and 2010, respectively. A discussion of the University's capital financing activities appears in the Debt and Financing Activities section below as well as in Note 6.

Figure 2



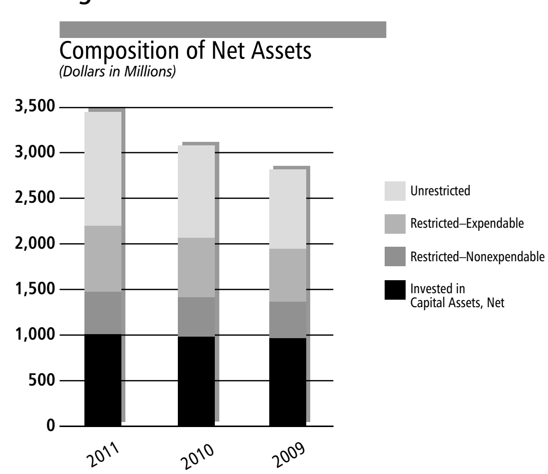
Net assets are classified into four categories:

- 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, 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 $3,449,956,000 and $3,081,141,000 as of June 30, 2011 and 2010, respectively. Figure 3 provides a comparison between fiscal years as well as the composition of net assets.

Invested in capital assets, net of related debt increased $50,248,000 and $20,192,000 in Fiscal Years 2011 and 2010, respectively. As of June 30, 2011 and 2010, the University added capital assets of $248,003,000 and $240,075,000, respectively, offset by annual depreciation of $119,820,000 and $112,916,000, respectively. Debt transferred related to expended bond and commercial paper proceeds, net of payments and amortization of bond premiums accounted for $78,883,000 and $85,720,000 in Fiscal Years 2011 and 2010, respectively. See additional details in the Capital Asset and Debt Administration section.

Figure 3



Restricted Nonexpendable increased $17,495,000 and $32,660,000 in Fiscal Years 2011 and 2010, related to permanent gifts to endowments received offset by changes related to market conditions for interest in charitable remainder trusts.

As of June 30, 2011, restricted expendable increased $115,109,000, compared to an increase of $63,753,000 in the prior year. This increase was driven by the equity markets over the past two years related to the endowment pool investments.

Consistent with operational results (detailed in the Statement of Revenues, Expenses and Changes in Net Asset section), unrestricted net assets increased $185,963,000 as of June 30, 2011, compared to the $150,553,000 increase as of June 30, 2010.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

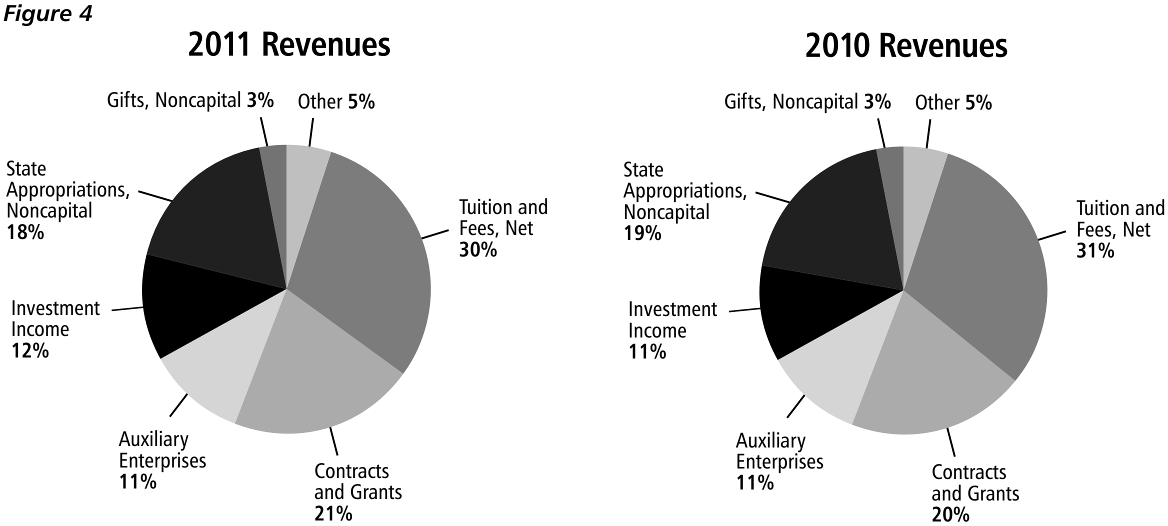
A summarized comparison of the University's revenues, expenses and changes in net assets follows in Table 2.

Table 2. Summary Statement of Revenues, Expenses and Changes in Net Assets (Dollars in Thousands)

	2011	2010	2009
Operating Revenues			
Tuition and Fees, Net	$659,832	$615,423	$574,094
Grants and Contracts	366,567	339,392	285,347
Auxiliary Enterprises, Net	232,213	220,023	213,044
Other Operating Revenues	92,861	88,539	84,013
Total Operating Revenues	**$1,351,473**	**$1,263,377**	**$1,156,498**
Operating Expenses			
Depreciation	$119,820	$112,629	$112,244
Other Operating Expenses	1,666,873	1,626,011	1,568,414
Total Operating Expenses	**$1,786,693**	**$1,738,640**	**$1,680,658**
Operating Loss	$(435,220)	$(475,263)	$(524,160)
Nonoperating Revenue	779,690	715,333	348,409
Capital and Endowments	24,345	46,428	27,943
Total Nonoperating Revenues	**$804,035**	**$761,761**	**$376,352**
Cumulative Effect of Change in Accounting Policy	–	(19,340)	–
Increase in Net Assets	$368,815	$267,158	$(147,808)
Net Assets, Beginning of Year	3,081,141	2,813,983	2,961,791
Net Assets, End of Year	**$3,449,956**	**$3,081,141**	**$2,813,983**

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. Because Purdue is a public university, nonoperating revenues are an integral part of its operating budget. Private gifts for capital projects and additions to the University's permanent endowment are also considered nonoperating sources of revenue but are not part of the University's operating budget. Figure 4 provides information about the University's sources of revenues, excluding endowments and capital, for the Fiscal Years 2011 and 2010. Overall, as of June 30, 2011 and 2010, the University had a net increase in net assets of $368,815,000 and $267,158,000, respectively.

Figure 4



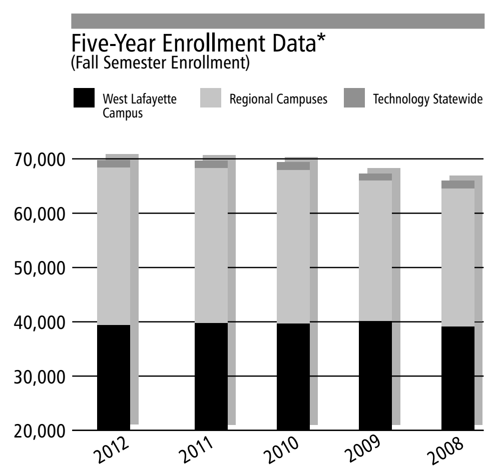
Total operating revenues increased $88,096,000, or 7.0%, from $1,263,377,000 in Fiscal Year 2010 to $1,351,473,000 in Fiscal Year 2011. There was an increase of $106,879,000, or 9.2%, from Fiscal Year 2009 to Fiscal Year 2010. Net tuition and fee revenue increased $44,409,000 and $41,329,000 in Fiscal Years 2011 and 2010, respectively, primarily resulting from a student fee rate increase. Enrollment increased across all campuses by 339 and 2,000 students in Fiscal Years 2011 and 2010, respectively. West Lafayette's enrollment increased by 29 students in Fiscal Year 2011 compared to the decrease of 393 students in Fiscal Year 2010. Enrollment patterns for the past five years are illustrated in Figure 5.

Operating grant and contract revenue increased $27,175,000 and $54,045,000 in Fiscal Years 2011 and 2010, respectively. The large increase during both fiscal years is attributed to receiving additional grants related to the American Recovery and Reinvestment Act (ARRA).

Auxiliary Enterprise revenue increased $12,190,000 and $6,979,000 in Fiscal Years 2011 and 2010, respectively. The change in the current fiscal year was driven by increased rates for housing and new sources of athletic revenue.

Total operating expenses increased from $1,738,640,000 as of June 30, 2010 to $1,786,693,000 as of June 30, 2011. Compensation and benefits, which makes up approximately 67% of operating expenses, increased $28,591,000 and $52,630,000 in Fiscal Years 2011 and 2010, respectively. Salary and wages total increase was below 2.8% in both years. Related benefits increased more

Figure 5



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

than 9.8% in Fiscal Year 2010 due to increased medical claims and benefits, retirement contributions and the amortization of the other post employment benefits obligation, whereas benefits only increased approximately 2.0% in Fiscal Year 2011 as a result of restructuring the retirement program (detailed in Note 9). Due to the fiscal measures undertaken at the University as a result of the severe recession, supplies and other services only increased 1.9% in Fiscal Year 2011 and decreased 0.7% in Fiscal Year 2010.

In Fiscal Years 2011 and 2010, there was an increase in total financial aid of over $19,031,000 and $25,362,000, respectively. The primary reason for the change in total financial aid in both Fiscal Year 2011 and 2010 was an increase in Pell Grants of approximately $9,739,000 and $23,753,000, respectively.

Nonoperating revenues (net of expenses) increased $64,357,000 and $366,924,000 in Fiscal Years 2011 and 2010. In Fiscal Year 2011, the primary reason for the change was an increase in investment income of approximately $59,074,000. In Fiscal Year 2010, gifts and state appropriations decreased approximately $34,730,000, whereas investment income increased $380,926,000 and grant and contract revenue increased $23,656,000. As of June 30, 2011, the University's endowment increased 22.9% and the Standard and Poor's (S&P) 500 index increased 30.7%, whereas, as of June 30, 2010, the University endowment increase was equal to the S&P 500 index of 14.4%. The University's endowment was invested 40.9% in public equities, 15.1% in fixed income and 44.0% in private investments. The portfolio composition did not materially change from prior years, with only a slight shift of 4% from public equities to private investments.

Capital and Endowment income decreased $22,083,000, or 47.6%, over the previous year from $46,428,000 in Fiscal Year 2010 to $24,345,000 in Fiscal Year 2011. Capital gifts decreased $14,722,000 and increased $7,819,000 in Fiscal Years 2011 and 2010, respectively. Private Gifts for Endowments decreased $4,229,000 and increased $9,908,000 as of June 30, 2011 and 2010, respectively. This volatile change between fiscal years was a result of the turbulent economic conditions over the last two years.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides a means to assess the financial health of the University by providing relevant information about the cash receipts and cash payments of the University during the fiscal year. It assists in determining whether an entity has the ability to generate future net cash flows to meet its obligations as they become due, and to determine the need for external financing. The Statement of Cash Flows presents sources and uses of cash and cash equivalents in four activity-based categories: operating, noncapital financing, investing, and capital and related financing. Table 3 provides a summarized comparison of the University's sources, uses and changes in cash and cash equivalents.

Table 3. Summarized Comparison of Changes in Cash and Cash Equivalents (Dollars in Thousands)

	2011	2010	2009
Cash Used by Operating Activities	$(307,465)	$(365,748)	$(377,861)
Cash Provided by Noncapital Financing Activities	549,958	552,406	545,349
Cash Provided (Used) by Investing Activities	(167,123)	86,112	(43,355)
Cash Used by Capital and Related Financing Activities	(127,588)	(221,668)	(22,485)
Net Increase (Decrease) in Cash and Cash Equivalents	$(52,218)	$51,102	$101,648
Cash and Cash Equivalents, Beginning of Year	562,410	511,308	409,660
Cash and Cash Equivalents, End of Year	**$510,192**	**$562,410**	**$511,308**

The University's focus on managing its operations described above is reflected in the steady decrease in the cash used by operating activities over the last three fiscal years. The fluctuation in noncapital financing activities reflects the nonoperating revenue changes described above. The fluctuation in investing activities reflects the changes in market conditions during this period. The fluctuation in cash flows used by capital and related financing activities over the last three fiscal years reflects the financing strategy and timing of the University's capital plan, which is detailed in the Capital Asset and Debt Administration section.

CAPITAL ASSET AND DEBT ADMINISTRATION

Major Construction 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 Fiscal Years 2011 and 2010 are listed in Table 4 (dollars in thousands). Significant projects in progress as of June 30, 2011, are listed in Table 5 (dollars in thousands).

Table 4. Major Projects Completed (More than $2 Million)

Projects Completed in 2011	Project Budget	Source of Funds
Bill & Sally Hanley Hall — Human Development	$11,500	Gifts and Grant
Calumet — Powers Building Infrastructure Upgrade	3,260	Grant and Calumet Reserves
Campus-Wide Tunnel Repair and Waterproofing, Phase I	2,000	Bonds
Fort Wayne Music Building Philharmonic Addition	4,500	Gifts
Fort Wayne Student Housing Phase 3	38,000	Bonds
Gatewood Wing — Mechanical Engineering Building	34,500	Bonds and Gifts
Lilly Hall West Wing Renovations	28,550	Bonds
McCutcheon Hall Fire Protection and Air Conditioning	11,207	Departmental Reserves
Printing Services and Grounds Maintenance Facility Relocation	5,500	F&A Recovery and Endowment Income
Wade Utility MACT Compliance	9,000	Bonds
Wetherill Air Handler Units Replacement	12,000	Bonds
Young Hall Floors 9 and 10 Renovation	4,455	Repair and Rehabilitation Funds
Total Major Projects Completed	**$164,472**	

Projects Completed in 2010	Project Budget	Source of Funds
Calumet — Student Housing Phase II	$21,100	Bonds
Discovery Learning Center	25,000	Gifts, Grant and Capital Reserves
Discovery Park Site Development Phase VI	2,400	Discovery Park Funds
Fort Wayne Energy Management Performance	2,454	Bonds
Hillenbrand Residence Hall Dining Court Renovation	3,200	Departmental Reserves
Hockmeyer Hall of Structural Biology	32,900	Gifts and West Lafayette Reserves
Krannert Building Basement & 3rd Floor Renovation	3,500	Gifts
Niswonger Aviation Technology Building	7,800	Gifts
Replacement Student Housing (First Street Towers)	52,000	Bonds
Wetherill Laboratory of Chemistry Electrical Upgrade	2,000	Repair and Rehabilitation Funds
Young Hall Exterior Recladding	6,000	Bonds
Total Major Projects Completed	**$158,354**	

Table 5. Major Construction Projects in Progress (More than $2 Million)

	Project Budget	Source of Funds
Agricultural and Biological Engineering and Central Machine Shop	$2,800	Departmental Reserves, Gift & INDOT
Bindley Bioscience Center Addition	14,900	Grant
Calumet Center for Hospitality and Tourism Management	4,700	Gift and Calumet Reserves
Calumet Center for Innovation through Visualization and Simulation	3,700	Grant and Calumet Reserves
Calumet Cooling Tower Replacement	2,700	Calumet Reserves
Elliott Hall of Music Sprinkler System Installation	3,550	Repair and Rehabilitation Funds
Energy Perf Contract — Brown, Stewart Center & Civil Engineering	4,504	Bonds
First Street Towers West	17,700	Bonds
Fort Wayne Parking Garage #3	15,500	Bonds
Fort Wayne Student Services & Library Complex	42,400	Bonds, Gifts and Appropriations
Harrison Hall Sprinkler System and AC Renovation	11,500	Departmental Reserves
Herrick Laboratory Replacement Phase I	23,500	Gift and Grant
High Voltage Improvement Phase II	25,100	Bonds
Krannert Building Management & Economics Library Remodel Phase 3	2,500	Gifts
Lilly Hall West Wing Renovations	28,550	Bonds
Mackey Complex Renovation & Addition	99,500	Gifts and Certificates of Participation
Marriott Hall of Hospitality & Tourism Management	13,000	Gifts and West Lafayette Reserves
Math Sciences Research Data Center Renovation	2,950	Grants and Departmental Reserves
Northwest Athletics Complex Phase 1	21,000	Departmental Reserves
Storm Sewer Modifications	9,500	Bonds
Student Fitness and Wellness Center Renovation & Addition	98,000	Bonds and Gifts
Wade Boiler #7 — Purchase	4,300	West Lafayette Reserves
Wang Hall of Electrical and Computer Engineering	18,000	Gift and West Lafayette Reserves
Windsor Residence Halls Renovation	59,600	Bonds
Total Major Projects in Progress	**$529,454**	

In addition, the Trustees have authorized the following major projects in which construction has not been started as of June 30, 2011, and may not have state approval (dollars in thousands).

Table 6. Major Projects Authorized — Not Started (More than $2 Million)

Authorized in 2010	**Project Budget**	**Source of Funds**
Calumet Emerging Technologies Building	$28,900	Bonds
Center for Student Excellence and Leadership	30,000	Endowment Income and Athletics
Drug Discovery Facility	20,000	Bonds
Health and Human Sciences Research Facility	53,700	Bonds and Gifts
Herrick Labs Center for Advanced Acoustics Research Addition	12,500	Grants and Departmental
North Central Student Services and Activities Complex	34,700	Bonds and Gifts
Authorized in 2011	**Project Budget**	**Source of Funds**
Ralph and Bettye Bailey Hall	$8,182	Gifts
Heine Pharmacy Building Lab Renovations	2,500	Gifts
Northwest Chiller #6 — Installation	2,900	West Lafayette Reserves
Total Major Project Budgets Authorized — Not Started	**$193,382**	

DEBT AND FINANCING ACTIVITIES

Bonds, Leases and Notes (Net) obligations totaled $973,933,000 and $846,774,000 as of June 30, 2011 and 2010, respectively. These obligations are nearly 77% and 66% of the total liabilities of the University in Fiscal Year 2011 and 2010, respectively. The University's debt portfolio as of June 30, 2011, consisted of $104,186,000 of variable rate instruments or 10.7%, compared to $869,747,000 in fixed rate obligations. The University's debt portfolio as of June 30, 2010, consisted of $143,831,000 of variable rate instruments or 16.9%, compared to $702,943,000 in fixed rate obligations. As of June 30, 2011 and 2010, the University had a credit rating of Aaa from Moody's Investors Service. Purdue's Standard & Poor's rating for fixed-rate debt was upgraded in Fiscal Year 2011 from AA to AA+. The University was one of only eight public higher education institutions whose Moody's credit rating was Aaa. In addition, the University's variable-rate debt received short-term ratings by Moody's of VMIG-1/P-1 and by Standard & Poor's of A-1+. Table 7 shows debt issued in Fiscal Years 2011 and 2010. For additional details, see Note 6.

Table 7. Debt Issued in Fiscal Years 2011 and 2010

Issued in Fiscal Year 2010	**Interest Rates**	**Maturity Dates**	**Issue Amount**
Certificates of Participation with Ross-Ade:			
Series 2009A			
Used to finance the renovation of Mackey Arena	2.50-5.00%	2012-2015	$7,600
Series 2009B			
Used to finance the renovation of Mackey Arena	4.07-5.96%	2016-2031	42,795
Student Fee Bonds:			
Series Y			
Used to refund Student Fee Bond Series S, T and V	2.00-5.00%	2010-2027	74,130

Issued in Fiscal Year 2011	**Interest Rates**	**Maturity Dates**	**Issue Amount**
Certificates of Participation with Ross-Ade:			
Series 2011A			
Used to finance the renovation of Mackey Arena	0.03% *	2031-2035	$32,185
Student Facilities System Revenue Bonds:			
Series 2010A			
Used to finance the renovation of West Lafayette student housing facilities and refund a portion of commercial paper	1.90-5.96%	2013-2030	24,985
Series 2011A			
Used to refund a portion of Student Facilities System Revenue Bond Series 2004A, 2005A and 2007C	2.00-5.00%	2012-2025	49,440
Student Fee Bonds:			
Series Z-1			
Used to refund a portion of commercial paper and a portion of Student Fee Bond Series H, K, L, O and R	4.00-5.00%	2011-2024	68,320
Series Z-2			
Used to finance construction of the West Lafayette Student Fitness and Wellness Center and the Fort Wayne Parking Garage, and a portion of R&R projects	1.04-5.33%	2013-2035	100,705
Total Debt Issued			**$400,160**

*Variable interest rates are reset weekly and are based upon market conditions. Amounts shown as of June 30, 2011.

Figure 6

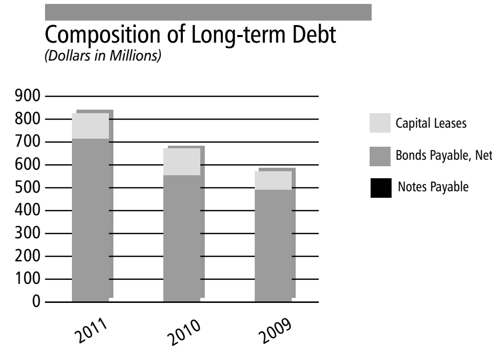


Figure 6 compares the composition of long-term debt (noncurrent portion) by fiscal year.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Due to the continuing economic recession and its impact on state revenues, fiscal year 2012 state operating appropriations to the University have been cut $5.7M, or 1.8%: West Lafayette (-3.0%), Calumet (0.4%), Fort Wayne (2.0%) and North Central (6.3%). Although no funds were appropriated for repair and rehabilitation projects at any of the campuses, the University continues its commitment to these important investments using other available resources.

Tuition rate increases were set for two fiscal years (2011-2012 and 2012-2013), with a 3.5% increase for Indiana residents and nonresident students at the West Lafayette campus each year. Additionally, the West Lafayette campus implemented a fee to support the renovation of the Student Fitness and Wellness Center and introduced a new tuition for undergraduate international students. Tuition rates at each of the regional campuses will increase 2.5% for Indiana residents and nonresident students for each of the two years.

Under these conditions, each campus continues its efforts to identify operational efficiencies, cost savings initiatives and new sources of revenue to supplement its operating budget.

Enrollment reached an all-time high at all Purdue campuses with 70,259* for the fall semester of the 2012 academic year — up from 69,694* the previous year. Enrollment at the West Lafayette campus was 39,637, a decrease of 89 students from the fall semester of the 2011 academic year. The academic quality of its freshman class at the West Lafayette campus increased for the fifth consecutive year. Cumulative SAT scores for the freshman class increased 14 points and are 23 points better than the class that came to Purdue two years ago. Purdue's West Lafayette campus freshman class has 6,659 students, up from 6,347 last year.

The University is positioned to maintain its strong financial position into the future.

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

STATEMENT OF NET ASSETS

	As of June 30	
	2011	**2010**
	(Dollars in Thousands)	
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	$510,192	$562,410
Investments	55,968	100,130
Accounts Receivable, Net of Allowance for Uncollectible Amounts	85,152	81,261
Pledges Receivable, Net of Allowance for Uncollectible Amounts	27,434	40,047
Notes Receivable, Net of Allowance for Uncollectible Amounts	8,214	9,062
Other Assets	26,432	20,225
Total Current Assets	$713,392	$813,135
Noncurrent Assets:		
Investments	2,072,415	1,751,105
Pledges Receivable, Net of Allowance for Uncollectible Amounts	31,289	30,209
Notes Receivable, Net of Allowance for Uncollectible Amounts	48,526	44,842
Interest in Charitable Remainder Trusts	18,747	13,741
Capital Assets, Net of Accumulated Depreciation	1,835,976	1,712,621
Total Noncurrent Assets	**4,006,953**	**3,552,518**
Total Assets	**$4,720,345**	**$4,365,653**
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Expenses	113,913	103,967
Deferred Revenue	37,829	38,202
Deposits Held in Custody for Others	21,870	22,782
Securities Lending Liability	9,936	169,831
Accrued Compensated Absences	26,504	25,213
Bonds (Net), Leases and Notes Payable	147,570	178,778
Total Current Liabilities	**$357,622**	**$538,773**
Noncurrent Liabilities:		
Accrued Compensated Absences	31,797	32,782
Other Post Employment Benefits	27,263	18,646
Funds Held in Trust for Others	7,411	6,345
Advances from Federal Government	19,933	19,970
Bonds (Net), Leases and Notes Payable	826,363	667,996
Total Noncurrent Liabilities	**912,767**	**745,739**
Total Liabilities	**$1,270,389**	**$1,284,512**

STATEMENT OF NET ASSETS *(CONTINUED)*

	As of June 30	
	2011	2010
	(Dollars in Thousands)	
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	$1,035,092	$984,844
Restricted		
Nonexpendable		
Instruction and Research	223,563	225,154
Student Aid	194,476	180,470
Other	30,141	25,061
Total Nonexpendable	$448,180	$430,685
Expendable		
Instruction, Research and Public Service	153,527	163,331
Student Aid	75,895	69,501
Auxiliary Enterprises	4	2,640
Construction	30,387	50,770
Other	503,155	361,617
Total Expendable	762,968	647,859
Unrestricted	**1,203,716**	**1,017,753**
Total Net Assets	**$3,449,956**	**$3,081,141**

See Accompanying "Notes to the Financial Statements."

Cash Provided Used by Operating Activities

Discovery Park fountain

COMPONENT UNIT

Statement of Financial Position

	Purdue Research Foundation Statement Reported as of June 30, 2011 (Dollars in Thousands)
ASSETS:	
Cash and Cash Equivalents	$18,028
Accounts and Other Receivables	15,152
Pledges Receivable	190
Investments in Securities	852,065
Notes Receivable	1,805
Investment in Affiliates	9,509
Real Estate, Net	143,229
Other Assets and Equipment, Net	4,097
Interest in Charitable Perpetual Trusts	15,167
Total Assets	$1,059,242
LIABILITIES AND NET ASSETS:	
Accounts Payable and Other Accrued Expenses	$17,527
Due on Split Interest Agreements	62,788
Net Funds Held as Custodian	50,360
Bonds Payable	78,830
Mortgages, Notes Payable and Line of Credit	9,413
Gift Annuity Payable	3,786
Other Liabilities	4,183
Total Liabilities	$226,887
NET ASSETS:	
Unrestricted	$70,407
Temporarily Restricted	637,032
Permanently Restricted	124,916
Total Net Assets	**$832,355**
Total Liabilities and Net Assets	**$1,059,242**

Purdue Technology Center of Southeast Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	For the Year Ended June 30	
	2011	2010
	(Dollars in Thousands)	
Operating Revenues		
Tuition and Fees	$757,072	$700,118
Less: Scholarship Allowance	(97,240)	(84,695)
Net Tuition and Fees (pledged, see note 6)	$659,832	$615,423
Federal Grants	15,683	13,217
County Grants	7,951	6,932
Grants and Contracts	366,567	339,392
Sales and Services	65,219	64,509
Auxiliary Enterprises (Net of Scholarship Allowance of $13,344 and $11,900, respectively, pledged, see note 6)	232,213	220,023
Other Operating Revenues	4,008	3,881
Total Operating Revenues	**$1,351,473**	**$1,263,377**
Operating Expenses		
Compensation and Benefits	1,201,083	1,172,492
Supplies and Services	395,617	388,288
Depreciation Expense	119,820	112,629
Scholarships, Fellowships, and Student Awards	70,173	65,231
Total Operating Expenses	**$1,786,693**	**$1,738,640**
Net Operating Loss	**(435,220)**	**(475,263)**
Nonoperating Revenues (Expenses)		
State Appropriations	385,300	387,561
Grants and Contracts	77,973	66,634
Private Gifts	67,160	70,354
Investment Income (Loss)	270,794	211,720
Interest Expense	(27,665)	(24,718)
Other Nonoperating Revenues, Net	6,128	3,782
Total Nonoperating Revenues before Capital and Endowments	**$779,690**	**$715,333**
Capital and Endowments		
Capital Gifts	5,287	20,009
Private Gifts for Permanent Endowments and Charitable Remainder Trusts	23,817	28,046
Plant Assets Retired and Insurance Recoveries	(4,759)	(1,627)
Total Capital and Endowments	**$24,345**	**$46,428**
Total Nonoperating Revenues	**804,035**	**761,761**
Cumulative Effect of Change in Accounting Policy		
Assets under Capitalization Level Written Off	–	(19,340)
INCREASE (DECREASE) IN NET ASSETS	$368,815	$267,158
Net Assets, Beginning of Year	$3,081,141	$2,813,983
Net Assets, End of Year	$3,449,956	$3,081,141

See Accompanying "Notes to the Financial Statements."

Cash Provided Used by Operating Activities

COMPONENT UNIT

STATEMENT OF ACTIVITIES

	Purdue Research Foundation Statement Reported as of June 30, 2011 (Dollars in Thousands)
Revenue and Support	
Amount Received for Purdue University Research Projects	$6,374
Less Payments to Purdue University	(6,374)
Administrative Fee on Research Projects	–
Contributions	$16,350
Income on Investments	13,965
Net Unrealized and Realized Gains	153,388
Change in Value of Split Interest Agreements	(14,230)
Increase in Interests in Perpetual Trusts	1,679
Rents	10,128
Royalties	6,228
Other	2,884
Net Assets Released from Restrictions	–
Total Revenue and Support	**$190,392**
Expenses and Losses	
Expenses for the Benefit of Purdue University	
Contributions to Purdue University	$18,568
Patent and Royalty	7,536
Grants	11,576
Services for Purdue University	1,023
Development Office	700
Other	2,949
Total Expenses for the Benefit of Purdue University	**$42,352**
Administrative and Other Expenses	
Salaries and Benefits	$8,391
Property Management	9,277
Professional Fees	2,647
Supplies	421
Interest	4,673
Research Park	692
Other	4,028
Total Administrative and Other Expenses	**$30,129**
Change in Net Assets	$117,911
Net Assets, Beginning of Period	710,565
Restatement	3,879
Net Assets, Beginning of Period, as Restated	714,444
Net Assets, End of Period	**$832,355**

STATEMENT OF CASH FLOWS

	For the Year Ended June 30	
	2011	2010
	(Dollars in Thousands)	
Cash Flows by Operating Activities		
Tuition and Fees, Net of Scholarship Allowances	$660,296	$613,890
Federal Appropriations	15,683	13,217
County Appropriations	7,951	6,932
Grants and Contracts	366,836	334,518
Sales and Services	63,250	63,486
Auxiliary Enterprises, Net of Scholarship Allowances	233,540	220,398
Other Operating Revenues	3,038	593
Compensation and Benefits	(1,189,377)	(1,163,287)
Supplies and Services	(394,809)	(391,725)
Scholarships, Fellowships and Student Awards	(71,018)	(64,250)
Student Loans Issued	(11,240)	(7,749)
Student Loans Collected	8,385	8,229
Cash Used by Operating Activities	**$(307,465)**	**$(365,748)**
Cash Flows by Noncapital Financing Activities		
State Appropriations	385,300	387,561
Grants and Contracts	77,973	66,634
Gifts for Other than Capital Purposes	80,512	93,700
Funds Held in Trust for Others	45	695
Other Nonoperating Revenues, Net	6,128	3,816
Cash Provided by Noncapital Financing Activities	**$549,958**	**$552,406**
Cash Flows by Investing Activities		
Purchases of Investments	(3,701,303)	(6,291,124)
Proceeds from Sales and Maturities of Investments	3,492,882	6,331,009
Interest and Dividends on Investments, Net	41,298	46,227
Cash Provided (Used) by Investing Activities	**$(167,123)**	**$86,112**
Cash Flows by Capital and Related Financing Activities		
Debt Repayment	(192,161)	(116,181)
Capital Debt Proceeds	322,256	134,123
Interest Expense	(31,225)	(28,557)
Capital Gifts Received	18,752	13,113
Construction or Purchase of Capital Assets	(245,210)	(224,166)
Cash Used by Capital and Related Financing Activities	**$(127,588)**	**$(221,668)**
Net Increase (Decrease) in Cash and Cash Equivalents	(52,218)	51,102
Cash and Cash Equivalents, Beginning of Year	562,410	511,308
Cash and Cash Equivalents, End of Year	**$510,192**	**$562,410**

STATEMENT OF CASH FLOWS *(CONTINUED)*

Reconciliation of Cash Used for Operating Activities (Indirect Method)

	For the Year Ended June 30	
	2011	2010
	(Dollars in Thousands)	
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	$(435,220)	$(475,263)
Depreciation Expense	119,820	112,629
Noncash investing, capital and financing activities	1,138	489
Changes in Assets and Liabilities:		
Accounts Receivable	(4,173)	(4,963)
Notes Receivable	(2,835)	(15)
Other Assets	(5,102)	10
Accrued Compensated Absences	8,924	11,381
Accounts Payable	7,877	(2,646)
Deferred Revenue	2,143	(8,472)
Deposits Held in Custody for Others	–	1,050
Advances from Federal Government	(37)	52
Cash Used by Operating Activities	**$(307,465)**	**$(365,748)**

See Accompanying "Notes to the Financial Statements."

Discovery Park

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ending June 30, 2011

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

ORGANIZATION:

Established in 1869, Purdue University (the University) is the land-grant university for the state of Indiana. The University is a comprehensive, degree-granting research university with 27 schools and colleges on its main campus in West Lafayette and the following regional campuses:

- Indiana University-Purdue University Fort Wayne
- Purdue University Calumet
- Purdue University North Central

In addition to its academic programs offered at the above campuses, the University offers learning and other assistance programs at several other locations in the state of Indiana through:

- College of Technology Statewide Technology Program
- College of Agriculture Purdue Extension
- Technical Assistance Program

The responsibility for making rules and regulations to govern the University is vested in a 10-member Board of Trustees (the Trustees). The selection of these trustees is prescribed in Indiana Code IC 21-23-3. 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 the University. All trustees serve for a period of three years, except for the student member, who serves for two years.

REPORTING ENTITY:

Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended by GASB No. 39, "Determining Whether Certain Organizations Are Component Units," defines the financial reporting entity as an entity that 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 Purdue Foundation, Inc., was created in 1979 as 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 the University. The foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. The University is the sole beneficiary of The Purdue Foundation. Complete financial statements for the foundation can be obtained by writing to: The Purdue Foundation, 1281 Win Hentschel Blvd., West Lafayette, IN 47906.

Ross-Ade Foundation was created in 1923 as a separately incorporated, not-for-profit entity. The Ross-Ade Foundation constructs athletic and parking facilities on behalf of the University. Complete financial statements for the foundation can be obtained by writing to: Ross-Ade Foundation, 1281 Win Hentschel Blvd., West Lafayette, IN 47906.

As additionally required by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units,” organizations that raise and hold economic resources for the direct benefit of the University are included in the reporting entity as discretely presented component units.

Purdue Research Foundation (PRF) was created in 1930 as a separately incorporated, not-for-profit entity. Its primary purpose is to promote the educational purpose of the 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 includes the wholly owned subsidiary McClure Park, LLC, which is a for-profit Indiana corporation that was formed to acquire, construct, lease, operate, convey and mortgage real estate and personal property of every kind and any interest therein. McClure Park wholly owns single member limited liability subsidiaries and participates in several limited liability corporations primarily accounted for using the equity method. PRF reports 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 are different 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. Complete financial statements for the foundation can be obtained by writing to: Purdue Research Foundation, 1281 Win Hentschel Blvd., West Lafayette, IN 47906.

The University has an association with Indiana University-Purdue University Indianapolis for which it is not financially accountable or has primary access to the resources. Accordingly, this organization has not been included in the University’s financial statements.

RELATIONSHIP TO STATE OF INDIANA:

As one of seven public universities in the state, the University is a component unit of the state of Indiana. 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.

TAX-EXEMPT STATUS:

The income generated by the University, as an instrument of the state, is generally excluded from federal income taxes under Section 115(a) of the Internal Revenue Code. The University also has a determination letter from the Internal Revenue Service stating it is exempt under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Income generated from activities unrelated to the University’s exempt purpose is subject to tax under Internal Revenue Code Section 511(a)(2)(B). There was no tax liability related to income generated from activities unrelated to the University’s exempt purpose as of June 30, 2011 and 2010.

BASIS OF PRESENTATION:

The financial statements of the University have been prepared in accordance with the principles contained in GASB Statement No. 34, “Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments,” as amended by GASB Statement No. 35, “Basic Financial Statements — and Management’s Discussion and Analysis — for Public Colleges and Universities.”

During fiscal year 2011, the University adopted GASB Statement No. 59, “Financial Instruments Omnibus.” During fiscal year 2010, the University adopted GASB Statement No. 51, “Accounting and Financial Reporting for Intangible Assets,” GASB Statement No. 53, “Accounting and Financial

Reporting for Derivative Instruments," and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies."

Effective July 1, 2009, the University increased its capitalization threshold for movable equipment from $2,500 to $5,000 and recognized a related cumulative effect of change in accounting policy.

BASIS OF ACCOUNTING:

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation is incurred.

The University applies all applicable GASB pronouncements. In addition, the University has chosen to only apply Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with, or contradict, GASB pronouncements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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 maturities of three months or less as of the balance sheet date. It is the University's practice to invest operating cash balances and bond proceeds in investments of varying maturity dates. 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.

Investments. Investments, exclusive of institutional physical properties, are generally reported at fair value. Fair value is generally based on quoted market price as of June 30, 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. Investments, exclusive of endowment funds, may be classified 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.

Accounts Receivable. Accounts receivable primarily represent grant, contract and student payments due the University and are shown net of an allowance for doubtful accounts.

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.

Notes Receivable. Notes receivable primarily represent student loan repayments due the University and are presented net of allowance for doubtful accounts.

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 is valued on the Last In/First Out (LIFO) basis and limestone is valued on the First In/First Out (FIFO) 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 moving average cost method.

Prepaid Expenses. Prepaid expenses include amounts paid for services attributable to future fiscal years. These services include insurance, equipment leases, services of consultants, subscriptions and certain subcontracts. Bond issuance costs, premiums and discounts are only capitalized when such costs exceed $500,000 per single issue. Premium and discount amortization is computed using the declining balance method with a yearly convention over the life of the debt.

Interest in Charitable Remainder Trusts. The PRF Trust Funds are various revocable and irrevocable trusts established for the benefit of the University, the Purdue Research Foundation, the former Purdue Alumni Foundation and affiliates. PRF 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 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 discretely presented component unit reflects their respective PRF Trust interest on the Statement of Financial Position. As of June 30, 2011 and 2010, the fair value of funds held by PRF Trusts for the University was approximately $28,083,000 and $24,299,000, respectively. 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.

Capital Assets. Capital assets are stated at cost or fair market value at date of gift. Items are capitalized when their value exceeds the threshold shown in the following table and its estimated useful life is greater than one year. Depreciation is 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.

Renovations to buildings and other improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense. Major outlays for capital assets and improvements are capitalized as construction in progress throughout the building project. Interest incurred during the construction phase is included as part of the value of the construction in progress.

Assets under capital leases are capitalized when valued over $500,000 and recorded at the present value of future minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or the estimated useful life. Such amortization is included as depreciation expense in the accompanying financial statements.

The University does not capitalize works of library collections and 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.

Property Class	Threshold	Useful Life
Land	$100,000	Not depreciated
Land Improvements	$100,000	5-25 years
Infrastructure	$100,000	5-25 years
Buildings and Related Components	$100,000	10-50 years
Moveable Equipment (including fabricated equipment)	$5,000*	More than one year
Intangible Assets (software)	$500,000	7 years

*Effective July 1, 2009, the moveable equipment threshold was increased to $5,000 from $2,500.

Accrued Compensated Absences. Liabilities for compensated absences are recorded for vacation leave based on actual amounts earned as of the balance sheet date. Exempt employees may accrue vacation benefits up to a maximum of 44 days. Clerical and service staff may earn vacation up to 320 hours. For all classes of employees, vacation is payable upon termination. An estimate of sick leave liability is recorded for regular clerical and service staff based on historical termination payments. Upon meeting the definition of an official University retiree, regular clerical and service staff are eligible to receive cash payments for 25% of all unused sick leave up to and including 520 hours and 100% of all hours over 520. The liability for compensated absences is expected to be funded by various sources of revenue that are available in future years when the liability is paid.

Deferred Revenue. Deferred revenue consists primarily of cash received from grant and contract sponsors that has not yet been earned under the terms of the agreement. Deferred revenue also includes amounts received in advance of an event, such as student tuition and advance ticket sales related to future fiscal years.

Deposits Held In Custody for Others. Deposits of affiliates and others represent cash and invested funds held by the University as a result of agency relationships with various groups. Noncurrent deposits of affiliates represent the portion of endowment and similar funds held by the University on behalf of others.

Funds Held In Trust for Others. The University holds life income funds for beneficiaries of the pooled income fund, charitable remainder trusts and the gift annuity program. These funds generally pay lifetime income to beneficiaries, after which the principal is made available to the University in accordance with donor intentions. All life income fund assets, including those held in trust, are recorded at fair value net of related liabilities for the present value of estimated future payments due to beneficiaries.

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. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.
- 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 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, research and public service; student aid; auxiliary enterprises; construction; and other. As of June 30, 2011 and 2010, approximately 88% or $443,232,000 and 88% or $316,562,000, respectively, of the "other" category results from undistributed gain on endowment funds and the fair value of funds functioning as endowments where the donor has restricted the use of the funds for a particular purpose. Neither component is available for general institutional use.

- Unrestricted: Net assets not subject to externally imposed stipulations pertaining to their use. Management may designate that these funds will be spent for certain projects or programs or to fulfill certain long-term goals. Management has designated substantially all unrestricted net assets for academic and capital purposes.

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.

Classification of Revenues and Expenses. The University has classified revenues and expenses as operating or nonoperating based upon the following criteria:

- **Operating revenues:** Revenues derived from activities associated with providing goods and services for instruction, research, public service, health services or related support to entities separate from the University and that result from exchange transactions. Exchange activities are transactions where the amount received approximates the fair market value of the goods or services given up. Examples 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.

- **Operating Expenses**. Expenses paid to acquire or produce goods and services provided in return for operating revenues and to carry out the mission of the University. Examples include compensation and benefits, travel, and supplies. Graduate, staff, staff dependent and staff spouse fee remissions are included with compensation and benefits. Expenses are reported using natural classifications in the Statement of Revenues, Expenses and Changes in Net Assets. Functional reporting appears in Note 8. Indirect expenses, such as depreciation, are not allocated across functional categories.

- **Nonoperating Revenues and Expenses.** Revenues and related expenses that do not meet the definition of operating revenues, capital revenues or endowment additions. They are primarily derived from activities that are non-exchange transactions, and from activities defined as such by the GASB cash flow standards. Examples include state appropriations, private gifts, investment income and certain federal financial aid. Nonoperating expenses primarily include interest on short-term and long-term borrowings.

Application of 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.

Tuition and 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 government and other — to provide funds for specific research and training projects.

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. Revenue from gifts-in-kind of approximately $6,149,000 and $2,133,000 was recognized during the years ending June 30, 2011 and 2010, respectively.

Student Aid. Monies received that are restricted for aid to students by donors who have not specified the recipient are reported in the financial statements as gifts. When aid is awarded to students, it is either reflected as a scholarship allowance or expense.

Use of Estimates. To prepare the financial statements in conformity with accounting principles generally accepted, management must make estimates and assumptions. These estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications. Certain prior-year amounts have been reclassified to conform to the presentation used in the current year.

NOTE 2 — DEPOSITS AND INVESTMENTS

Deposits. As of June 30, 2011 and 2010, the bank balance of the University's deposits (demand deposit accounts) was approximately $83,455,000 and $80,985,000, respectively; $250,000 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.

Engineering Fountain and Hovde Hall

Investments. Authorization for investment activity is stated in Indiana Code IC 21-29-2-1. Additionally, the Bylaws of the Trustees, revised and amended on November 10, 2006, authorize the treasurer of the Trustees to implement investment activity. The University had the following investments (dollars in thousands):

Investment Type	June 30, 2011	June 30, 2010
U.S. Agencies	$142,466	$67,149
Asset-Backed Securities	39,134	42,031
Corporate Bonds	344,059	357,432
U.S. Equity	400,864	349,666
International Equity	235,930	186,052
International Fixed Income	7,138	13,913
Marketable Alternatives	251,512	172,918
Mortgage-Backed Securities	213,500	176,287
Private Equity	156,976	122,550
Real Estate	22,466	11,855
U.S. Treasuries and Securities	165,478	217,119
Securities Lending Cash Collateral	9,936	169,831
Mutual Funds and Cash	565,660	445,857
Total	**$2,555,119**	**$2,332,660**

Investment values included accumulated unrealized gains of $194,822,000 and $34,601,000 as of June 30, 2011 and 2010, respectively. Investment income included unrealized gains of $160,221,000 and $100,826,000 during the years ended June 30, 2011 and 2010, respectively.

Investment Policies, Interest Rate and Credit Risks. Investments are managed by two separate policies, both of which are approved by the Trustees:

- The cash management investment policy outlining the parameters for all investments exclusive of endowment funds was approved on April 11, 2008. Authorized investments include obligations of the United States (U.S.) government, its agencies and its instrumentalities; asset-backed and mortgage-backed securities (rated at least AAA or equivalent); corporate notes, corporate bonds, 144A bonds and Yankee bonds (rated investment grade) with demonstrated liquidity and marketability; pooled funds including mutual funds and common trust funds; and high-yield bonds, including corporate bonds and bank loans (minimum credit quality of BB-/Ba3); inclusion in investments managed under the University's endowment investment policy.

  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. Bonds rated BBB or lower will not exceed 20% of the portfolio. The portfolio will result in a weighted average duration between 2 and 5 years and 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.

- The University's endowment investment policy outlining the parameters for endowment investments was approved on July 9, 2010. Authorized investments include equity, fixed income and alternative investments, including comingled investments. The overall policy objective is to generate real returns greater than its spending rate over the long term. The policy sets forth a diversified approach by and within the asset classes with the balanced goal of maximizing return and preserving purchasing power. As a partial hedge against prolonged economic contraction, the University has adopted a target allocation of 15% for fixed income. Portfolios will be invested in securities that result in a weighted average credit quality rating of at least "AA" or better with no single fixed income manager having more than 10% of its portfolio in obligations rated less than BBB or its equivalent by Moody's or Standard & Poor's. Any commercial paper in the portfolio must be rated A-1/P-1 by each rating service rating said credit. Any bankers acceptances and certificates of deposits in the portfolio must be issued by banks having a Keefe Bruyette & Woods rating of A, A/B, or B.

In addition, 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 had the following fixed-income investments and maturities (dollars in thousands):

June 30, 2011			**Maturity**		
Sector	**0-1 year**	**1-5 years**	**6-10 years**	**>10 years**	**Totals**
U.S. Agencies	$31,755	$99,959	$10,752	–	$142,466
Asset-Backed Securities	–	21,046	15,597	2,491	39,134
Corporate Bonds	14,982	212,074	97,106	19,897	344,059
International Fixed Income	7,138	–	–	–	7,138
Mortgage-Backed Securities	9,935	2,761	71,476	129,328	213,500
U.S. Treasuries and Securities	8,998	127,734	16,571	12,175	165,478
Securities Lending Cash Collateral	9,936	–	–	–	9,936
Mutual Funds and Cash	469,371	42,773	19,279	34,237	565,660
Total	**$552,115**	**$506,347**	**$230,781**	**$198,128**	**$1,487,371**

June 30, 2010			**Maturity**		
Sector	**0-1 year**	**1-5 years**	**6-10 years**	**>10 years**	**Totals**
U.S. Agencies	$5,009	$38,372	$23,768	–	$67,149
Asset-Backed Securities	–	30,784	8,407	2,840	42,031
Corporate Bonds	13,168	210,876	87,866	45,522	357,432
International Fixed Income	–	10,672	–	3,241	13,913
Mortgage-Backed Securities	521	2,367	38,535	134,864	176,287
U.S. Treasuries and Securities	92,941	91,981	32,197	–	217,119
Securities Lending Cash Collateral	169,831	–	–	–	169,831
Mutual Funds and Cash	342,483	38,598	3,767	61,009	445,857
Total	**$623,953**	**$423,650**	**$194,540**	**$247,476**	**$1,489,619**

The distribution of investment securities by credit ratings is summarized below (dollars in thousands):

	June 30, 2011		June 30, 2010	
AAA	$653,567	25.6%	$610,165	26.2%
AA	124,134	4.9%	83,428	3.6%
A	154,370	6%	190,039	8.1%
BAA	116,314	4.6%	114,815	4.9%
BA	21,635	0.8%	32,970	1.4%
B	3,113	0.1%	4,031	0.2%
CAA	603	0%	4,270	0.2%
Unrated	1,481,383	58%	1,292,942	55.4%
Total	**$2,555,119**	**100%**	**$2,332,660**	**100%**

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. Therefore, exposure arises if the securities are uninsured, not registered in the University's name and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the University's name. Open-ended mutual funds and certain other investments are not subject to custodial risk because ownership of the investment is not evidenced by a security. The University does not have a formal policy for custodial credit risk. As of June 30, 2011 and 2010, all investments were held in University accounts at the University's custodial banks with the exception of private placements and investments in limited partnerships, which totaled approximately $430,954,000 and $307,323,000, respectively.

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% of the assets entrusted to the manager. All currency exposures are to be hedged into the U.S. dollar unless otherwise approved by the University. Please refer to the Investment Type table for the University's exposure to international investments. In addition to those investments, the University estimates international exposure in its alternative investments of approximately $65,165,000 and $40,770,000 as of June 30, 2011 and 2010, respectively.

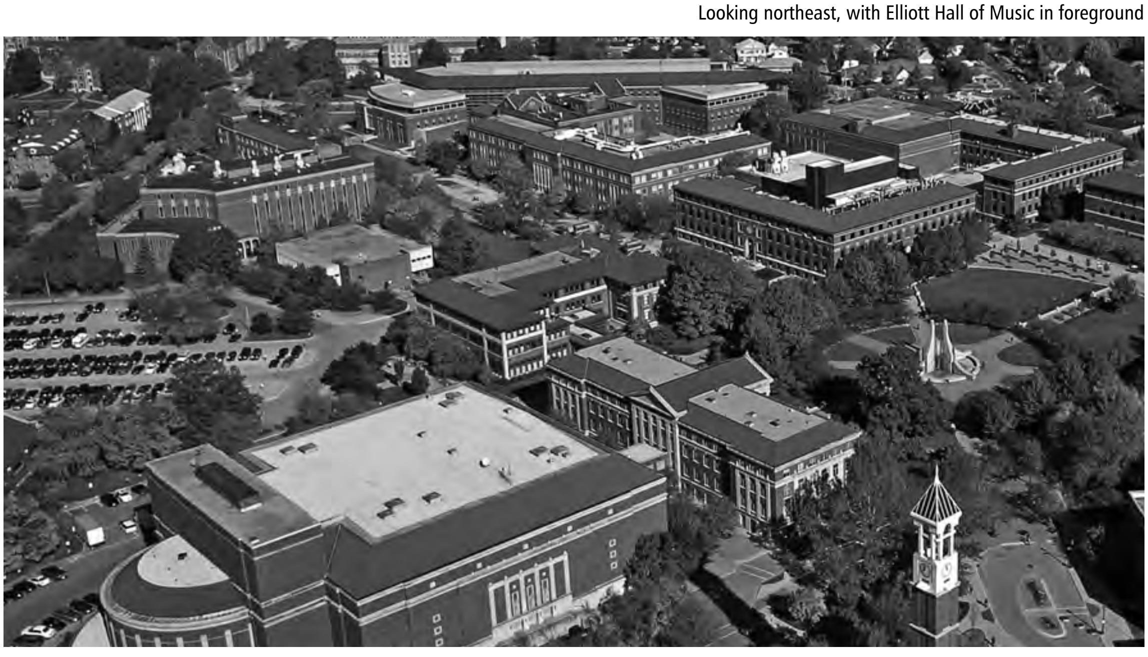
Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to magnitude of an entity's investment in a single issuer. As of June 30, 2011 and 2010, consistent with policy limits, no single issuer, with the exception of U.S. Treasury and agencies, held more than 5% of total investments.

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 Trustees establish the spending policy for the unitized endowment pool. Prior to and after July 9, 2010, the approved spending policy distributed 4.5 % and 5.0%, respectively, of the average of the ending values for the prior 12 quarters in semiannual distributions. The distribution includes both income and equity components. As of June 30, 2011 and 2010, accumulated market appreciation of the pool was approximately $457,071,000 and $282,286,000, respectively. Of this amount, 38.46% and 33.18% represents appreciation attributable to donor-restricted (true and term) endowments during the year ended June 30, 2011 and 2010, respectively. The University's endowment policies are subject to the provisions of Indiana Code IC 30-2-12, "Uniform Management of Institutional Funds." Under this section, the Trustees may authorize expenditure — consistent with donors' intent — of net appreciation in the fair value of the assets of the endowment.

Securities Lending. The treasurer of the University, in accordance with policies established by the 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, 2011 and 2010, the University had securities involved in loans with a market value of approximately $9,756,000 and $166,348,000, respectively. These loans were supported by collateral of approximately $9,974,000 and $170,325,000 as of June 30, 2011 and 2010, respectively. The collateral amounts included cash of approximately $9,936,000 and $169,831,000 as of June 30, 2011 and 2010, respectively, which are included in cash and cash equivalents in the Statement of Net Assets. Acceptable non-cash collateral totaled approximately $38,000 and $494,000 as of June 30, 2011 and 2010, respectively. The University does not have the ability to pledge or sell the non-cash collateral received except in the case of borrower default. Non-cash collateral is not included in the University's Statement of Net Assets. Securities lending of domestic securities is cash collateralized on the contract date at 102%, and foreign securities are cash collateralized at 105%. Credit risk is calculated as the aggregate of the lender's exposures to individual borrowers or on individual loans. At June 30, 2011 and 2010, the University had no aggregate credit risk. However, although collateralized, the University would bear the risk if the cash collateral is impaired.

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. During the years ended June 30, 2011 and 2010, income from its participation in this securities-lending program was approximately $316,000 and $555,000, respectively, with related expense of approximately $200,000 and $316,000, respectively. During the years ended June 30, 2011 and 2010, net income to the University from this program was approximately $116,000 and $239,000, respectively. Under the securities-lending agreement, the custodian remits to the University earnings less rebate fees and expenses on a monthly basis. See additional information in Note 12.

Looking northeast, with Elliott Hall of Music in foreground



NOTE 3 — ACCOUNTS, PLEDGES AND NOTES RECEIVABLES

Accounts and notes receivable consisted of the following (dollars in thousands):

	June 30, 2011	June 30, 2010
Grants and Contracts	$48,251	$47,371
Student and General	26,843	22,128
Other Accrued Revenues	15,719	15,267
Less: Allowance for Doubtful Accounts	(5,661)	(3,505)
Total Accounts Receivable, Net	**$85,152**	**$81,261**

	June 30, 2011	June 30, 2010
Pledges Receivable	$60,900	$72,893
Less: Allowance for Doubtful Pledges	(2,177)	(2,637)
Total Pledges Receivable	58,723	70,256
Less: Noncurrent Portion	(31,289)	(30,209)
Pledges Receivable, Current Portion	**$27,434**	**$40,047**

	June 30, 2011	June 30, 2010
Perkins Loans	$27,803	$26,121
Other Student Loans	29,191	28,094
Less: Allowance for Doubtful Loans	(254)	(311)
Total Notes Receivable	$56,740	$53,904
Less: Noncurrent Portion	(48,526)	(44,842)
Notes Receivable, Current Portion	**$8,214**	**$9,062**

University Hall

NOTE 4 — CAPITAL ASSETS

Capital asset activity is summarized below (dollars in thousands). Interest that qualified for interest capitalization was approximately $10,976,000 and $6,433,000 during the years ended June 30, 2011 and 2010, respectively.

Capital Assets Activity	Balance July 1, 2010	Additions	Retirements	Transfers	Balance June 30, 2011
Capital Assets, Not Being Depreciated:					
Land	$23,634	–	–	$4,545	$28,179
Construction in Progress	205,053	174,931	–	(47,755)	332,229
Total, Capital Assets, Not Being Depreciated	$228,687	$174,931	–	($43,210)	$360,408
Capital Assets, Being Depreciated:					
Land Improvements	70,248	1,450	–	(3,726)	67,972
Infrastructure	63,694	2,708	–	1,438	67,840
Buildings	2,116,797	23,927	–	43,722	2,184,446
Equipment	449,424	44,987	32,212	1,208	463,407
Software	54,894	–	–	568	55,462
Total, Capital Assets, Being Depreciated	$2,755,057	$73,072	$32,212	$43,210	$2,839,127
Less Accumulated Depreciation:					
Land Improvements	49,314	2,710	–	–	52,024
Infrastructure	27,232	4,320	–	–	31,552
Buildings	891,041	73,381	–	–	964,422
Equipment	279,995	34,996	27,384	–	287,607
Software	23,541	4,413	–	–	27,954
Total Accumulated Depreciation	$1,271,123	$119,820	$27,384	–	$1,363,559
Total Capital Assets, Net of Accumulated Depreciation	$1,712,621	$128,183	$4,828	–	$1,835,976

Capital Assets Activity	Balance July 1, 2009	Additions	Retirements	Transfers	Balance June 30, 2010
Capital Assets, Not Being Depreciated:					
Land	$23,256	–	–	$378	$23,634
Construction in Progress	237,727	127,698	–	(160,372)	205,053
Total, Capital Assets, Not Being Depreciated	$260,983	$127,698	–	($159,994)	$228,687
Capital Assets, Being Depreciated:					
Land Improvements	63,736	4,549	–	1,963	70,248
Infrastructure	62,778	747	–	169	63,694
Buildings	1,897,016	62,830	352	157,303	2,116,797
Equipment	503,539	44,251	98,925	559	449,424
Software	59,230	–	4,336	–	54,894
Total, Capital Assets, Being Depreciated	$2,586,299	$112,377	$103,613	$159,994	$2,755,057
Less Accumulated Depreciation:					
Land Improvements	46,565	2,749	–	–	49,314
Infrastructure	23,166	4,066	–	–	27,232
Buildings	821,365	69,968	292	–	891,041
Equipment	327,296	31,089	78,390	–	279,995
Software	22,181	5,044	3,684	–	23,541
Total Accumulated Depreciation	$1,240,573	$112,916	$82,366	–	$1,271,123
Total Capital Assets, Net of Accumulated Depreciation	**$1,606,709**	**$127,159**	**$21,247**	**–**	**$1,712,621**

NOTE 5 — ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following (dollars in thousands):

	June 30, 2011	June 30, 2010
Construction Payables	$25,640	$26,823
Accrued Insurance Liabilities	28,386	26,333
Interest Payable	17,188	13,174
Accrued Salary and Wages	9,094	5,172
Vendor and Other Payables	33,605	32,465
Total Accounts Payable	**$113,913**	**$103,967**

Accrued Insurance Liabilities. 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 $2,000,000 retention per occurrence or wrongful act for general, automobile and professional and educators' legal liability coverage. The University retains the entire risk for medical benefits. The maximum liability to the University for job-related illnesses or injuries is $500,000 per incident, with a maximum annual aggregate liability of $7,000,000.

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. During the years ended June 30, 2011 and 2010, the University reflected approximately $73,000 and $280,000, respectively, of insurance proceeds as nonoperating income.

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. Changes in the balances of accrued insurance liabilities were as follows (dollars in thousands):

	June 30, 2011	June 30, 2010
Beginning Liability	$26,333	$21,226
Claims Incurred	141,837	133,197
Claims Payments	(139,785)	(128,090)
Ending Liability	**$28,385**	**$26,333**

NOTE 6 — DEBT RELATED TO CAPITAL ASSETS

Debt liability activity is summarized below (dollars in thousands):

Debt-Related Liabilities	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Current Portion
Commercial Paper	$33,849	$30,000	$43,905	$19,944	$19,944
Notes Payable	1,305	–	209	1,096	221
Leases Payable	118,117	32,440	3,874	146,683	37,975
Bonds Payable					
Student Facilities System Revenue Bonds	314,334	80,593	64,667	330,260	60,687
Student Fee Bonds	379,169	174,945	78,164	475,950	28,743
Total Bonds Payable	693,503	255,538	142,831	806,210	89,430
Total Debt-Related Liabilities	**$846,774**	**$317,978**	**$190,819**	**$973,933**	**$147,570**

Debt-Related Liabilities	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Current Portion
Commercial Paper	$34,386	$–	$537	$33,849	$33,849
Notes Payable	464	1,018	177	1,305	208
Leases Payable	73,212	50,915	6,010	118,117	3,829
Bonds Payable					
Student Facilities System Revenue Bonds	322,286	–	7,952	314,334	116,579
Student Fee Bonds	400,723	82,190	103,744	379,169	24,313
Total Bonds Payable	723,009	82,190	111,696	693,503	140,892
Total Debt-Related Liabilities	**$831,071**	**$134,123**	**$118,420**	**$846,774**	**$178,778**

Commercial Paper. On April 1, 2008, a commercial paper agreement was negotiated with Goldman Sachs & Company. This agreement authorized a maximum borrowing of $50,000,000 to finance portions of the costs of certain infrastructure, equipment and facilities on various campuses. The interest rate is variable and reset based on market conditions. The University can set the maturity dates up to 270 days. As of June 30, 2011 and 2010, the balance outstanding was $19,944,000 and $33,849,000, respectively.

Notes Payable. As of June 30, 2011 and 2010, the balance of notes outstanding was approximately $1,096,000 and $1,305,000, respectively, representing financing for various activities.

On March 1, 1998, an Energy Savings Loan Agreement was negotiated with Bank One, now JP Morgan Chase & Co. This agreement authorized a maximum line of credit of approximately $10,000,000 to borrow for 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, all of which have floating interest rates, was approximately $147,000 and $287,000 as of June 30, 2011 and 2010, respectively. The current portion of these notes was approximately $147,000 and $140,000 as of June 30, 2011 and 2010, respectively. The interest rate for the notes was 1.66% and 1.74% as of June 30, 2011 and 2010, respectively. The floating-rate notes can be reset at the University's option every one, two, three or six months and is based on London Interbank Offered Rate (LIBOR) at the reset dates.

On June 10, 2010, the University entered into a loan agreement with PRF to refinance its capital lease with PRF. This agreement authorized the transfer of the Schneider Avenue building from PRF to the Calumet campus in exchange for the original promise to pay approximately $1,140,000 over 13 annual payments. The outstanding balance of this note was approximately $949,000 and $1,018,000 as of June 30, 2011 and 2010, respectively. The current portion of this note was approximately $74,000 and $69,000 as of June 30, 2011 and 2010, respectively. The interest rate for the note was fixed at 8.00% as of June 30, 2011 and 2010.

Purdue Memorial Union

Leases Payable. Leases payable consisted of the following items (dollars in thousands):

Issue	Issue Date	Interest Rates	Maturity Dates	Outstanding June 30, 2011	Outstanding June 30, 2010
Certificates of Participation with Ross-Ade:					
Series 1998	1998	3.20-5.25%	1999-2015	$3,330	$4,070
Series 2006	2006	4.00-5.25%	2007-2027	52,130	54,595
Series 2009A	2009	2.50-5.00%	2012-2015	7,600	7,600
Series 2009B	2009	4.07-5.96%	2016-2031	42,795	42,795
Series 2011A	2011	0.03% *	2031-2035	32,185	–
Leases with Purdue Research Foundation:					
Academic Learning Center	2004	3.00-5.00%	2006-2030	6,920	7,150
Remo Property	2011	6.38%	2011-2015	210	–
				145,170	116,210
Net Unamortized Premiums and Deferred Costs				1,513	1,907
Total				**$146,683**	**$118,117**

*Variable interest rates are reset weekly and are based upon market conditions. Amounts shown as of June 30, 2011.

The Certificates of Participation are secured by a pledge of available income, except student fees and state appropriations.

As of June 30, 2011 and 2010, long-term debt included amounts relating to properties with a net book value (net of accumulated depreciation) of approximately $97,553,000 and $101,003,000, respectively, leased from either the Ross-Ade Foundation or Purdue Research Foundation.

As of June 30, 2011, the University had approximately $32,185,000 included in Current Liabilities related to variable rate Certificates of Participation (Series 2011A). The anticipated redemption schedule for these certificates of participation is included in the scheduled debt payments table.

On September 9, 2009, $50,395,000 of Certificates of Participation was issued. The Certificates of Participation consist of a tax-exempt Series 2009A and a taxable Series 2009B (Build America Certificates Direct Pay Option) that have an original principal amount of $7,600,000 and $42,795,000, respectively. The Series 2009B Certificates are issued under the America Recovery and Reinvestment Act and the University will receive from the federal government a 35% interest expense credit. These certificates were issued to provide financing for the Mackey Arena renovation and will be repaid from auxiliary athletic revenues.

On February 16, 2011, the Ross-Ade Foundation issued $32,185,000 of tax-exempt adjustable demand Certificates of Participation, Series 2011A. This series was issued to provide additional financing for the Mackey Arena renovation and will be repaid from auxiliary athletic revenues.

On June 1, 2011, the University entered into a $588,000 lease agreement with PRF for the Remo property near the West Lafayette campus. The fair value of the land was valued at more than 25% of the total fair value of the property; as a result, the portion of the lease related to land was treated as an operating lease. The fair value of the building was treated as a capital lease with a value of $255,000.

Bonds Payable. As of June 30, 2011 and 2010, the balance of bonds outstanding was approximately $806,210,000 and $693,503,000, respectively. Bonds payable consisted of the following issues (dollars in thousands):

Issuance and Description	Issue Date	Interest Rates	Maturity Dates	Outstanding June 30, 2011	Outstanding June 30, 2010
Student Facilities System Revenue Bonds:					
Series 2003A					
Used to refund Dormitory System Revenue Bond Series 1993 and 2000, refund commercial paper, and renovate a West Lafayette student housing facility	2003	4.00-5.38%	2004-2014	$18,800	$23,390
Series 2003B					
Used to finance construction of Fort Wayne student housing facilities	2003	2.00-4.25%	2005-2018	5,015	5,355
Series 2004A					
Used to finance construction of Calumet student housing and parking garage facilities	2004	0.03% *	2008-2033	17,800	27,900
Series 2005A					
Used to finance construction and renovation of West Lafayette housing and food service facilities	2005	0.03% *	2005-2029	6,785	20,870
Series 2007A					
Used to refund a portion of Student Facilities System Revenue Bond Series 2003A and 2003B	2007	5.00-5.25%	2014-2029	61,865	61,865
Series 2007B					
Used to finance construction of the new West Lafayette dining court and Fort Wayne student housing facility	2007	4.00-5.00%	2008-2032	25,205	25,850
Series 2007C					
Used to renovate a West Lafayette student housing facility, and finance construction on a new West Lafayette student housing facility	2007	0.03% *	2009-2032	27,325	60,925
Series 2009A					
Used to finance construction of new West Lafayette and Calumet student housing, renovate a West Lafayette student housing facility, and refund a portion of commercial paper	2009	3.50-5.00%	2009-2034	34,875	34,960
Series 2009B					
Used to finance Fort Wayne and West Lafayette student housing facilities, and refund a portion of commercial paper	2009	3.00-5.00%	2010-2035	41,320	41,525
Series 2010A					
Used to finance the renovation of West Lafayette student housing facilities, and refund a portion of commercial paper	2010	1.90-5.96%	2013-2030	24,985	–
Series 2011A					
Used to refund a portion of Student Facilities System Revenue Bond Series 2004A, 2005A and 2007C	2011	2.00-5.00%	2012-2025	49,440	–
				$313,415	$302,640
Net unamortized premiums and deferred costs				16,845	11,694
Total Student Facilities System Revenue Bonds				**$330,260**	**$314,334**

*Variable interest rates are reset weekly and are based upon market conditions. Amounts shown as of June 30, 2011.

Issuance and Description	Issue Date	Interest Rates	Maturity Dates	Outstanding June 30, 2011	Outstanding June 30, 2010
Student Fee Bonds:					
Series H					
Used to finance construction of a West Lafayette steam turbine generator	1993	2.78-5.25%	1998-2015	$1,100	$7,200
Series K					
Used to finance the West Lafayette telephone computer network	1995	2.20-5.63%	1997-2020	1,000	12,600
Series L					
Used to finance the West Lafayette telephone computer network	1995	3.00-5.63%	1997-2020	800	11,000
Series N					
Used to refund Student Fee Bond Series B and D	1998	3.55-5.50%	1998-2014	11,690	14,855
Series O					
Used to finance the construction of the Fort Wayne Science building, the West Lafayette Food Science building and the Calumet Classroom Office building	1998	2.68-5.63%	2000-2019	1,920	20,750
Series P					
Used to refund Student Fee Bond Series M	1998	4.00-5.25%	1999-2017	28,255	31,930
Series Q					
Used to finance the renovation of the West Lafayette Purdue Memorial Union North Club, construction of the West Lafayette Visual and Performing Arts building, and to construct a new West Lafayette boiler	2000	2.63-6.00%	2002-2010	–	2,090
Series R					
Used to renovate the West Lafayette Recreational Sports Center, purchase a chiller to provide additional cooling capacity on the West Lafayette campus and refund Student Fee Bond Series F and G	2002	3.00-5.38%	2002-2023	1,520	13,885
Series U					
Used to refund a portion of Student Fee Bond Series Q	2005	3.50-5.25%	2006-2022	34,700	34,800
Series W					
Used to finance West Lafayette strategic infrastructure and utilities improvements	2006	4.00-5.00%	2007-2026	36,560	38,115
Series X					
Used to finance the construction of the West Lafayette Health and Human Science facility, add a wing to the West Lafayette Mechanical Engineering building, construct the Fort Wayne Student Services and Library Complex, for repair and rehabilitation projects, and to refund a portion of commercial paper	2009	2.00-5.50%	2009-2028	100,800	104,185
Series Y					
Used to refund Student Fee Bond Series S, T and V	2010	2.00-5.00%	2010-2027	70,555	74,130
Series Z-1					
Used to refund a portion of commercial paper and a portion of Student Fee Bond Series H, K, L, O and R	2010	4.00-5.00%	2011-2024	68,320	–
Series Z-2					
Used to finance construction of the West Lafayette Student Fitness and Wellness Center and the Fort Wayne Parking Garage, and a portion of R&R projects	2010	1.04-5.33%	2013-2035	100,705	–
				$457,925	$365,540
Net unamortized premiums and deferred costs				18,025	13,629
Total Student Fee Bonds				**$475,950**	**$379,169**

The Student Facilities System Revenue Bonds are secured by a pledge of auxiliary revenues and any other available income, except student fees and state appropriations.

Student Fee Bonds are secured by a pledge of mandatory student fees. Mandatory student fees (net of scholarship allowance) were approximately $659,832,000 and $615,423,000 during the years ended June 30, 2011 and 2010, respectively.

As of June 30, 2011 and 2010, the University had approximately $51,910,000 and $109,695,000, respectively, included in Current Liabilities related to variable rate Student Facility System Revenue demand bonds (Series 2004A, Series 2005A and Series 2007C). These bonds are backed by certain auxiliary revenues and other available funds, maturing serially through July 1, 2033. The bonds were issued under Indiana Code IC 21-34 and IC 21-35. The proceeds of the bonds were used to (a) provide funds for certain capital improvements, (b) refund certain interim financing, (c) provide for construction period interest for a portion of the bonds, and (d) pay costs incurred to issue the bonds. The anticipated redemption schedule for these bonds is included in the scheduled debt payments table.

On March 17, 2010, Student Fee Bonds, Series Y, were issued at a par value of $74,130,000 and a premium of approximately $8,060,000. This series was issued to refund $12,175,000 of Student Fee Bonds, Series S, $13,460,000 of Student Fee Bonds, Series T, and $56,070,000 of Student Fee Bonds, Series V. All of the refunded debt had variable interest rates. As a result of the refunding, the University estimates a reduction in its aggregate debt service payments over the next 18 years of approximately $4,707,000. The refunding resulted in an estimated economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $3,827,000.

On November 23, 2010, Student Fee Bonds, Series Z-1 and Series Z-2, were issued at a par value of $169,025,000 and a premium of approximately $10,198,000. The Series consist of a tax-exempt Series Z-1 and a taxable Series Z-2 (Build America Bonds Direct Pay Option), and have an original principal amount of $68,320,000 and $100,705,000, respectively. Series Z-1 was issued to refund approximately $53,850,000 of Student Fee Bonds Series H, K, L, O and R and approximately $19,970,000 of commercial paper. The Series Z-2 bonds are issued under the America Recovery and Reinvestment Act and the University will receive a 35% interest expense credit from the federal government. These bonds were issued to provide financing for the West Lafayette Student Fitness and Wellness Center, a Fort Wayne parking garage, and various R&R projects. As a result of the refunding, the University will reduce its aggregate debt service payments over the next 13 years by approximately $5,686,000. The refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $4,893,000.

On December 15, 2010, Student Facilities System Revenue Bonds, Series 2010A, were issued at a par value of $24,985,000. The Series 2010A (Build America Bonds Direct Pay Option) bonds are issued under the America Recovery and Reinvestment Act and the University will receive from the federal government a 35% interest expense credit. This series was issued to finance the renovation of West Lafayette student housing facilities and refund approximately $4,838,000 of commercial paper.

On June 24, 2011, Student Facilities System Revenue Bonds, Series 2011A, were issued at a par value of $49,440,000 and a premium of approximately $6,168,000. This series was issued to refund $55,200,000 of Student Facility System Revenue Bonds 2004A, 2005A and 2007C. All of the refunded debt had variable interest rates. As a result of the refunding, the University estimates a reduction in its aggregate debt service payments over the next 15 years of approximately $2,371,000. The refunding resulted in an estimated economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $1,996,000.

The University may direct a change in the type of interest rate borne by the variable rate debt, in whole or in part, at any time from the weekly rate to a rate determined pursuant to one of six additional interest rate modes: a daily rate, a monthly rate, a quarterly rate, a semiannual rate or a term rate (each an "adjustable rate"), or a fixed rate in accordance with the procedures provided in the indenture. However, if the debt is converted in whole or in part to a fixed rate, the interest rate on the debt so converted may not be subsequently changed to an adjustable rate.

The variable rate bonds, and certificates of participation, are subject to purchase on the demand of the holder, a "put," at a price equal to principal plus accrued interest, on seven days' notice and delivery to the University's remarketing agent. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate.

The University is provided a 24-hour notice if the remarketing agent is unable to resell any debt that is put to the University. In such a case, the University is required to provide the funds to satisfy the repurchase of the debt at 100% par value, plus interest accrued to the settlement date of the put. The University has chosen to provide self-liquidity in the event of a put from any holder of these bonds or certificates of participation.

Scheduled payments related to the debt for capital assets for the fiscal years ending June 30 are as follows (dollars in thousands):

Fiscal Year	Principal	Interest	Total
2012	$60,622	$39,246	$99,868
2013	41,421	37,280	78,701
2014	47,420	35,070	82,490
2015	45,806	32,907	78,713
2016	42,766	30,916	73,682
2017-2021	210,630	125,314	335,944
2022-2026	215,720	73,575	289,295
2027-2031	181,170	25,904	207,074
2032-2036	91,995	4,559	96,554
	$937,550	$404,771	$1,342,321
Net unamortized premiums and deferred costs	36,383	–	36,383
Total	**$973,933**	**$404,771**	**$1,378,704**

Defeased Bond Issues. The University defeased bonds by prepayment or issuing new debt as shown on p. 45 (dollars in thousands). U.S. 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 in the accompanying financial statements.

Description of Bonds	Final Maturity/ Call Date	Amount Outstanding June 30, 2011	June 30, 2010
Student Fee and Facilities:			
Student Fee Bonds Series H	1/1/2012	$5,100	–
Student Fee Bonds Series K	1/1/2012	10,700	–
Student Fee Bonds Series L	1/1/2012	9,400	–
Student Fee Bonds Series O	1/1/2012	16,990	–
Student Fee Bonds Series Q	7/1/2010	–	34,955
Student Fee Bonds Series R	7/1/2012	11,660	–
Student Facilities System Revenue Bonds, Series 2003A	7/1/2013	48,345	48,345
Student Facilities System Revenue Bonds, Series 2003B	7/1/2013	17,950	17,950
Certificates of Participation, Issued by Ross-Ade Foundation:			
Certificates of Participation, Series 2001A	7/1/2011	53,280	55,215

Direct Financing Lease. In 1998, the University agreed to refinance the construction of the Animal Disease Diagnostic Laboratory Building (ADDL) 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 approximately $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. As of June 30, 2011 and 2010, the outstanding amount of these bonds was approximately $510,000 and $1,495,000, respectively. The ADDL building, the lease receivable and the bonds payable are not reflected in the accompanying financial statements.

Operating Leases. The University has entered into various operating leases for buildings and equipment. Net expenses for rent under these leases for the year ending June 30, 2011 and 2010, were approximately $10,309,000 and $10,336,000, respectively.

NOTE 7 — OTHER LIABILITY INFORMATION

Other liability information is summarized below (dollars in thousands):

Long-term Liabilities	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Current Portion
Accrued Compensated Absences	$57,995	$25,519	$25,213	$58,301	$26,504
Other Post Employment Benefits	18,646	14,755	6,138	27,263	–
Funds Held in Trust for Others	6,345	5,529	4,463	7,411	–
Advances from Federal Government	19,970	–	37	19,933	–
Total	**$102,956**	**$45,803**	**$35,851**	**$112,908**	**$26,504**

Long-term Liabilities	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Current Portion
Accrued Compensated Absences	$53,122	$29,531	$24,658	$57,995	$25,213
Other Post Employment Benefits	12,138	12,750	6,242	18,646	–
Funds Held in Trust for Others	5,743	4,566	3,964	6,345	–
Advances from Federal Government	19,918	62	10	19,970	–
Total	**$90,921**	**$46,909**	**$34,874**	**$102,956**	**$25,213**

Other Post-Employment Benefits. The University offers medical insurance for those retirees who are 55 or older whose age and years of service are equal to or are greater than 70 and have at least 10 years of service. Early retirees are given the option to continue their medical insurance if they pay the entire cost of the blended medical plan rate, which includes both active employees and early retirees. The early retirees benefit in that the cost of the benefit exceeds the cost of the plans, which creates an implicit rate subsidy. After the retiree reaches the age of 65, the program is no longer offered.

During the year ended June 30, 2011, the Trustees approved a voluntary retirement incentive program for employees at least 60 years of age with at least 10 years of employment. The plan will contribute to a health reimbursement account (HRA) in the amount of $7,000 per year up to a total of $35,000, which can be used to pay health premiums and other allowable medical expenses. Approximately 490 employees took advantage of this program. As of June 30, 2011, the outstanding liability associated with the health reimbursement accounts was approximately $13,412,000.

Purdue also offers a long-term disability program, which includes retirement benefit payments, medical and life insurance premium payments for a small required premium paid by the employee. After the employee reaches the age of 65, the program is no longer available. The income benefit liability for employees disabled before January 1, 2004, was transferred to an insurance carrier, and all future disability income benefit liability is now fully insured.

The post-retirement medical plans are single-employer plans administered by the University, as authorized by the Trustees, and are financed on a pay-as-you-go basis. Purdue's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The actuarial assumptions included are shown on the following pages. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a 20-year period.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following tables show the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the University's net OPEB obligation (dollars in thousands):

Determination of Annual Required Contribution (ARC)

Cost Element	For Fiscal Year Ending June 30, 2011	For Fiscal Year Ending June 30, 2010
Normal Cost	$8,051	$7,752
Amortization of the Unfunded Actuarial Accrued Liability	7,009	5,197
Total Annual Required Contribution (End of Year)	**$15,060**	**$12,949**

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2008	$11,014	$4,880	44%
June 30, 2009	$11,297	$5,293	47%
June 30, 2010	$12,750	$6,242	49%
June 30, 2011	$14,755	$6,138	42%

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)
January 1, 2007	–	$72,948	$72,948	0%
January 1, 2009	–	$76,492	$76,492	0%
January 1, 2009*	–	$97,703	$97,703	0%

* Updated to include the estimated effect of the Retirement Incentive Program

Net OPEB Obligation (NOO)

Actuarial Valuation Date	Fiscal Year End	Annual Required Contribution (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount (e)	Net Increase in NOO (d) - (e) (f)	NOO as of End of Year (g)
January 1, 2007	June 30, 2008	$11,014	–	–	$11,014	$4,880	$6,134	$6,134
January 1, 2007	June 30, 2009	$11,363	$307	($373)	$11,297	$5,293	$6,004	$12,138
January 1, 2009	June 30, 2010	$12,949	$607	($806)	$12,750	$6,242	$6,508	$18,646
January 1, 2009	June 30, 2011	$15,060	$932	($1,237)	$14,755	$6,138	$8,617	$27,263

Valuation Date	January 1, 2009
Actuarial Cost Method	Entry Age Normal, Level Percent of Pay
Amortization Method	20 Years from Date of Establishment, Closed, Level Percent of Pay
Asset Valuation Method	N/A, No Assets in Trust

Actuarial Assumptions:	
Discount Rate	5%
Projected Payroll Increases	3%
Health Care Cost Trend Rate:	
Medical	10% Graded to 5% over 7 Years
Prescription Drugs	10% Graded to 5% over 7 Years
Vision	3%
Administrative Costs	5%

Plan Membership:	January 1, 2009
Current Retirees and Surviving Spouses	275
Current Disabled	192
Current Active Members	12,081
Total	**12,548**

NOTE 8 — OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification are summarized as follows (dollars in thousands):

June 30, 2011 **Function**	**Compensation & Benefits**	**Supplies & Services**	**Depreciation**	**Scholarships, Fellowships & Student Awards**	**Total**
Instruction	$550,319	$72,080	–	–	$622,399
Research	175,660	78,706	–	–	254,366
Extension and Public Service	81,946	62,205	–	–	144,151
Academic Support	12,562	11,568	–	–	24,130
Student Services	32,467	7,621	–	–	40,088
Physical Plant Operations and Maintenance	76,490	51,877	–	–	128,367
General Administration and Institutional Services	139,095	34,605	–	–	173,700
Depreciation	–	–	$119,820	–	119,820
Student Aid	–	1,225	–	$70,173	71,398
Auxiliary Enterprises	132,544	75,730	–	–	208,274
Total	**$1,201,083**	**$395,617**	**$119,820**	**$70,173**	**$1,786,693**

June 30, 2010 **Function**	**Compensation & Benefits**	**Supplies & Services**	**Depreciation**	**Scholarships, Fellowships & Student Awards**	**Total**
Instruction	$546,553	$67,569	–	–	$614,122
Research	153,061	74,340	–	–	227,401
Extension and Public Service	79,834	62,309	–	–	142,143
Academic Support	13,117	13,739	–	–	26,856
Student Services	34,894	7,465	–	–	42,359
Physical Plant Operations and Maintenance	84,613	46,738	–	–	131,351
General Administration and Institutional Services	131,509	37,614	–	–	169,123
Depreciation	–	–	$112,629	–	112,629
Student Aid	–	819	–	$65,231	66,050
Auxiliary Enterprises	128,911	77,695	–	–	206,606
Total	**$1,172,492**	**$388,288**	**$112,629**	**$65,231**	**$1,738,640**

NOTE 9 — RETIREMENT PLANS

Authorization. Authorization to establish retirement plans is stated in Indiana Code IC 21-38-7.

All Employees. University employees are participants in various retirement programs, including the Federal Insurance Contributions Act (FICA). During the years ended June 30, 2011 and 2010, the University's cost was approximately $50,828,000 and $50,507,000, respectively, under this program.

Faculty and Administrative/Professional Staff. Effective January 1, 2011, faculty, professional and certain administrative employees of the University participate in a defined contribution plan administered through Fidelity Investments. Benefit provisions are established and/or amended by the Trustees. Funds in all defined contribution plans are immediately vested. Faculty and management personnel participate immediately upon employment; all others must satisfy a three-year waiting period. The University contributes 10% of each participating employee's salary. Employee contributions are not required but may be made on a voluntary basis. Those eligible to participate in the defined contribution plan also participate in the Purdue University 401(a) Profit Sharing Plan administered through Fidelity Investments. This plan requires a mandatory employee contribution of 4% of their salary. Prior to January 1, 2011, faculty, professional and certain administrative employees of the University participated in a defined contribution plan administered through the Teachers Insurance and Annuity Association (TIAA). Under the TIAA plan, the University contributed 11% of each participating employee's salary up to $9,000 and 15% of the salary above $9,000. For the years ended June 30, 2011 and 2010, the University made contributions totaling approximately $63,651,000 and $73,277,000, respectively, to these plans. For the years ended June 30, 2011 and 2010, there were 6,839 and 6,767 employees, respectively, participating in the plans with annual pay equal to approximately $481,419,000 and $464,692,000, respectively.

Three-Year-Trend Information (dollar amounts in thousands)

Plan*	Fiscal Year Ending June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Total Unfunded (Excess) Actuarial Liability	Funded Ratio	Annual Covered Payroll	Liability to Payroll	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Benefit)
PERF†	2008	$204,286	$207,956	$3,670	98.2%	$138,063	2.7%	$7,859	106.4%	$(8,434)
	2009	182,104	209,699	27,595	86.8%	146,097	18.9%	9,059	99.1%	(8,353)
	2010	154,960	230,080	75,120	67.4%	149,890	50.1%	9,779	96.9%	(8,054)
Police/Fire	2008	20,014	21,441	1,427	93.3%	5,318	26.8%	685	83.6%	112
	2009	19,026	22,190	3,164	85.7%	5,537	57.1%	899	74.6%	229
	2010	20,163	23,131	2,968	87.2%	5,582	53.2%	956	91.8%	78

*Data for 2010 not available from actuaries.
†University portion only.

PERF. 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 7% 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 years ended June 30, 2011 and 2010, there were 5,224 and 5,239 employees, respectively, participating in PERF. The University made contributions to this plan totaling approximately $14,148,000 and $13,915,000 for the years ending June 30, 2011 and 2010, respectively.

The required employer's contribution was determined as part of the July 1, 2009, actuarial valuation using the entry age normal cost method. The actuarial assumptions included: (a) 7% investment rate of return (net of administrative expenses), (b) projected salary increases of 4% per year, and (c) 1% per year cost-of-living adjustments. Actuarial information related to the University's portion of the plan is disclosed in the three-year-trend information table presented earlier 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: Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204; by calling 317-232-3882; or by visiting www.in.gov/perf.

Police/Fire. A supplemental pension program for police officers and firefighters (Police/Fire) was authorized by the 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 the University 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 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 University retirement programs, including TIAA-CREF and PERF. For the years ending June 30, 2011 and 2010, there were 110 and 109 employees, respectively, participating in Police/Fire.

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. The pension benefit obligation was computed as part of an actuarial valuation performed as of July 1, 2010. Because the plan was implemented on a retroactive basis to cover all current police officers and firefighters, the University has an unfunded actuarial liability of approximately $2,968,000 at July 1, 2010, and $3,164,000 at July 1, 2009, which is being amortized over a 30-year period. The actual amount contributed by the University was approximately $878,000 and $670,000 for the years ending June 30, 2011 and 2010, respectively. The required contribution was determined as part of the July 1, 2010, 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 4% per year, and (c) 3% per year cost-of-living adjustments.

Financial reports related to this plan may be obtained by writing to: Public Records Officer, Purdue University, Freehafer Hall, 401 South Grant Street, West Lafayette, IN 47907-2024.

Cooperative Extension Service. As of June 30, 2011 and 2010, there were 30 and 41 staff members, respectively, with federal appointments employed by the Indiana Cooperative Extension Service and covered by the Federal Civil Service Retirement System.

NOTE 10 — RELATED PARTY

The University has entered into an agreement with Alfred Mann Institute for Biomedical Development. The Institute's charitable mission includes the intensive development of technology originating from the University's inventors in order to enhance public benefit from Purdue technology. As of June 30, 2011 and 2010, the University received approximately $872,000 and $2,523,000, respectively, from the Institute.

In addition to items listed in Note 6, Debt Related to Capital Assets, PRF provided grants, contracts and gifts to the University totaling approximately $31,792,000 and $28,394,000 as of June 30, 2011 and 2010, respectively.

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, 2011 and 2010, contractual obligations for capital construction projects were approximately $135,849,000 and $129,425,000, respectively.

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, 2011 and 2010, the University had the following unfunded commitments: approximately $49,805,000 and $55,045,000, respectively, to approximately 45 private equity/venture capital managers; $19,968,000 and $18,401,000, respectively, to approximately 15 private real estate managers; $38,646,000 and $33,637,000, respectively, to approximately 20 natural resource managers; and $125,000 and $398,000, respectively, to the Indiana Future Fund. These amounts are not included as liabilities in the accompanying 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 shown in the table to the right (dollars in thousands):

Fiscal Year	Amount
2009-2010	$27,136
2010-2011	27,136
2011-2012	27,136
2012-2013	27,136

NOTE 12 — SUBSEQUENT EVENTS

On August 1, 2011, the University made its final scheduled payment on the Energy Savings Loan described in Note 6. The payment totaled approximately $148,000 and consisted of principal and interest of approximately $147,000 and $1,000.

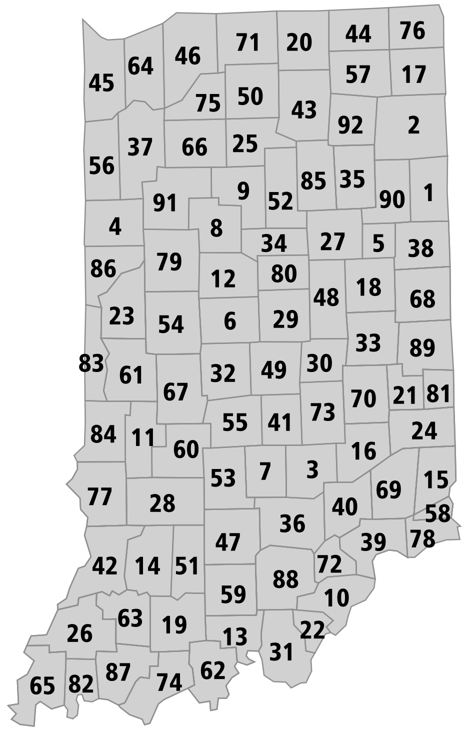
In September 2011, the University terminated its involvement in the Securities Lending program described in Note 2. A final payment of approximately $1,842,000 was made on September 21, 2011. This payment consisted of the remaining liability, and realized losses associated with the final transaction, of approximately $1,777,000 and $65,000.

On October 1, 2011, the final scheduled payment was made on the direct financing lease related to the ADDL Building described in Note 6. The payment totaled approximately $522,000 and consisted of principal and interest of approximately $510,000 and $12,000.

IN-STATE ENROLLMENT (UNAUDITED)

Total In-State Enrollment by County, Fall 2010-2011 Academic Year

The overall (in-state and out-of-state) enrollment at Purdue University was 69,694 students for the 2010-2011 fall semester. The breakdown was: West Lafayette, 39,726; Calumet, 9,807; Fort Wayne, 14,192; North Central, 4,614; and Technology Statewide, 1,355. (The enrollment figures do not include 5,056 Purdue University students at Indiana University-Purdue University Indianapolis.) Although students came to Purdue from all over the world, 66% system-wide came from within Indiana.



	County	West Lafayette	Regional Campuses	Statewide Technology Locations	Total
1	Adams	86	431	1	518
2	Allen	1,015	7,617	3	8,635
3	Bartholomew	212	0	82	294
4	Benton	93	2	4	99
5	Blackford	21	25	1	47
6	Boone	434	5	7	446
7	Brown	14	0	4	18
8	Carroll	151	3	11	165
9	Cass	140	20	19	179
10	Clark	98	1	59	158
11	Clay	33	2	0	35
12	Clinton	194	9	17	220
13	Crawford	8	0	2	10
14	Daviess	38		2	40
15	Dearborn	111	2	1	114
16	Decatur	92	4	34	130
17	De Kalb	100	617	1	718
18	Delaware	147	30	5	182
19	Dubois	139	2	2	143
20	Elkhart	381	291	47	719
21	Fayette	22	5	22	49
22	Floyd	118	5	47	170
23	Fountain	82		5	87
24	Franklin	86	3	9	98
25	Fulton	73	76	3	152
26	Gibson	54	0	0	54
27	Grant	102		11	113
28	Greene	51		0	51
29	Hamilton	1,735	37	22	1,794
30	Hancock	254	2	10	266
31	Harrison	32	0	21	53

	County	West Lafayette	Regional Campuses	Statewide Technology Locations	Total
32	Hendricks	550	11	28	589
33	Henry	75	5	18	98
34	Howard	332	35	109	476
35	Huntington	82	382	2	466
36	Jackson	70	1	23	94
37	Jasper	171	250	1	422
38	Jay	26	24	7	57
39	Jefferson	54		3	57
40	Jennings	25	2	13	40
41	Johnson	304		25	329
42	Knox	80	3	8	91
43	Kosciusko	188	684	4	876
44	Lagrange	41		1	42
45	Lake	1,522	7,603	1	9,126
46	La Porte	264	1,851	0	2,115
47	Lawrence	69	3	8	80
48	Madison	163	25	42	230
49	Marion	1,674	85	48	1,807
50	Marshall	154	115	15	284
51	Martin	18	0	2	20
52	Miami	78	39	23	140
53	Monroe	143	14	2	159
54	Montgomery	165	9	4	178
55	Morgan	132	4	7	143
56	Newton	55	64	2	121
57	Noble	89	594	0	683
58	Ohio	6	0	0	6
59	Orange	26	0	4	30
60	Owen	26	0	1	27
61	Parke	38		0	38
62	Perry	22	0	2	24

	County	West Lafayette	Regional Campuses	Statewide Technology Locations	Total
63	Pike	8		2	10
64	Porter	666	2,520	1	3,187
65	Posey	53		1	54
66	Pulaski	65	60	0	125
67	Putnam	82	2	1	85
68	Randolph	39	7	6	52
69	Ripley	77		12	89
70	Rush	50		3	53
72	St. Joseph	728	262	108	1,098
73	Scott	13		12	25
74	Shelby	77		6	83
75	Spencer	34		2	36
76	Starke	48	175	1	224
77	Steuben	73	315	0	388
78	Sullivan	20	0	0	20
79	Switzerland	9		0	9
80	Tippecanoe	3,890	49	118	4,057
81	Tipton	51		13	64
82	Union	7	1	2	10
83	Vanderburgh	276		1	277
84	Vermillion	21		1	22
85	Vigo	129	3	0	132
86	Wabash	74		1	75
87	Warren	50		0	50
88	Warrick	155	3	2	160
89	Washington	32		15	47
90	Wayne	124		59	183
91	Wells	75		1	76
92	White	197	12	15	224
93	Whitley	77	511	0	588
	Total	19,958	24,912	1,238	46,108

ACKNOWLEDGEMENTS

The following staff members of the Department of Accounting Services, Office of the Comptroller, prepared the 2010-11 Financial Report and the included financial statements.

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

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MATTHEW D. WESTHUIS — *Assistant Comptroller of Accounting Services*

LISA A. GEISLER — *Property Accounting Manager*

KIMBERLY K. HOEBEL — *Assistant Comptroller of Cost Accounting*

KAY L. PARKER — *Manager of Reporting*

BARBARA B. KNOCHEL — *Gift Funds Accountant*

KATHY ROARK — *Unrestricted/Restricted Funds Accountant*

STACY L. UMLAUF — *Systems and Reporting Accountant*

LESLIE M. WAMPLER — *Property Accounting Administrator*

JOANN WILEY — *Manager of Endowment, Plant and Auxiliary Funds*

PURDUE
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APPENDIX C

FORM OF APPROVING OPINION
OF BOND COUNSEL

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August 9, 2012

The Trustees of Purdue University
West Lafayette, Indiana

The Bank of New York Mellon Trust Company,
N.A., as Trustee
Indianapolis, Indiana

Morgan Stanley & Co. LLC, as
Representative of the Underwriters
New York, New York

Re: Purdue University Student Fee Bonds, Series AA (the "Bonds") issued by The Trustees of Purdue University (the "Corporation") pursuant to an Amended and Restated Trust Indenture dated as of May 1, 1996, as heretofore supplemented and amended, and as further supplemented by a Twenty-Eighth Supplemental Indenture dated as of August 1, 2012 (collectively, the "Indenture") to The Bank of New York Mellon Trust Company, N.A. (as successor to NBD Bank, N.A.), Indianapolis, Indiana, as trustee (the "Trustee"); Principal amount $54,555,000

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"), is not an item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining alternative minimum tax imposed on certain corporations. 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
AMENDED AND RESTATED
CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

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SUMMARY OF AMENDED AND RESTATED CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

Pursuant to continuing disclosure requirements promulgated by the Securities and Exchange Commission in SEC Rule 15c2-12, as amended (the "Rule"), the Corporation entered into an Amended and Restated Continuing Disclosure Undertaking Agreement, dated as of November 1, 2010, as previously supplemented and as supplemented by a Fourth Supplement to Continuing Disclosure Undertaking Agreement, dated as of August 1, 2012 (collectively, the "Undertaking"). Each Underwriter, by its agreement to purchase any Series AA Bonds, accepts and assents to the Undertaking and the exchange of (i) such agreement for (ii) the promises of Corporation, and assigns all its rights under the Undertaking to the holders of Series AA Bonds or Beneficial Owners (as such terms are defined in the Undertaking).

Pursuant to the terms of the Undertaking, the Corporation will agree to provide the following information while any of the Series AA Bonds are Outstanding:

- Audited Financial Statements. To the Municipal Securities Rulemaking Board ("MSRB"), when and if available, the audited financial statements of the Corporation for each fiscal year of the Corporation, beginning with the fiscal year ending June 30, 2012, together with the auditor's report and all notes thereto; and

- Financial Information in Official Statement. To the MSRB, within 180 days of the close of each fiscal year of the Corporation, beginning with the fiscal year ending June 30, 2012, annual financial information of the Corporation for such fiscal year, 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 relating to the Series AA Bonds (collectively, the "Annual Information"); provided, however, that the updating information may be provided in such format as the Corporation deems appropriate:

  FACILITIES AND SYSTEM

  ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS (or corollary sections)

  (Estimated Total Debt Service Column Only)

  APPENDIX A

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

- Related Foundations
- Fund Raising Activity
- Grants and Contracts
- Other Outstanding Indebtedness
- Physical Property

- Event Notices. In a timely manner within 10 business days after the occurrence thereof, to the MSRB, notice of the occurrence of any of the following events with respect to the Series AA Bonds, in each case (i) in an electronic format as prescribed by MSRB and (ii) accompanied by identifying information as prescribed in MSRB:

  - principal and interest payment delinquencies;
  - non-payment related defaults, if material;
  - 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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series AA Bonds, or other material events affecting the tax status of the Series AA Bonds;
  - modifications to the rights of owners of the Series AA Bonds, if material;
  - Series AA Bond calls, if material, and tender offers;
  - defeasances;
  - release, substitution or sale of property securing repayment of the Series AA Bonds, if material;
  - rating changes;
  - bankruptcy, insolvency, receivership or similar event of the Corporation;
  - the consummation of a merger, consolidation or acquisition involving the Corporation or the sale of all or substantially all of the assets of the Corporation, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or
  - appointment of a successor or additional trustee or the change of name of a trustee, if material.

  Determination of materiality will be made by the Corporation in accordance with the standards established by federal securities laws, as then in existence.

- Failure to Disclose. In a timely manner, to the MSRB, notice of the Corporation's failing to provide the Annual Information as required by the Undertaking.

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 the MSRB, along with any other Annual Information or audited financial statements required to be provided under the Undertaking, will satisfy the Undertaking. To the extent available, the Corporation will 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 under the Undertaking, will 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 information required to be provided by the Corporation pursuant to the Undertaking.

Remedy. The sole remedy against the Corporation for any failure to carry out any provision of the Undertaking will 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 or for any other remedy. The Corporation's failure to honor its covenants under the Undertaking will not constitute a breach or default of the Series AA 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 AA 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 AA 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 AA Bonds supported by reasonable documentation of such claim will be sufficient to evidence standing to pursue the remedy set forth above.

Prior to pursuing any remedy for any breach of any obligation under the Undertaking, a holder or beneficial owner of Series AA Bonds must give notice to the Corporation, by registered or certified mail, of such breach and its intent to pursue such remedy. Thirty 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.

If specific performance is granted by any such court, the party seeking such remedy will be entitled to payment of costs by the Corporation and to reimbursement by the Corporation of reasonable fees and expenses of attorneys incurred in the pursuit of such claim. If specific performance is not granted by any such court, the Corporation will be entitled to payment of costs by the party seeking such remedy and to reimbursement by such party of reasonable fees and expenses of attorneys incurred in the pursuit of such claim.

Modification of Undertaking. The Corporation may, from time to time, amend or modify the Undertaking without the consent of or notice to the owners of the Series AA 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 thereof, 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 AA Bonds, as determined either by (A) any person selected by the Corporation that is unaffiliated with the Corporation (including the trustee under the Indenture, or nationally recognized bond counsel) or (B) an approving vote of the holders of a majority of Outstanding Series AA Bonds as required under the Indenture at the time of such amendment or modification; or (b) such amendment or modification (including an amendment or modification which rescinds the Undertaking) is permitted by the Rule, as then in effect.

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