NEW ISSUE
BOOK-ENTRY ONLY

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

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

$35,200,000
THE TRUSTEES OF PURDUE UNIVERSITY
Purdue University Student Fee Bonds, Series U

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 U, dated as of the date of delivery (the "Series U Bonds"), in the original aggregate principal amount of $35,200,000. The Series U Bonds are being issued pursuant to resolutions adopted and actions authorized by the Board of Trustees (the "Board") of the Corporation and under an Amended and Restated Trust Indenture dated as of May 1, 1996, as heretofore supplemented and amended from time to time (the "Amended and Restated Indenture"), and as further supplemented by a Twenty-First Supplemental Indenture dated as of July 1, 2005 (the "Twenty-First Supplemental Indenture" and, collectively with the Amended and Restated Indenture, the "Indenture"), by and between the Corporation and J.P. Morgan Trust Company, National Association (as successor to NBD Bank, N.A.), Indianapolis, Indiana, as trustee (the "Trustee"), for the purpose of refunding a portion of the Corporation's outstanding Purdue University Student Fee Bonds, Series Q, as described in this Official Statement. See "THE REFUNDING PROGRAM."

Interest on the Series U Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2006, 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 U Bonds are issuable only as fully registered bonds, and will be issued in denominations of $5,000 or any integral multiple thereof. The Series U 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 U Bonds will be made in book-entry only form, and purchasers of a beneficial interest in the Series U Bonds will not receive physical delivery of the certificates representing their interests in the Series U Bonds. The principal and interest on the Series U Bonds will be paid to DTC or its nominee as the registered owner of the Series U Bonds. Disbursement of such payments to owners of beneficial interests in the Series U Bonds will be the responsibility of DTC and its participants and indirect participants. See "DESCRIPTION OF SERIES U BONDS--Book-Entry-Only System."

The Series U Bonds are not subject to redemption prior to maturity.

The Series U 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 U 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 U Bonds against the State of Indiana, the Corporation, or against the property or funds of the Corporation or the State of Indiana, except to the extent of the pledge of Student Fees, Qualified Swap Receipts (if any), and the pledge of certain funds under the Indenture for payment of the Series U Bonds. The Corporation has no taxing power.

$35,200,000 Serial Bonds

Principal Amount	Due July 1	Interest Rate	Yield	Principal Amount	Due July 1	Interest Rate	Yield
$100,000	2006	3.500%	2.750%	$2,815,000	2015	5.000%	3.780%
100,000	2007	3.500	2.900	2,960,000	2016	3.850	3.860
100,000	2008	3.500	3.030	3,070,000	2017	3.900	3.930
100,000	2009	3.500	3.150	3,195,000	2018	3.950	3.990
100,000	2010	3.500	3.270	3,315,000	2019	5.250	4.030
2,320,000	2011	5.000	3.400	3,490,000	2020	5.250	4.060
2,435,000	2012	5.000	3.520	2,835,000	2021	5.250	4.100
2,590,000	2013	5.000	3.630	2,990,000	2022	5.250	4.140
2,685,000	2014	5.000	3.700				

The Series U 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, Indianapolis, Indiana, Bond Counsel and Disclosure Counsel. Certain legal matters will be passed on for the Corporation by its counsel, Stuart & Branigin, Lafayette, Indiana. It is anticipated that the Series U Bonds will be available for delivery to DTC in New York, New York, on or about July 20, 2005.

LEHMAN BROTHERS

CITY SECURITIES CORPORATION

Siebert Brandford Shank & Co., L.L.C.

Dated July 14, 2005

NO DEALER, BROKER, SALESMAN OR ANY OTHER PERSON HAS BEEN AUTHORIZED BY THE CORPORATION OR THE UNDERWRITER 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 UNDERWRITER. THIS OFFICIAL STATEMENT SHOULD BE CONSIDERED IN ITS ENTIRETY AND NO ONE FACTOR CONSIDERED MORE OR LESS IMPORTANT THAN ANY OTHER BY REASON OF ITS POSITION IN THIS OFFICIAL STATEMENT. THE INFORMATION, ESTIMATES AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE; AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE HEREUNDER, SHALL UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE AS TO THE AFFAIRS OF THE CORPORATION AND THE OTHER PARTIES REFERRED TO HEREIN SINCE THE DATE OF THIS OFFICIAL STATEMENT OR SINCE ANY EARLIER DATE AS OF WHICH INFORMATION IS STATED TO BE GIVEN.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL NOR THE SOLICITATION OF AN OFFER TO BUY THE SERIES U 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 UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES U 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 U 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 U BONDS FOR SALE.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CORPORATION AND THE TERMS OF THE OFFERING, INCLUDING THE MERIT AND RISK INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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SUMMARY STATEMENT

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

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

The main campus of Purdue University is located in West Lafayette, about 60 miles northwest of Indianapolis; regional campuses are maintained in the Cities of Hammond and Westville, and two regional campuses are operated jointly with Indiana University in Fort Wayne and Indianapolis. The West Lafayette campus is organized academically into ten colleges, undergraduate and masters degrees are awarded in all schools with the doctorate degree awarded in all schools except the School of Technology. Purdue University's 2004 fall semester headcount enrollment for all campuses totals 64,000.

PURPOSES OF ISSUE. The Corporation's Purdue University Student Fee Bonds, Series U (the "Series U Bonds"), are being issued to refund that portion of the Corporation's Purdue University Student Fee Bonds, Series Q maturing on or after July 1, 2011 (the "Refunded Bonds") and to pay certain costs of issuing the Series U Bonds.

SECURITY. The Series U Bonds, together with the Purdue University Student Fee Bonds, Series E, Series H, Series K, Series L, Series N, Series O, Series P, Series Q (including the Refunded Bonds), Series R, Series S and Series T outstanding in the aggregate principal amount of $239,780,000 as of July 2, 2005, 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 U Bonds, the Corporation has no intention to enter into any Qualified Swap Agreement. The Series U 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 U Bonds against the State of Indiana, the Corporation, or against the property or funds of the Corporation or the State of Indiana, except to the extent of the Student Fees, Qualified Swap Receipts (if any), and the funds pledged under the Indenture for payment of the Series U Bonds.

STUDENT FEES means all academic fees (including tuition) however denominated, assessed by the Corporation against all students attending Purdue University, except the Recreational Facilities-Additions Fee charged students at the West Lafayette campus and other 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 U 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 U Bonds. Purchases of the Series U Bonds by investors will be made in book-entry form only and individual purchasers will not receive physical delivery of Series U Bond certificates.

DEBT SERVICE COVERAGE. The following debt service coverage summary is based on Student Fees for the Fiscal Years ended June 30, 2003 and June 30, 2004, and the estimated Annual Debt Service Requirements on all Outstanding Bonds, including the Series U Bonds.

	(in thousands)	
	2004	2003
Student Fees	$385,198	$346,794
Coverage*	13.40	12.07

* Estimated Maximum Annual Debt Service Requirement (2008) ($28,740,158); based on an assumed interest rate of 3.5% per annum on the Series S and Series T Bonds, and excluding Capitalized Interest on Series S and Series T Bonds; in thousands.

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

RESERVE FUND. No reserve fund exists for the Series U 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 U Bonds and all other Parity Bonds. The Corporation has not entered into any Qualified Swap Agreements and has no present intention to enter into any Qualified Swap Agreements.

CONTINUING DISCLOSURE. Pursuant to the continuing disclosure requirements promulgated by the Securities and Exchange Commission in SEC Rule 15c2-12, as amended (the "Rule"), the Corporation entered into a Continuing Disclosure Undertaking Agreement dated as of July 1, 1996, as heretofore supplemented, to be further supplemented by a Fourteenth Supplement to Continuing Disclosure Undertaking Agreement to be dated as of July 1, 2005, with J.P. Morgan Trust Company, National Association (as successor to NBD Bank, N.A.,) as counterparty (collectively, the "Undertaking Agreement"), pursuant to which the Corporation will agree to provide (i) on an annual basis to each nationally recognized municipal securities information repository ("NRMSIR") then in existence and to the Indiana state information depository then in existence, if any ("SID"), certain annual financial information, and (ii) notice to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB"), and to the SID, upon the occurrence of certain other material events more fully described herein. See "APPENDIX D: SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING AGREEMENT." The Corporation is in compliance with undertakings previously entered into by it pursuant to the Rule.

OFFICIAL STATEMENT

$35,200,000
The Trustees of Purdue University
Purdue University Student Fee Bonds, Series U

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 $35,200,000 aggregate principal amount of its Purdue University Student Fee Bonds, Series U (the "Series U Bonds").

The Series U Bonds are being issued under Indiana Code 20-12-6, as amended (the "Act"), and pursuant to resolutions adopted by and actions authorized by the Board of Trustees of the Corporation (the "Board"), and the Finance Committee thereof, and in accordance with the provisions of an Amended and Restated Trust Indenture, dated as of May 1, 1996, by and between the Corporation and J.P. Morgan Trust Company, National Association (as successor to NBD Bank, N.A.), Indianapolis, Indiana, as trustee (the "Trustee"), as supplemented and amended from time to time (the "Amended and Restated Indenture"), and as further supplemented by the Twenty-First Supplemental Indenture dated as of July 1, 2005, by and between the Corporation and the Trustee (the "Twenty-First Supplemental Indenture"; the Amended and Restated Indenture, as supplemented by the Twenty-First Supplemental Indenture, being referred to herein as the "Indenture").

The Indenture also governs other outstanding debt of the Corporation which is on a parity basis with the Series U 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 U 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 U Bonds are limited obligations of the Corporation secured exclusively by and payable solely from a pledge of and a first lien on Student Fees, payments to the University from a Qualified Swap Provider pursuant to a Qualified Swap Agreement (if any), and moneys on deposit in funds established under the Indenture. The Corporation has not entered into any Qualified Swap Agreements and has no present intention to enter into any Qualified Swap Agreements. The Series U 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 U Bonds against the State of Indiana, the Corporation, or against the property or funds of the Corporation or of the State of Indiana, except to the extent of the pledge of Student Fees, Qualified Swap Receipts (if any), and the pledge of certain funds under the Indenture for payment of the Series U Bonds. The Corporation has no taxing power.

Under the Indenture, the Corporation has issued and has outstanding as of July 2, 2005, $239,780,000 in cumulative aggregate principal amount of its (i) Purdue University Student Fee Bonds, Series E (the "Series E Bonds"); (ii) Purdue University Student Fee Bonds, Series H (the "Series H Bonds"); (iii) Purdue University Student Fee Bonds, Series K (the "Series K Bonds");

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

"Student Fees" means all academic fees (including tuition), however denominated, assessed by the Corporation against students attending Purdue University (the "University"), except the Recreational Facilities-Additions Fee charged students at the West Lafayette campus and other 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 U 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 U Bonds are not subject to redemption prior to maturity.

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

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

PURPOSES OF SERIES U BONDS

The Series U Bonds are being issued for the purposes of refunding the Corporation's outstanding Purdue University Student Fee Bonds, Series Q (the "Refunded Bonds"), as described under the caption "THE REFUNDING PROGRAM." A portion of the proceeds of the Series U Bonds will be used to pay for the costs of issuance of the Series U Bonds.

DESCRIPTION OF SERIES U BONDS

General

The Series U Bonds will be issued in the principal amount of $35,200,000 and will be dated and bear interest from the date of issuance. The Series U Bonds will bear interest (payable January 1 and July 1 of each year, with the first interest payment being January 1, 2006) at the rates and will mature on the dates and in the principal amounts set forth on the cover page of this Official Statement. Interest on the Series U Bonds will be computed on the basis of a 360-day year, consisting of twelve 30-day months.

The Series U Bonds are not subject to redemption prior to maturity.

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

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

Book-Entry-Only System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series U Bonds. The Series U 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 U Bond certificate will be issued for each maturity of the Series U Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**.

Purchases of Series U Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series U Bonds on DTC's records. The ownership interest of each actual purchaser of each Series U 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 U Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series U Bonds, except in the event that use of the Book-Entry-Only System for the Series U Bonds is discontinued.

To facilitate subsequent transfers, all Series U 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 U 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 U Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series U 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.

Redemption notices shall be sent to DTC. If less than all of the Series U 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 Series U Bonds unless authorized by a Direct Participant in accordance with DTC's

Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series U Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series U 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 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 dividend 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 U 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, Series U Bond certificates 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, Series U Bond certificates will be printed and delivered.

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

Redemption

The Series U Bonds are not subject to redemption prior to maturity.

Payment of Principal and Interest on Series U Bonds

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

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

Principal Account. The Trustee shall establish and maintain, so long as any Series U Bonds are outstanding, a separate account within the Sinking Fund to be known as the Series U Principal Account. The Trustee will allocate from amounts in the Sinking Fund to the Series U Principal Account amounts which are sufficient to pay principal of the Outstanding Series U Bonds as such becomes due. All payments of principal made by the Corporation shall be deposited as and when received by the Trustee in the Series U Principal Account. On or before the first day of each July, commencing July 1, 2006, the Trustee will deposit in the Series U Principal Account moneys received from the Corporation in an amount equal to the difference, if any, between (a) the principal amount of Series U Bonds maturing on such July 1 and (b) the amount of money then on deposit in the Series U Principal Account available to pay the principal of the Series U Bonds.

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

For so long as the Series U 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 U Bonds."

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

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

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

Upon surrender for transfer or exchange of any of the Series U Bonds at the principal office of the Bond Registrar, the Corporation shall execute, and the Bond Registrar shall authenticate, date and deliver in the name of the transferee or transferees, a new fully registered Series U Bond or Series U Bonds of the same Series and maturity of authorized denominations for a like aggregate principal amount. Any Series U Bond or Series U Bonds may be exchanged at said office of the Bond Registrar for a like aggregate principal amount of any Series U Bond or Series U Bonds of the same Series and maturity of other authorized denominations. The Trustee will not be required to transfer or exchange any Series U Bond during the period of 15 days prior to any Interest Payment Date. No service charge or payment shall be required to be made by the Owner of any Series U Bond requesting an exchange, registration or transfer of any Series U 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 U 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 U Bonds are not a general obligation, debt or liability, or a charge against any property or fund of the

Corporation or the State of Indiana, and no recourse shall be had for the payment of the principal of and interest on the Series U 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 U Bonds, see "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Student Fees

"Student Fees" means all academic fees (including tuition), however denominated, assessed by the Corporation against students attending the University, except the Recreational Facilities-Additions Fee charged students at the West Lafayette campus and other 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 U 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 U Bonds. The pledge of Student Fees for the Series U Bonds and any other obligations issued on a parity with the Series U 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 U Bonds (or any other Student Fee Bonds which are Outstanding). Accordingly, the Series U Bonds will have no claim on the Reserve Fund. However, the Corporation may issue Additional Bonds at some later date which will have a claim on the Reserve Fund in the manner prescribed in the Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE--Flow of Funds."

Fee Covenant

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

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

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

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

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

Issuance of Additional Bonds

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

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

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

Outstanding Student Fee Bonds

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

Obligation	Dated Date	Final Maturity	Original Amount Issued	Amount Outstanding as of July 2, 2005
Series E Bonds	November 29, 1990	July 1, 2007	$25,000,000	$4,300,000
Series H Bonds	January 1, 1993	July 1, 2015	17,000,000	10,100,000
Series K Bonds	January 18, 1995	July 1, 2020	22,000,000	16,000,000
Series L Bonds	December 13, 1995	July 1, 2020	19,200,000	14,000,000
Series N Bonds	January 27, 1998	July 1, 2014	72,590,000	33,845,000
Series O Bonds	February 11, 1998	July 1, 2019	36,300,000	27,345,000
Series P Bonds	December 2, 1998	July 1, 2017	64,255,000	44,965,000
Series Q Bonds[1]	August 7, 2000	July 1, 2022	50,015,000	44,435,000
Series R Bonds	January 1, 2002	July 1, 2023	43,110,000	16,440,000
Series S Bonds	June 17, 2004	July 1, 2026	13,850,000	13,850,000
Series T Bonds	October 27, 2004	July 1, 2027	14,500,000	14,500,000

(1) A portion of which is being refunded with proceeds of the Series U Bonds.

The Act provides general authorization for the incurrence of indebtedness by the Corporation, for miscellaneous purposes, in an amount not exceeding a total of $1,000,000 outstanding at any one time, subject to approvals from the Governor and the State Budget Committee and State Budget Agency. As of July 1, 2005, the Corporation has no such indebtedness outstanding. The Act also provides for the incurrence of indebtedness by the Corporation to finance qualified energy savings projects, in an amount not to exceed $10,000,000, subject to any necessary approvals from the Governor and the State Budget Committee and State Budget Agency, if annual operating savings arising from the project are reasonably expected to be at least equal to annual debt service requirements on the indebtedness. The Corporation has a financing in place on July 1, 2005, in an amount of $4,641,492 for qualified energy savings projects. See "Outstanding Indebtedness" in APPENDIX A.

ESTIMATED DEBT SERVICE COVERAGE

The following debt service coverage summary is based on Student Fees for the Fiscal Years ended June 30, 2003 and June 30, 2004, and the estimated Annual Debt Service Requirements on all Outstanding Student Fee Bonds, including the Series U Bonds.

	(in thousands)	
	2004	2003
Student Fees	$385,198	$346,794
Coverage*	13.40	12.07

* Estimated Maximum Annual Debt Service Requirement (2008) ($28,740,158). Excluding capitalized interest; and in thousands. Interest on the Series S and Series T Bonds has been estimated for debt service coverage purposes at 3.5% based on the requirement for variable interest rates for calculation of the Annual Debt Service Requirement for purposes of compliance with the fee covenant. See "SOURCES AND SECURITY FOR STUDENT FEE BONDS--Fee Covenant."

ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS

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

Fiscal Year Ending June 30	Series E Bonds	Series H Bonds	Series K Bonds	Series L Bonds	Series N Bonds	Series O Bonds	Series P Bonds	Series Q Bonds	Series R Bonds	Series S Bonds[1]	Series T Bonds[1]	Series U Bonds	Total
2005	$2,469,200	$893,700	$1,520,800	$1,317,775	$7,695,733	$2,796,219	$5,322,275	$2,168,900	$1,400,738	$0	$0	$0	$25,585,338
2006	2,399,075	979,263	1,596,799	1,396,963	7,716,650	2,815,178	5,304,200	2,167,678	1,394,231	0	0	752,549	26,522,585
2007	2,419,975	1,059,875	1,568,699	1,372,375	7,661,150	2,827,183	5,286,200	2,165,766	1,394,731	242,375	0	1,780,968	27,779,296
2008	2,039,000	1,135,275	1,538,499	1,345,950	7,793,525	2,837,683	5,286,075	2,303,600	1,399,131	779,500	504,453	1,777,468	28,740,158
2009		1,106,750	1,603,549	1,414,300	4,481,400	2,845,481	5,273,325	2,154,500	1,392,531	818,125	1,001,138	1,773,968	23,865,067
2010		1,272,188	1,564,850	1,379,100	3,976,588	2,846,835	5,268,200	2,152,700	1,391,406	904,125	1,002,646	1,770,468	23,529,105
2011		1,326,250	1,525,250	1,344,700	3,894,988	2,849,435	5,254,856		1,390,281	888,375	1,003,454	1,766,968	21,244,557
2012		1,371,125	1,580,000	1,307,500	3,998,075	2,841,875	5,251,800		1,392,281	872,625	1,003,563	3,927,218	23,546,061
2013		1,413,750	1,526,875	1,362,188	4,080,625	2,720,438	5,262,850		1,389,444	906,000	1,002,971	3,923,343	23,588,482
2014		1,454,375	1,567,813	1,311,563	4,147,775	2,710,750	5,257,481		1,388,128	986,750	1,001,679	3,952,718	23,779,031
2015		1,392,625	1,505,938	1,358,125	513,750	2,702,000	5,235,956		1,381,097	965,750	999,688	3,915,843	19,970,771
2016		1,330,875	1,287,500	1,165,000		2,694,500	5,247,225		1,381,647	944,750	996,996	3,908,343	18,956,835
2017			1,490,000	1,255,000		2,682,000	5,240,238		1,384,375	1,022,000	998,444	3,925,988	17,998,044
2018			1,430,000	1,302,500		2,664,500	1,729,231		1,386,125	997,500	999,017	3,919,143	14,428,015
2019			1,467,500	1,247,500		2,642,000			1,377,250	973,000	998,715	3,921,176	12,627,141
2020			1,402,500	1,290,000		1,629,750			1,375,875	1,046,750	997,538	3,891,056	11,633,469
2021			1,435,000	1,230,000					1,381,500	1,018,750	995,485	3,887,425	9,948,160
2022									1,374,125	990,750	992,558	3,066,394	6,423,827
2023									1,378,625	1,061,000	993,596	3,068,488	6,501,708
2024										1,029,500	993,583		2,023,083
2025										1,096,250	992,521		2,088,771
2026										1,159,500	990,408		2,149,908
2027										1,170,125	987,246		2,157,371
2028											987,873		987,873

(1) Series S and T annual debt service is net of capitalized interest. Interest expense estimated at 3.5%.

THE REFUNDING PROGRAM

The Series U Bonds are being issued, in part, for the purpose of refunding a portion of the Corporation's outstanding Student Fee Bonds, Series Q (the "Refunded Bonds").

The Refunded Bonds will be refunded pursuant to the terms of an Escrow Deposit Agreement (the "Escrow Agreement") dated as of July 1, 2005, entered into among the Corporation, J.P. Morgan Trust Company, National Association, acting as escrow trustee (the "Escrow Trustee"), and J.P. Morgan Trust Company, National Association (as successor to NBD Bank, N.A.), Indianapolis, Indiana, as trustee for the Refunded Bonds. The refunding of the Refunded Bonds will be accomplished by (a) creating an irrevocable escrow fund for the Refunded Bonds (the "Escrow Fund") to be held by the Escrow Trustee and (b) depositing in the Escrow Fund a sum of initial cash and certain noncallable, direct obligations of the United States of America (the "Government Obligations"). The funds needed to make the initial cash deposit to the Escrow Fund and to purchase the Government Obligations will be provided from Series U Bond proceeds.

The Government Obligations to be purchased and deposited with the Escrow Trustee will bear interest at such rates and will be scheduled to mature at such times and in such amounts so that, when paid according to their respective terms, sufficient money, together with the initial cash deposit, will be available to pay when due all principal of, premium, and interest on the Refunded Bonds to and including the final maturity date of the Refunded Bonds. The Refunded Bonds, in the currently outstanding principal amount of $34,955,000, will be redeemed on July 1, 2010 at a redemption price of par, without premium.

The accuracy of the mathematical computations of the adequacy of the Escrow Fund to provide fully for all payments of principal of, premium, and interest on the Series Q Bonds will be verified at the time of delivery of the Series U Bonds by Crowe Chizek and Company LLC, independent certified public accountants. See "VERIFICATION."

All cash and Government Obligations on deposit with the Escrow Trustee, including investment income, will be pledged solely and irrevocably for the benefit of the holders of the Refunded Bonds. It will not be necessary after the refunding of the Refunded Bonds to fund any debt service on the Refunded Bonds from Student Fees or to rely on the lien thereon, as all such debt service will be funded from the Escrow Fund.

Under the terms of the Indenture, the Corporation will be released from all liability on the Refunded Bonds, which will no longer be deemed to be outstanding under the Indenture, and the lien on Student Fees with respect to the Refunded Bonds will be released.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds related to the issuance of the Series U Bonds (exclusive of accrued interest) are summarized below:

Sources of Funds:	
Principal Amount of Series U Bonds	$35,200,000
Net Original Issue Premium	2,859,050
Total Sources of Funds	$38,059,050
Uses of Funds:	
Deposit to Escrow Fund	$37,824,586
Underwriting Discount	110,000
Costs of Issuance	124,464
Total Uses of Funds	$38,059,050

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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

Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Parity Bonds" means the Series E Bonds, Series H Bonds, Series K Bonds, Series L Bonds, Series N Bonds, Series O Bonds, Series P Bonds, Series Q Bonds, Series R Bonds, Series S Bonds, Series T Bonds, Series U Bonds 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. Upon the refunding of the Refunded Bonds as described in this Official Statement, the Refunded Bonds will no longer be deemed to be Outstanding for purposes of the Indenture and will no longer have a lien against the Pledged Funds.

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

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

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

2. Escrowed Municipals;

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

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

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

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

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

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

"Qualified Swap" or "Qualified Swap Agreement" shall mean any financial arrangement (i) that is authorized under applicable state law; (ii) that is entered into by the Corporation with an entity that is a Qualified Counterparty at the time the arrangement is entered into; (iii) which constitutes an agreement (including any combination of agreements or a master agreement, each of which may include terms and conditions incorporated by reference therein) which is a rate swap agreement, basis swap, forward rate agreement, interest rate option, rate cap agreement, rate floor agreement, rate collar agreement, or any other similar agreement (including any option to enter into the foregoing); (iv) which is entered into pursuant to terms set forth herein and in an

Indenture supplemental hereto; and (v) which has been designated in writing to the Trustee by an authorized representative of the Issuer as a Qualified Swap.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Student Fees" means all academic fees (including tuition), however denominated, assessed by the Corporation against students attending Purdue University except the Recreational Facilities - Additions Fee charged students at the West Lafayette campus and other 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 U Bonds are Outstanding separate accounts known as the Series U Principal Account and the Series U Interest Account. On or before each interest or principal payment date on the Series E Bonds, the Series H Bonds, the Series K Bonds, the Series L Bonds, the Series N Bonds, the Series O Bonds, the Series P Bonds, the Series Q Bonds, the Series R Bonds, the Series S Bonds, the Series T Bonds, the Series U Bonds 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 U Bonds, and the Outstanding Student Fee Bonds and the Series U Bonds do not have, and will not have, any claim on the Reserve Fund. However, the Corporation may issue Parity Bonds at a later date which have a claim on the Reserve Fund. In connection with the issuance of such Parity Bonds the Corporation will deposit in the Reserve Fund an amount necessary to satisfy the Reserve Fund Requirement resulting from the issuance thereof. Such deposit requirement in connection with the issuance of Parity Bonds may also be satisfied by providing in supplemental indentures that annual deposits may be made commencing on the October 1 following the date on which said Parity Bonds are issued and continuing on or before each October 1 thereafter for the 3 succeeding years or such lesser number of years specified in the supplemental indenture. Said deposits will equal, after taking into account any other monies deposited in the Reserve Fund on the day of delivery and payment for such series of Parity Bonds, an amount equal to the initial unfunded Reserve Fund Requirement divided by the total number of annual deposits to be made. Except as provided below the Corporation may elect to provide a Reserve Fund Credit Instrument for purposes of maintaining the Reserve Fund Requirement. In those circumstances the Trustee will include in the total amount held in the Reserve Fund an amount equal to the maximum principal amount which could be drawn by the Trustee under all Reserve Fund Credit Instruments.

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

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

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

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

Series U Project Fund. Pursuant to the Twenty-First Supplemental Indenture, the Corporation will establish a separate fund to be known as the Series U Project Fund (the "Series U Project Fund"), into which a portion of the proceeds of the Series U Bonds will be deposited to be used by the Corporation for the refunding of the Refunded Bonds.

The Corporation will establish a separate account in the Series U 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 U Bonds. Moneys on deposit in the Expense Account will be applied to pay certain costs of issuing the Series U Bonds. Any moneys remaining in the Expense Account on January 1, 2006, will be transferred to the Series U Interest Account of the Sinking Fund.

The Corporation will create a separate account in the Series U Project Fund to be known as the "Refunding Account." Upon closing, the Corporation shall immediately transfer from the Refunding Account to the Escrow Trustee, for deposit into the Series U Escrow Fund established and maintained with the Escrow Trustee pursuant to the Escrow Agreement, an amount sufficient to provide for the refunding of the Refunded Bonds, as described under the heading "THE REFUNDING PROGRAM." All such monies deposited into the Series U Escrow Fund shall be invested and disbursed as provided in the Escrow Agreement.

Additional Security

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

Partial Release of Lien on Student Fees

The Corporation, from time to time, will have the right to incur other indebtedness pursuant to the provisions of Indiana law other than the Act which indebtedness may be payable from a particular fee or fees or other charges made to students attending Purdue University which fees or charges may be Student Fees. The Corporation and Trustee may enter into an amendatory or supplemental indenture for the purpose of releasing said fees or charges from the lien of the Indenture and excluding said fees or charges constituting Student Fees from the definition of Student Fees in the Indenture, if actual Student Fees received by the Corporation during the preceding Fiscal Year, less those fees and charges to be removed from the definition of Student Fees and from the lien of the Indenture, will be equal to or greater than two (2) times the Maximum Annual Debt Service to become due in that or any succeeding Fiscal Year for the payment of principal and interest charges on Outstanding Student Fee Bonds.

Covenants of the Corporation

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

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

2. to pay all the costs, charges and expenses incurred by the Trustee or any holder of Student Fee Bonds, including reasonable attorneys' fees reasonably incurred or paid, because of the failure on the part of the Corporation to perform, comply with and

abide with each and every of the stipulations, agreements, conditions and covenants of the Indenture and of all Student Fee Bonds, or either of them;

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

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

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

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

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

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

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

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

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

(c) that it will not be an event of default under the Indenture if the interest on the Series U 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 U Bonds, except as stated above.

Investments

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

Defaults and Remedies

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

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

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

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

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

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

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

If there has been an Event of Default under subparagraph (5) above which gives rise to a right of acceleration or similar right to immediate payment on such junior lien obligation, the remedies available to the Trustee will also include the right to give written notice to the Corporation of acceleration of all principal of and accrued interest on all of the Student Fee Bonds then Outstanding under the Indenture. Such amounts will thereby become due and payable in full on a date to be stated in each notice, which date will be not less than six Business Days following receipt by the Corporation of such notice.

Defeasance

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

Supplemental Indentures; Amendments

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

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

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

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

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

5. otherwise to modify any of the provisions of the Indenture or to relieve the Corporation from any of the obligations, conditions or restrictions contained in the Indenture; provided that no such modification will be or become operative or effective or in any manner impair any rights of the holders of the Outstanding Student Fee Bonds or the Trustee (except as otherwise provided or permitted pursuant to the Indenture), while any Student Fee Bonds of series issued prior to the execution of such supplemental indenture remains Outstanding; and provided further, that such supplemental indenture will be specifically referred to in the text of all Student Fee Bonds of any series issued after the execution of such supplemental indenture; and provided, also, that the Trustee may in its uncontrolled discretion decline to enter into any such supplemental indenture which in its opinion may not afford adequate protection to the Trustee when such supplemental indenture becomes operative;

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

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

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

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

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

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

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

TAX MATTERS

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

The Code imposes certain requirements which must be met subsequent to the issuance of the Series U Bonds as a condition to the exclusion from gross income of interest on the Series U 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 U Bonds that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Series U Bonds pursuant to Section 103 of the Code and will covenant to adopt and maintain appropriate procedures to accomplish such purpose (collectively, the “Tax Covenants”). The Tax Covenants are based solely on the laws and regulations in effect on the date of delivery of the Series U Bonds. The Indenture and certain certificates and agreements to be delivered on the date of delivery of the Series U Bonds establish procedures under which compliance with the requirements of the Code can be met. It is not an event of default under the Indenture if the interest on the Series U Bonds is not excludable from gross income for federal income tax purposes or otherwise pursuant to any provision of the Code which is not in effect on the issue date of the Series U Bonds.

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

ORIGINAL ISSUE DISCOUNT

The initial public offering prices of the Series U Bonds maturing on July 1, 2016 through and including July 1, 2018 (collectively, the "Discount Bonds") are less than the principal amounts payable at maturity. As a result, the Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price of the Discount Bonds, as set forth on the cover page of this Official Statement (assuming it is the first price at which a substantial amount of that maturity is sold) (the "Issue Price" for such maturity), and the amount payable at maturity of the Discount Bonds will be treated as "original issue discount." A taxpayer who purchases a Discount Bond in the initial public offering at the Issue Price for such maturity and who holds such Discount Bond to maturity may treat the full amount of original issue discount as interest which is excludable from the gross income of the owner of that Discount Bond for federal income tax purposes and will not, under present federal income tax law, realize taxable capital gain upon payment of the Discount Bond at maturity.

The original issue discount on each of the Discount Bonds is treated as accruing daily over the term of such Bond on the basis of the yield to maturity determined on the basis of compounding at the end of each six-month period (or shorter period from the date of original issue) ending on January 1 and July 1 (with straight line interpolation between compounding dates).

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

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

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

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

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

BOND PREMIUM

The initial public offering prices of the Series U Bonds maturing on July 1, 2006 through and including July 1, 2015, and maturing on July 1, 2019 through and including July 1, 2022 (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 taxexempt 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 U Bonds

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

Other Proceedings

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

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

VERIFICATION

The arithmetical accuracy of the mathematical computations as to the adequacy of the maturing principal amounts of, and interest on, the Government Obligations held under the Escrow Agreement, together with cash held under the Escrow Agreement, to pay the principal of, redemption premium, if any, and interest on the Refunded Bonds, as provided in the Escrow Agreement, and the mathematical computations supporting the conclusions of Ice Miller, Bond Counsel, that the refunding aspects of the Series U Bonds will not cause such Series U Bonds to be "arbitrage bonds" under the Code, will be verified by Crowe Chizek and Company, LLC. Such verifications will be based upon information supplied to Crowe Chizek and Company, LLC by the Underwriters.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Group ("S&P") have given the Series U Bonds the ratings of "Aa1" and "AA," respectively. An explanation of the rating by Moody's may be obtained from such agency at 99 Church Street, New York, New York, 10007, and an explanation of the rating by S&P may be obtained from such agency at 25 Broadway, New York, New York, 10004. Any such rating reflects only the view of the respective rating agency and is not a recommendation to buy, sell, or hold any of the Series U Bonds. There is no assurance that any rating will continue for any given period of time, and any rating may be revised downward or withdrawn entirely, if, in the judgment of the appropriate rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price or marketability of the Series U Bonds.

CERTAIN LEGAL MATTERS

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

Bond Counsel has not undertaken independently to verify any information contained in this Official Statement, except that representatives of such firm participating in the issuance of the Series U Bonds have reviewed the information under the headings "SUMMARY STATEMENT," "INTRODUCTION," "DESCRIPTION OF SERIES U BONDS" (except for the information provided in "--Book-Entry-Only System"), "THE REFUNDING PROGRAM," "SECURITY AND SOURCES OF PAYMENT FOR STUDENT FEE BONDS," "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE," "TAX MATTERS," "ORIGINAL ISSUE DISCOUNT," "BOND PREMIUM" and APPENDIX C and determined that such information conforms in all material respects to the provisions of the documents and other matters set forth therein. Bond Counsel has not undertaken to review the accuracy or completeness of statements under any other heading of this Official Statement, including particularly matters related to the financial condition of the Corporation and other financial data concerning the Corporation and expresses no opinion thereon or assumes any responsibility therewith.

LEGAL OPINIONS AND ENFORCEABILITY OF REMEDIES

The various legal opinions to be delivered concurrently with the delivery of the Series U 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 U 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 U Bonds in a situation where such enforcement may adversely affect public health and welfare may be subject to these police powers.

UNDERWRITING

Lehman Brothers, Inc. for itself and as the representative of others as shown on the cover page hereof (the "Underwriter") has agreed to purchase the Series U Bonds subject to certain conditions precedent, and the Underwriter is obligated to purchase all Series U Bonds issued at an underwriting discount of $110,000 from the initial public offering prices producing the prices or yields set forth on the cover page of this Official Statement. The Underwriter may offer and sell the Series U Bonds to certain dealers (including dealers depositing the Series U Bonds into unit investment trusts) and to others at a price lower than that offered to the public. The initial public offering price may be changed from time to time by the Underwriter.

MISCELLANEOUS

During the initial offering period for the Series U Bonds, a copy of the Indenture will be available for inspection at the Office of the Treasurer of the University, Hovde Hall, West Lafayette, Indiana 47907, at the offices of the Underwriter at 399 Park Avenue, 16th Floor, New York, New York 10022. 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, Bond Counsel to the Corporation. All of the Appendices hereto are incorporated as an integral part of this Official Statement.

THE TRUSTEES OF PURDUE UNIVERSITY

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

Dated: July 14, 2005

APPENDIX A

PURDUE UNIVERSITY
AND THE TRUSTEES OF PURDUE UNIVERSITY

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APPENDIX A

PURDUE UNIVERSITY
AND THE TRUSTEES OF PURDUE UNIVERSITY

General

Purdue University (the “University”) was established in 1869 and is one of sixty-eight land-grant colleges and universities created as a result of the Morrill Act of 1862. The University was originally established to teach agricultural and mechanical arts and was named in honor of John Purdue, a substantial donor to the University. The University is one of the seven state-supported universities in Indiana. During its approximately 135 years of operation, the University has grown from 39 students and six instructors to a population, as of the 2004 Fall semester, of over 64,000 full-time and part-time students and approximately 4,400 faculty members. The University’s educational activities are conducted primarily on four campuses: the main campus in West Lafayette, regional campuses in Hammond and Westville, and a campus operated jointly with Indiana University in Fort Wayne. In addition to its operation of the four campuses, the University is responsible for certain academic programs at the campus of Indiana University-Purdue University in Indianapolis. The University operates a Statewide Technology Program at numerous locations throughout Indiana.

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

Accreditation and Membership

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

Strategic Plan

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

As a part of the strategic plan, the University has embarked on a comprehensive fund-raising effort to generate $1.5 billion by 2007 in support of students, faculty, programs, and facilities. “The Campaign for Purdue” will fund more than 50 new buildings and renovation projects, affecting almost every campus, school and program in the University system. The campaign was officially announced on September 27, 2002, and has raised over $1.1 billion toward the $1.5 billion goal.

The Board of Trustees of the Corporation

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

Officers of the Corporation

The current officers of the Corporation are listed below.

J. Timothy McGinley, *Chairman*
John D. Hardin, Jr., *Vice Chairman*
Morgan R. Olsen, *Treasurer*
James S. Almond, *Assistant Treasurer and Assistant Secretary*
Roseanna M. Behringer, *Secretary*
Anthony S. Benton, *Legal Counsel*
Thomas B. Parent, *Assistant Legal Counsel*

Principal Administrative Officers of the University

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

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

Student Admissions

The table below sets forth the total number of first year applications received and accepted, and the number of students enrolled at the West Lafayette campus, for the academic years indicated. The University is managing the total enrollment on the West Lafayette Campus to approximately 30,500.

ACADEMIC YEAR	APPLICATIONS RECEIVED	APPLICATIONS ACCEPTED	PERCENT ACCEPTED	STUDENTS ENROLLED	YIELD OVERALL	YIELD IN STATE
2000-01	20,405	15,936	78.1%	6,430	40.3%	61.9%
2001-02	21,760	16,727	76.9%	6,580	39.3%	60.6%
2002-03	22,872	17,292	75.6%	6,323	36.6%	59.6%
2003-04	22,977	18,076	78.7%	6,446	35.7%	59.0%
2004-05	24,003	19,259	80.2%	6,786	35.2%	60.1%

The freshman applicants at the West Lafayette campus for the fall semesters 2000 through 2004 had an average combined score for the Scholastic Aptitude Test (SAT) verbal and mathematical test of 1129, 1134, 1150, 1150, and 1149 respectively. Fifty-three percent of the Fall 2004 freshman class had a GPA between 3.5 and 4.0 and 87% of the 2004 Fall freshman class had a High School GPA between 3.0 and 4.0.

Tuition and Fees

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

Student Fees, Tuition and Other Fees: The table below sets forth the total fees applicable to both full-time and part-time students at the West Lafayette campus for the academic years 2001-02 through 2006-07. Approximately 41 percent of the total undergraduate and graduate students at the West Lafayette campus and approximately 5 percent at the regional campuses are non-residents of the State of Indiana.

WEST LAFAYETTE CAMPUS FEES

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

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

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

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

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

The table below sets forth the fees charged per academic year to students attending each regional campus of the University for the academic years 2001-02 through 2006-07. The fees listed assume that undergraduate students are enrolled for 30 hours per academic year and graduate students are enrolled for 24 hours per academic year.

REGIONAL CAMPUS FEES
(PER ACADEMIC YEAR)

CALUMET

ACADEMIC YEAR		UNDERGRADUATE INDIANA RESIDENT	UNDERGRADUATE NON-RESIDENT	GRADUATE INDIANA RESIDENT	GRADUATE NON-RESIDENT
2001-02		3,568	8,524	3,580	7,906
2002-03	[1,2]	4,393	9,845	4,321	9,080
2003-04	[1,2]	4,611	10,336	4,537	9,534
2004-05	[1,2]	4,795	10,750	4,718	9,916
2005-06	[1,2]	5,081	11,395	5,002	10,511
2006-07	[3,4]	5,466	12,159	5,365	11,206

FORT WAYNE

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

NORTH CENTRAL

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

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

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

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

[4] Degree-seeking students that are continuously enrolled beginning in the fall 2002 term through spring 2006 do not pay the R & R fee and students enrolled prior to fall 2002 pay a reduced R & R fee.

Student Enrollment

The University attracts students from a variety of backgrounds and geographical locations. The following table presents the University's headcount enrollment for the fall semester of the academic years 2000-01 through 2004-05.

ACADEMIC YEAR	WEST LAFAYETTE CAMPUS FULL-TIME	PART-TIME	TOTAL	REGIONAL CAMPUSES* FULL-TIME	PART-TIME	TOTAL	STATEWIDE TECHNOLOGY	UNIVERSITY TOTAL*
2000-01	33,907	3,964	37,871	11,682	11,380	23,062	1,769	62,702
2001-02	34,442	3,766	38,208	12,277	11,460	23,737	1,661	63,606
2002-03	34,563	4,001	38,564	12,225	12,050	24,275	1,553	64,392
2003-04	34,867	3,980	38,847	13,255	11,152	24,407	1,526	64,780
2004-05	34,745	3,908	38,653	13,645	10,833	24,478	1,451	64,582

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

ACADEMIC YEAR	UNDERGRADUATE	GRADUATE & PROFESSIONAL	TOTAL	WEST LAFAYETTE FULL-TIME EQUIVALENT	PURDUE SYSTEM FULL-TIME EQUIVALENT*
2000-01	30,899	6,972	37,871	36,594	52,158
2001-02	30,987	7,221	38,208	36,944	53,164
2002-03	30,908	7,656	38,564	37,168	53,693
2003-04	30,851	7,996	38,847	37,471	54,595
2004-05	30,747	7,906	38,653	37,281	54,641

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

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

Faculty and Employees

As of October, 2004 the University's faculty and staff aggregate total was 17,812. Of the total faculty, 59% hold tenured/tenure track appointments.

	West Lafayette	Regional Campuses	Total
Tenured/Tenure Track Faculty			
Academic, Associate and Assistant Deans	51	21	72
Academic Department Heads	60	48	108
Professors	736	122	858
Associate Professors	536	284	820
Assistant Professors	383	194	577
Instructors	1	11	12
Sub-Total of Tenured/Tenure Track Faculty	**1,767**	**680**	**2,447**
Non-Tenure Appointments			
Clinical/Professional	53	18	71
Continuing Lecturers	92	70	162
Limited-Term Lecturers	168	793	961
Visiting Faculty	144	68	212
Post Doctoral	283	2	285
Sub-Total of Non-Tenure Appointments	**740**	**951**	**1,691**
Adjunct Faculty			
Adjunct Faculty	246	40	286
Sub-Total of Adjunct Faculty	**246**	**40**	**286**
Graduate Student Staff			
Graduate Assistants	2,011	31	2,042
Graduate Research Assistants	2,231	8	2,239
Graduate Aids	0	158	158
Graduate Student Administrative	174	14	188
Sub-Total of Graduate Student Staff	**4,416**	**211**	**4,627**
Staff			
Administrative Staff	1,201	356	1,557
Operations Assistant	314	71	385
Professional Staff	1,756	104	1,860
Technical Assistant	170	32	202
Extension Educators	263	0	263
Clerical Staff	1,437	387	1,824
Service Staff	2,326	344	2,670
Sub-Total of Staff	**7,467**	**1,294**	**8,761**
GRAND TOTAL ALL STAFF	**14,636**	**3,176**	**17,812**

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

Facilities

Academic and Administrative Facilities: The University has 187 principal buildings used for academic instruction, research, athletics and administrative functions. These buildings are located on the University's four campuses and comprise 3,362 acres. The University, together with related foundations, also owns 14,256 acres of agricultural land throughout the state.

Libraries: The University Library System is made up of the Hicks Undergraduate Library and 14 departmental and school libraries with over 2,393,585 volumes, 1,400 electronic data files, and 20,509 serial titles. In addition to books and journals, the Library System has over 2,518,849 items in microform (reel film, micro cards, microfiche, etc.) which include older scholarly and technical materials not readily available in other forms.

Research Facilities: The University has approximately 1,132,716 square feet of research laboratories located on its West Lafayette campus. In addition to the research laboratories for research within a department or school, there are many other specialized research facilities, some of an interdisciplinary nature.

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

The West Lafayette campus provided 11,432 spaces for students in 2004-05. There are 8,264 room and board spaces, 1,079 graduate housing room spaces, 1,076 single student apartments with food contract options, and 1,013 married student apartments. The Fort Wayne campus provided 568 spaces for students in 2004-05. In August 2004, 11,432, or 99.6%, were occupied on the West Lafayette campus and 495, or 87.9%, were occupied on the Fort Wayne campus.

The predominant rates for room and board for students at the West Lafayette campus for the 2004-05 academic year are $6,822 with 20 meals per week, $6,324 with 15 meals per week, and $6,044 with 10 meals a week. For the 2005-06 academic year the costs are $7,160 with 20 meals per week, $6,642 with 15 meals per week, and $6,350 with 10 meals a week. The housing rates at the Fort Wayne campus for the 2004-05 academic year range from $399 to $600 per month. For the 2005-06 academic year, the costs range from $415 to $630 per month. The housing rate at the Calumet campus for the 2005-06 academic year is $399 per month.

Other Facilities: The University's other facilities include the Purdue University Airport, that provides public transportation facilities for the Greater Lafayette Area; the Edward C. Elliott Hall of Music, that seats 6,025 people; and the Slayter Center of the Performing Arts.

Financial Operations of the Corporation

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

America, as prescribed by the GASB. The following information has been extracted from the Corporation's audited financial statements for the fiscal years ended June 30, 2004, 2003, 2002 and 2001. "Appendix B" contains the audited financial statements for the fiscal years ended June 30, 2004 and 2003.

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

	Fiscal Year Ended June 30 (dollars in thousands)			
	2004	**2003**	**2002**	**2001(1) (Restated)**
Operating Revenues				
Tuition and Fees	$435,709	$392,242	$333,828	$301,741
Less: Scholarship Allowance	(50,511)	(45,448)	(36,866)	(33,817)
Net Tuition and Fees	$385,198	$346,794	$296,962	$267,924
Federal Appropriations	15,223	13,912	14,770	15,726
County Appropriations	6,600	6,539	6,403	6,190
Grants and Contracts	244,090	212,251	192,820	173,844
Sales and Services	42,565	38,378	39,352	39,360
Auxiliary Enterprises (Net of Scholarship Allowance of $5,029, $4,393, $4,257 and $3,298, Respectively)	189,022	167,605	162,284	152,244
Other Operating Revenues	1,209	1,159	1,328	965
Total Operating Revenues	**$883,907**	**$786,638**	**$713,919**	**$656,253**
Operating Expense				
Compensation and Benefits	$907,717	$847,236	$788,035	$749,049
Supplies and Services	240,691	211,453	227,442	218,274
Depreciation Expense	75,301	67,123	67,482	64,692
Scholarships, Fellowships, and Student Awards	29,150	27,803	25,249	19,487
Total Operating Expenses	**$1,252,859**	**$1,153,615**	**$1,108,208**	**$1,051,502**
Net Operating Loss	**($368,952)**	**($366,977)**	**($394,289)**	**($395,249)**
Nonoperating Revenues (Expenses)				
State Appropriations	$355,042	$353,423	$348,335	$371,954
Private Gifts	81,302	68,764	97,164	81,947
Investment Income (Loss)	106,554	48,252	(6,897)	35,854
Interest Expense	(21,412)	(18,415)	(17,448)	(18,006)
Other Nonoperating Revenues, Net	4,550	5,495	6,835	3,396
Total Nonoperating Revenues before Capital and Endowments	**$526,036**	**$457,519**	**$427,989**	**$475,145**
Capital and Endowments				
Capital State Appropriations	$8,076	$ -	$ -	$ -
Capital Gifts	28,348	15,279	$47,746	48,421
Private Gifts for Permanent Endowments	30,116	9,825	9,829	8,513
Plant Assets Retired	(3,196)	(9,962)	(2,512)	(10,676)
Total Capital and Endowments	**$63,344**	**$15,142**	**$55,063**	**$46,258**
Total Nonoperating Revenues	**$589,380**	**$472,661**	**$483,052**	**$521,403**
Increase in Net Assets before Change in Accounting Policy	**$220,428**	**$105,684**	**$88,763**	**$126,154**
Cumulative Effect of Change in Accounting Policy				
Assets under Capitalization Level Written Off	-	-	-	(31,481)
Increase in Net Assets	**$220,428**	**$105,684**	**$88,763**	**$94,673**
Net Assets, Beginning of Year	**$2,015,050**	**$1,909,366**	**$1,820,603**	**$1,725,930**
Net Assets, End of Year	**$2,235,478**	**$2,015,050**	**$1,909,366**	**$1,820,603**

(1) Restated to reflect GASB 35

State Appropriations

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

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

The State Appropriations received by the Corporation for the past five years, the appropriations made for the current 2003-05 biennial years and the appropriations approved by the Indiana General Assembly for the 2005-07 biennial years, are set forth below. This information should be reviewed in conjunction with the University's financial statements, including the Management Discussion and Analysis, and the Notes to the statements. See "Appendix B".

STATE APPROPRIATIONS
(dollars in thousands)

		Normal Recurring Appropriations					
		Unrestricted		Restricted			
Fiscal Year Ended June 30		General Operating	Fee Replacement	Repair & Rehabilitation	Special	Non-Recurring Appropriations	Total
Historical							
1999		$263,524	$27,050	$10,764	$21,000	$9,288	$331,626
2000		278,409	30,194	11,610	24,891	11,920	357,024
2001		288,667	30,306	13,585	25,859	12,462	370,879
2002	1	268,786	28,736	-	23,956	-	321,478
2003	1	289,982	33,672	-	24,471	7,764	355,889
2004	1	301,792	28,359	2,077	24,741	-	356,969
2005	1	311,128	22,899	2,077	24,780	-	360,884
Future							
2006		310,483	22,872	9,506	24,780	-	367,641
2007		314,468	26,103	9,506	24,681	-	374,758

(1) One-twelfth of the general operating appropriation was deferred and recorded as a receivable in the financial statements. Amount shown is the actual amount received in the fiscal year.

Student Financial Aid

Total financial support for students amounted to approximately $446.6 million for the fiscal year that ended June 30, 2004. A substantial portion of funds provided to students is derived from sources outside the Corporation. All programs furnished by the federal and state government are subject to appropriation and funding by the respective legislatures. There can be no assurance that the amounts of federal and state financial aid to students will be available in the future at the same levels and under the same terms and conditions as presently apply. Any changes in the availability of federal and state financial aid may affect the University's enrollment, but the impact of any such changes cannot be assessed at this time.

The following table summarizes the financial aid provided to students of the University from various sources for the year that ended June 30, 2004.

STUDENT FINANCIAL ASSISTANCE
Fiscal Year Ended June 30, 2004
(dollars in thousands)

	West Lafayette	Regional Campuses	University Total
Scholarships and Grants:			
University Scholarships	$14,020	$1,657	$15,677
University Incentive Grant	2,513	0	2,513
Athletic Grant in Aid Awards	5,843	1,091	6,934
State Awards	15,777	10,917	26,694
Private Awards	10,060	1,896	11,956
Indiana Resident Top Scholars	1,814	0	1,814
Fellowships	8,785	39	8,824
Institutional Fee Remissions	14,221	1,055	15,276
Federal Grants	28,237	16,098	44,335
Total Scholarships and Grants	**$101,270**	**$32,753**	**$134,023**
Loans:			
Federal Stafford Loans	$74,519	$43,005	$117,524
Federal Parent Loans for Undergraduate Students	42,834	999	43,833
Federal Perkins and Health Professions Loans	5,964	899	6,863
Purdue Loans	2,816	0	2,816
Private Loans	22,882	1,095	23,977
Total Loans	**$149,015**	**$45,998**	**$195,013**
Employment and Employment Related:			
Work-Study Salaries	$1,531	$610	$2,141
Graduate Student Staff Salaries	66,462	1,575	68,037
Other Part-Time University Salaries	14,543	2,494	17,037
Employment Related Fee Remissions	27,469	1,089	28,558
Other Employment Related Awards	1,800	0	1,800
Total Employment Related	**$111,805**	**$5,768**	**$117,573**
Total Student Financial Assistance	**$362,090**	**$84,519**	**$446,609**

Endowment and Similar Funds

The Corporation's Endowment and Similar Funds include (1) endowment funds which are subject to the restrictions of gift instruments requiring that the principal be maintained in perpetuity, the current income and capital appreciation of which are distributed at an annualized rate based on the market value of the endowment, either for donor-specified purposes or for general purposes of the University and (2) funds functioning as endowments which represent expendable funds received which, by decision of the Board of Trustees of the Corporation, have been retained and invested for future use, in accordance with the donor's restrictions or at the discretion of the Board of Trustees. The market value figures at the end of each of the past five fiscal years are shown below. These values are not pledged under the Indenture. The current spending policy for the endowment is 4.5% based on a 12 quarter rolling average.

FISCAL YEAR ENDED JUNE 30	MARKET VALUE
2000	685,062,303
2001	637,911,370
2002	576,339,255
2003	558,351,025
2004	611,088,073

Related Foundations

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

FOUNDATION	ASSET (BOOK) VALUE	INCOME	DISBURSED TO/FOR THE CORPORATION
Purdue Research Foundation	$470,441,079	$24,923,705	$16,987,838
Ross-Ade Foundation	92,765,762	1,433,479	1,418,928
The Purdue Foundation, Inc.	2,744,657	31,205,791	31,205,791
Purdue Alumni Foundation	119,114,365	4,437,423	10,997,286
Indiana-Purdue Foundation at Fort Wayne	8,877,701	1,157,230	987,602
Total	**$693,943,564**	**$63,157,628**	**$61,597,445**

Purdue Research Foundation: The Purdue Research Foundation is a nonprofit corporation that may accept gifts, administer trusts, acquire property, negotiate research contracts, and perform other services helpful to Purdue University. Its objectives are exclusively to aid the University. This Foundation developed the Purdue Research Park that provides a program for interaction between research and development activities of industry and the basic research of the University. This Foundation owns 7,381 acres of land, 5,247 acres of which is leased to Purdue University. Four members of the thirteen-member Board of Directors are members of the Board of Trustees of the Corporation.

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

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

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

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

Fund Raising Activity

The University has embarked on a comprehensive fund-raising effort to generate $1.5 billion by 2007 in support of students, faculty, programs, and facilities. "The Campaign for Purdue" will fund more than 50 new buildings and renovation projects, affecting almost every campus, school and program in the University system. The campaign was officially announced on September 27, 2002 and has raised over $1.1 billion toward the $1.5 billion goal.

For the year ended June 30, 2004, the Corporation received approximately $229.1 million in private support from individuals, corporations, foundations and other sources. Total gifts for the five years ended June 30, 2004, for the Corporation are shown in the following table.

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

	2004	2003	2002	2001	2000
Cash/Securities	$127,591	$75,328	$93,073	$95,065	$59,801
Real Estate	504	444	21,205	551	108
Gifts-in-Kind	36,047	130,230	38,671	14,677	18,182
Irrevocable Deferred	14,501	15,103	11,051	20,442	10,192
Pledge Balances	50,429	90,526	70,334	43,201	25,077
Total	**$229,071**	**$311,630**	**$234,334**	**$173,935**	**$113,359**

Grants and Contracts

Sponsored program expenditures for the 2003-2004 fiscal year were $225.6 million, an increase of $20.6 million, or greater than 10% over previous year expenditures. Research project expenditures comprised 77% of the total 2003-2004 sponsored program expenditures. Departments with sponsored research program expenditures in excess of $5 million were: Electrical and Computer Engineering, $23.4 million; Biological Sciences, $14.0 million; Civil Engineering, $12.5 million; Mechanical Engineering, $12.4 million; Chemistry, $11.8 million; Medicinal Chemistry and Molecular Pharmacology, $7.3 million; Physics, $7.1 million; Computer Science, $6.9 million; Agronomy, $6.6 million; and Chemical Engineering, $5.1 million. The percent of the research dollar that was expended for salaries decreased slightly to 39%, The percent for capital expenditures remained at 7%.

	Fiscal Year Ended June 30 (dollars in thousands)				
	2004	**2003**	**2002**	**2001**	**2000**
Federal Sources					
Department of Health and Human Services	$38,594	$34,117	$32,040	$26,628	$21,177
National Science Foundation	35,164	28,851	23,973	22,350	21,517
Department of Energy	10,133	10,280	8,475	8,530	10,283
Department of Defense	21,418	18,506	15,871	15,999	14,620
Department of Agriculture	17,565	14,259	11,022	9,872	9,922
Other Federal Agencies	23,736	25,627	18,279	14,720	14,545
Total Federal Sources	**$146,610**	**$131,640**	**$109,660**	**$98,099**	**$92,064**
State of Indiana	24,299	23,306	24,039	18,134	14,118
Business and Foundations	46,359	40,523	35,716	34,909	34,612
Non-Profit Organizations	8,379	9,583	9,846	8,828	8,475
Total Non-Federal Sources	**$79,037**	**$73,412**	**$69,601**	**$61,871**	**$57,205**
Total All Sources	**$225,647**	**$205,052**	**$179,261**	**$159,970**	**$149,269**

Other Outstanding Indebtedness

The Corporation is authorized by various acts of the Indiana General Assembly to issue bonds for the purpose of financing construction of the student union buildings, academic and athletic facilities, dormitories, and qualified energy savings projects, among other purposes. The Corporation has never failed to pay punctually, and in full, all amounts due for principal and interest on any indebtedness. Total outstanding indebtedness of the Corporation, as of July 2, 2005, was $490,816,492, and is summarized in the following table.

Title of Indebtedness	**Final Maturity**	**Amount Outstanding as of July 1, 2005**	
Bank Note			
Athletic Facilities	2006	$435,000	(1)
Qualified Energy Savings	2011	4,641,492	(2)
Bonds Outstanding			
Student Fee Bonds, Series E	2007	4,300,000	(3)
Student Fee Bonds, Series H	2015	10,100,000	(3)
Student Fee Bonds, Series K	2020	16,000,000	(3)
Student Fee Bonds, Series L	2020	14,000,000	(3)
Student Fee Bonds, Series N	2014	33,845,000	(3)
Student Fee Bonds, Series O	2019	27,345,000	(3)
Student Fee Bonds, Series P	2017	44,965,000	(3)
Student Fee Bonds, Series Q	2022	44,435,000	(3)
Student Fee Bonds, Series R	2023	16,440,000	(3)
Student Fee Bonds, Series S	2026	13,850,000	(3)
Student Fee Bonds, Series T	2027	14,500,000	(3)
Student Facilities System Revenue Bonds, Series 2003A	2028	87,935,000	(1)(4)
Student Facilities System Revenue Bonds, Series 2003B	2029	24,215,000	(1)(4)
Student Facilities System Revenue Bonds, Series 2004A	2033	28,100,000	(1)(4)
Student Facilities System Revenue Bonds, Series 2005A	2029	23,580,000	(1)(4)
Leasehold Indebtedness			
Parking Facilities	2015-2016	20,040,000	(4)
Ross-Ade Stadium Renovation	2027	62,090,000	(4)
Total Outstanding Indebtedness		**$490,816,492**	
Refunded Indebtedness-Escrowed to Maturity or Call Date			
Building Facilities Fee Bonds	2009	$4,235,000	(5)
Dormitory Facilities Revenue Bonds, Series A - L	2008	1,285,000	(5)
Student Fee Bonds, Series M	2006	45,372,500	(5)
Total Refunded Bonds		**$50,892,500**	

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

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

(3) Secured by a pledge of Student Fees.

(4) Payable from available funds of the Corporation.

(5) Secured by and to be repaid from Federal Securities deposited with a trustee in an amount to pay principal and interest on the refunded bonds as they become due through maturity or call date.

Physical Property

Physical property owned by the Corporation, or otherwise available to and utilized by the University, consists primarily of 18,370 acres of land and 845 buildings. The buildings, together with equipment and furnishings, were valued at an estimated replacement cost of $2.9 billion as of June 30, 2004. The following table sets forth the increase in net plant investment for the five years ended June 30, 2000 through 2004. Additions are valued at cost or, in the case of gifts, at air value at the date of donation.

FISCAL YEAR ENDED JUNE 30	INVESTMENT IN PLANT (AT COST)	ACCUMULATED DEPRECIATION	NET BOOK VALUE IN PLANT
2000	1,572,605,952	713,917,223	858,688,729
2001	1,555,654,668	694,013,824	861,640,845
2002	1,681,248,948	747,276,201	933,972,747
2003	1,836,761,164	793,451,993	1,043,309,171
2004	2,016,220,987	848,357,941	1,167,863,046

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 fund balance, at June 30, 2004, was $14.5 million.

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 $602 million. Coverage for the Residence Hall System and Purdue Memorial Union is based on an annual estimate of income and payroll. The values from these areas are included in the number above. A $250,000 deductible applies per occurrence and is funded by the Corporation's Insurance Services Enterprise.

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

Capital Programs

The Corporation has an on-going capital improvement program consisting of new construction and the renovation of existing facilities. Capital improvement projects are expected to be funded from a variety of sources, including gifts, state appropriations, bond financing, and Corporation funds. Major construction in process includes the construction of a housing facility on the Calumet Campus and the Cary Quadrangle and Food Service consolidation and renovation projects..

The University has also begun the construction of Discovery Park, a $100 million research and education complex on the West Lafayette campus that will integrate science, technology, engineering and management. Initially, four major centers are planned for the park: the Bindley Biosciences Center - $15 million; Birck Nanotechnology Center - $56.4 million; Burton D. Morgan Center for Entrepreneurship - $7 million; and the e-Enterprises Center - $10 million. These facilities will be primarily funded from private donations to the University. Of the four facilities, the Burton D. Morgan Center for Entrepreneurship has been completed, and the Bindley Biosciences Center and Birck Nanotechnology Center are currently under construction.

The University's Board of Trustees has approved the sale of Student Fee Bonds to finance the construction of the Millennium Engineering Building at $37.7 million, the Indiana University-Purdue University Fort Wayne (IPFW) Music Building at $19.0 million, capitalized interest costs and the costs of issuance. The University plans to issue the bonds later in 2005.

Retirement Plans

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

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

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APPENDIX B

FINANCIAL REPORT OF
THE CORPORATION FOR THE FISCAL YEAR
ENDED JUNE 30, 2004

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PURDUE UNIVERSITY

Financial Report

2003-2004

LETTER OF TRANSMITTAL

To the Board of Trustees of Purdue University:

We are pleased to submit this, the 82nd annual financial report of Purdue University. This report is for the fiscal year ended June 30, 2004, and sets forth the complete and permanent record of the financial status of the University for the year.

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

Respectfully submitted,

MARTIN C. JISCHKE
President

Respectfully submitted,

MORGAN R. OLSEN
Executive Vice President and Treasurer

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

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of Purdue University, a component unit of the State of Indiana, as of and for the years ended June 30, 2004 and 2003. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component units of the University as discussed in Note 1, which represent 100% of the assets and revenues of the discretely presented component units. We also did not audit the trust which maintains the University's portion of trust agreements as discussed in Note 1. The University's interest in the charitable remainder trusts represents approximately 1% of the assets and revenues of the University. The financial statements of these units were audited by other auditors whose reports thereon have been furnished to us and our opinion, insofar as it relates to those units, is based upon the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Purdue University, as of June 30, 2004 and 2003, 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 13, 2004, on our consideration of Purdue University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit. This report will be issued in the University's Single Audit report prepared in accordance with OMB Circular A-133.

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

STATE BOARD OF ACCOUNTS

October 13, 2004

BOARD OF TRUSTEES

As of June 30, 2004

The responsibility for making rules and regulations to govern the University is vested in a 10-member Board of Trustees appointed by the governor. The selection of these trustees is prescribed in Indiana Code IC 20-12-37. Three of the trustees are selected by the Purdue Alumni Association. The remaining seven trustees are selected by the governor. Two of the trustees must be involved in agricultural pursuits, and one must be a full-time student of Purdue University. All trustees serve for a period of three years, except for the student member, who serves for two years.

OFFICERS OF THE UNIVERSITY

As of June 30, 2004

Officers of the Board of Trustees

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

Administrative Staff

Martin C. Jischke, *President*
Sally Frost Mason, *Provost*
Kenneth P. Burns, *Executive Vice President and Treasurer*
Murray M. Blackwelder, *Senior Vice President for Advancement*
James S. Almond, *Vice President for Business Services and Assistant Treasurer*
Joseph L. Bennett, *Vice President for University Relations*
James R. Bottum, *Vice President for Information Technology*
Morgan J. Burke, *Director of Intercollegiate Athletics*
Peggy L. Fish, *Director of Audits*
Kevin P. Green, *Director of State Relations*
Joseph B. Hornett, *Senior Vice President, Purdue Research Foundation*
Wayne W. Kjonaas, *Vice President for Physical Facilities*
Rabindra N. Mukerjea, *Director of Strategic Planning and Assessment*
Thomas B. Robinson, *Vice President for Student Services*
Alysa C. Rollock, *Vice President for Human Relations*
Charles O. Rutledge, *Interim Vice Provost for Research*
John A. Sautter, *Vice President for Housing and Food Services*
Terry D. Strueh, *Vice President for Governmental Relations*
Glenn F. Tompkins, *Senior Associate Athletic Director — Business*

Regional Campus Staff

Howard Cohen, *Chancellor, Purdue University Calumet*
James B. Dworkin, *Chancellor, Purdue University North Central*
Michael A. Wartell, *Chancellor, Indiana University-Purdue University Fort Wayne*
G. William Back, *Vice Chancellor for Administration, Purdue University North Central*
Walter J. Branson, *Vice Chancellor for Financial Affairs,*
Indiana University-Purdue University Fort Wayne
Gary H. Newsom, *Vice Chancellor for Administrative Services, Purdue University Calumet*

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2004

INTRODUCTION

The following discussion and analysis provides an overview of the financial position of Purdue University for the fiscal year ended June 30, 2004, the financial activities for the 2003-2004 fiscal year, and a brief description of the financial statements produced herein. This discussion should be read in conjunction with the financial statements and the notes to the statements, which immediately follow this section.

The financial information presented in this report is designed to enable the user to review how the University managed its resources to meet its primary missions of discovery, learning, and engagement.

It should be recognized that a presentation of the financial performance of the University is not a full measure of the value of the discovery, learning, and engagement functions carried out during the year. This report deals with the costs and sources of revenue used to provide the quality and diversity in higher education that the University believes necessary to meet its goals and objectives.

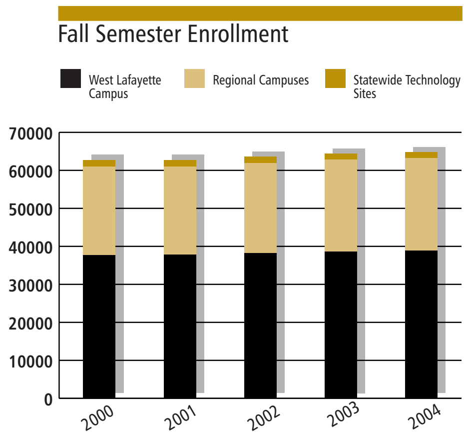
In 2003-2004, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 39 "Determining Whether Certain Organizations are Component Units" (an amendment of GASB Statement No. 14). As a result, two of the University foundations are separately presented as part of these financial statements. Statements of Financial Position and Statements of Activities are presented for the Purdue Research Foundation and the Purdue Alumni Foundation following the University's Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets. As private, non-profit entities, these foundations follow the accounting pronouncements of the Financial Accounting Standards Board (FASB). The University is not required to restate the statements of the foundations to be consistent with GASB reporting and has not done so. Additional information regarding these foundations may be found in Note 1. The financial information presented here, in the Management's Discussion and Analysis, focuses solely on Purdue University and does not include financial analysis or data related to the foundations.

FINANCIAL HIGHLIGHTS

Operating revenues were $883.9 million compared to $786.6 million in the prior year – an increase of 12.4%. This increase is due primarily to increases in net student fee revenue ($38.4 million), grants and contracts ($31.8 million), and auxiliary enterprises ($21.4 million).

Tuition and fee revenue, net of scholarship allowances, increased from $346.8 million in the 2002-2003 fiscal year to $385.2 million in the 2003-2004 fiscal year – an increase of 11.1%. New tuition levels for incoming freshman were introduced in the fall of 2002 in support of the University's strategic plan. The new fee structure is being phased in over a five-year period. Enrollment patterns for the last five years are illustrated in Figure 1.

Figure 1. ***Five-Year Enrollment* Data***



Operating expenses increased, but not to the same extent as revenue. Total operating expenses increased 8.6% from $1.15 billion for the 2002-2003 fiscal year to $1.25 billion for the 2003-2004 fiscal year. This change was driven by a 7.1% increase in compensation and benefits, the single largest component of operating expenses, which increased from $847.2 million to $907.7 million.

Nonoperating revenues increased $116.7 million, from $472.7 million in the 2002-2003 fiscal year to $589.4 million in the 2003-2004 fiscal year. Investment income increased $58.3 million from $48.3 million in the 2002-2003 fiscal year to $106.6 million in the current fiscal year. Investment income includes dividends and interest, realized gains and losses, as well as unrealized gain. The University reports its investments at fair value as of the date of the financial statements. The change in the market value of investments between June 30, 2003, and June 30, 2004, is contained in investment income.

Private gifts, capital gifts, and gifts for permanent endowments collectively increased $45.9 million or 48.9%. The majority of the increase, $28.9 million, is the result of the University's ongoing capital campaign. The University also recognized revenue of $17.0 million for the portion of the charitable remainder trusts administered by the Purdue Research Foundation where the University has been named remainderman. The University's interest in these trusts has been recognized for the first time and revenue related to the net present value of the expected remainder has been recorded under Private Gifts for Permanent Endowments.

The 2003-2004 change in net assets of $220.4 million represents a $114.7 million or 108.6% increase from the prior year's increase of $105.7 million.

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

PURDUE UNIVERSITY FINANCIAL STATEMENTS

Use of the Financial Statements

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

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

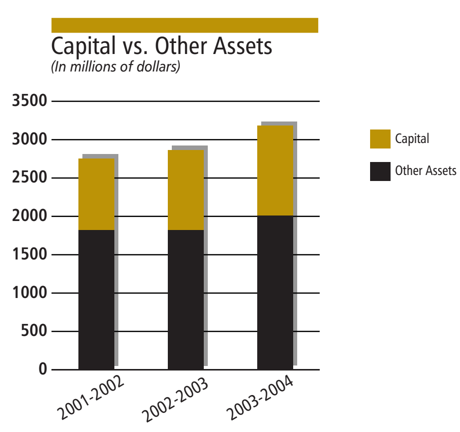
The Statement of Net Assets provides a summary view of the assets, liabilities, and net assets of the University. The Statement of Revenues, Expenses, and Changes in Net Assets, on the other hand, summarizes the yearlong financial process that caused the changes in year-end net assets on the Statement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

Statement of Net Assets

Current assets include those that may be used to support current operations such as cash and cash equivalents, accounts and pledges receivable, and inventories. Noncurrent assets include capital assets, certain pledges receivable, and investments. Total assets were $3.2 billion for the 2003-2004 fiscal year and $2.9 billion for the 2002-2003 fiscal year, an increase of $315.5 million or 11.0%. Current assets as of June 30, 2004, declined $43.5 million while noncurrent assets increased $359.0 million or 16.2%.

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

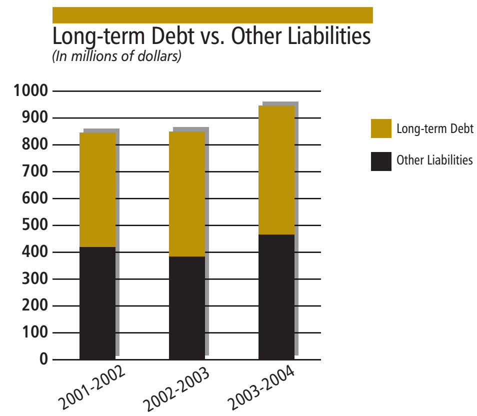
Figure 2.



Current liabilities are expected to become due and payable over the course of the following fiscal year. These include accounts payable, the current portion of long-term debt, liability for securities lending activity, and salaries and wages payable. Noncurrent liabilities include bonds, notes, and leases payable. Total liabilities were $944.9 million for the 2003-2004 fiscal year and $849.9 million for the 2002-2003 fiscal year. Figure 3 depicts the portion of long-term debt relative to total liabilities.

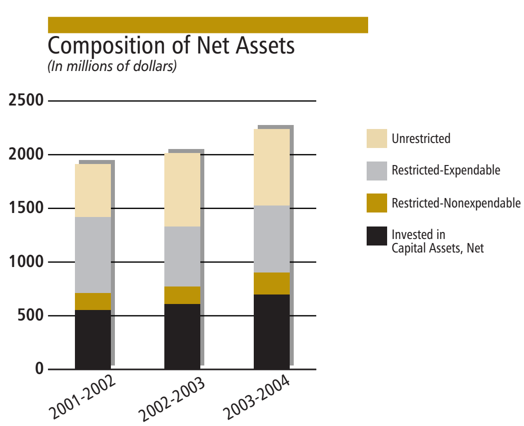
A discussion of the University's capital financing activities appears in the Debt and Financing Activities section on page 11.

Figure 3.



Net assets are classified into four categories: invested in capital assets, net of related debt; restricted – nonexpendable; restricted – expendable; and unrestricted. "Invested in capital assets, net of related debt" represents the University's investment in capital assets such as movable equipment, buildings, land, infrastructure, and improvements, net of accumulated depreciation, subject to the University's policies on capitalization. "Restricted – nonexpendable" represents the University's permanent endowment funds received from donors for the purpose of creating present and future income. These funds must be held inviolate and in perpetuity and are, therefore, not expendable. Earnings on these funds support various programs determined by donors. "Restricted – expendable" represents net assets that have purpose restrictions imposed by third parties. Examples include scholarship funds and contract and grant funds. Unrestricted net assets do not have third-party restrictions, although management has designated these funds for a particular purpose. It is management's practice to designate unrestricted net assets for specific purposes at the close of each fiscal year. Total net assets for the University were $2.24 billion as of June 30, 2004. Figure 4 provides a comparison between fiscal years as well as the composition of net assets.

Figure 4.



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

Table 1.

Summary Statement of Net Assets (Expressed in Thousands)

	2001-2002	2002-2003	2003-2004
Current Assets	$ 680,117	$ 654,743	$ 611,216
Capital Assets	933,973	1,043,309	1,167,863
Other Assets	1,140,004	1,166,914	1,401,348
Total Assets	2,754,094	2,864,966	3,180,427
Current Liabilities	375,146	339,427	407,873
Noncurrent Liabilities	469,582	510,489	537,076
Total Liabilities	844,728	849,916	944,949
Invested in Capital Assets, Net of Related Debt	552,442	605,608	697,257
Restricted - Nonexpendable	158,530	166,886	205,104
Restricted - Expendable	708,711	555,154	624,240
Unrestricted	489,683	687,402	708,877
Total Net Assets	**$1,909,366**	**$2,015,050**	**$2,235,478**

Capital and Noncapital Projects

The University continues to expand its campuses and renovate existing facilities to meet the needs of its students, researchers, and staff. Significant projects completed during the 2003-2004 fiscal year are listed in Table 2.

Table 2*. Major Projects Completed during the 2003-2004 Fiscal Year* (More than $1 Million)

	Project Total (Expressed in Thousands)
Burton D. Morgan Center for Entrepreneurship	$ 6,988
Calumet Campus Gyte Laboratory Renovation, Phase I	5,328
Cary Quadrangle Renovation, Phase IV	6,672
Cary Quadrangle West Renovation, Phase III	9,846
David C. Pfendler Hall of Agriculture Renovation	14,438
Dick and Sandy Dauch Alumni Center	14,802
Discovery Park Utility Extension	1,495
Discovery Park Utility Extension Phase II	4,748
Envision: A Center for Data Perceptualization	1,401
Jerry S. Rawls Hall	31,798
Martell Forest Research and Education Center	3,648
Ross-Ade Stadium Renovation	70,000
Satellite Chiller Site Distribution	4,749
Shreve Hall Air Conditioning and Sprinkling, Phase III	2,031
Swine Research Complex, Phase I	1,960
Utility Expansion	3,081
Veterinary Medicine Isolation Facility	1,865
Visual and Performing Arts Building, Phase I	24,216
Total Major Projects Completed	**$209,066**

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

	Project Budget (Expressed in Thousands)
Bindley Bioscience Center	$ 15,000
Biomedical Engineering Building	25,000
Birck Nanotechnology Center	56,400
Calumet Campus Parking Garage	11,500
Cary Quadrangle, Phases V-VI	19,700
Discovery Park Utilities Extension, Phase III	4,600
Discovery Park Site Development, Phases IV and V	1,925
Earhart Residence Hall Install Sprinklers and Student Room Air Conditioning	7,950
Forney Hall of Chemical Engineering Addition	19,500
Heine (Robert E.) Laboratory Renovation. Phases III and IV	3,660
IPFW Student Housing	25,500
PMU Sweet Shop Renovation	1,900
Residence Halls Food Service Facility, Phases II and III	17,197
Student Housing Facilities at Purdue University Calumet	16,500
Young Hall Remodel Floors 6,7,8	4,200
Total Major Projects in Progress	**$230,532**

In addition, the University's Board of Trustees has authorized the following major projects that had not been started as of June 30, 2004:

Table 4. *Major Projects Authorized — Not Started* (More than $1 Million)

	Project Budget (Expressed in Thousands)
Computer Science Building	$ 20,000
e-Enterprise Center	10,000
Food Service Consolidation, Phase IV	21,803
Forney Hall of Chemical Engineering Renovation (2004)	7,100
Golf Training Facility	2,245
Infrastructure Expansion at Stadium Mall Drive	2,000
IPFW Music Building	25,000
Millennium Engineering Building	47,700
Satellite Plant Chiller #3 Installation	1,135
Schwartz, Dennis J & Mary Lou Tennis Center	7,200
Switchgear for Northwest Main Substation	1,000
Visual and Performing Arts, Phase II	11,800
Total Major Projects Authorized	**$156,983**

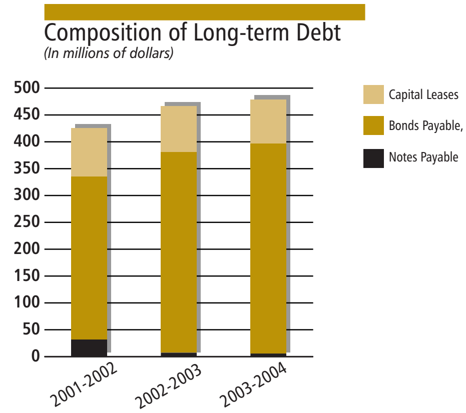
Debt and Financing Activities

During the fiscal year, the University issued two series of bonds: Student Facilities System Revenue Bonds Series 2004A for $28,100,000 and Student Fee Bonds Series S for $13,850,000. Series 2004A was issued to finance student housing facilities and a parking garage at the Calumet campus. Series S provided partial financing for the Biomedical Engineering Building on the West Lafayette campus.

In the 2003-2004 fiscal year, the University maintained its excellent credit ratings by Moody's Investors Service (Aa1) and by Standard & Poor's (AA). In addition, the University's variable rate debt received short-term ratings by Moody's of VMIG1 and by Standard & Poor's of A-1+.

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

Figure 5.

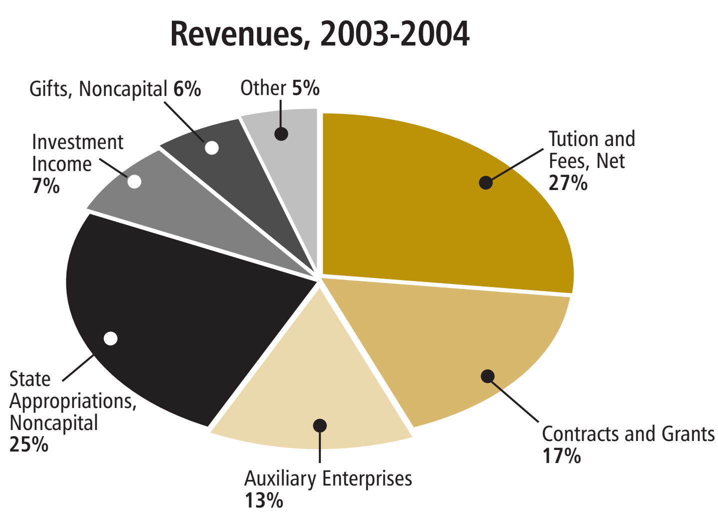


Statement of Revenues, Expenses, and Changes in Net Assets

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

Revenues are classified as either operating or nonoperating. Operating revenues include tuition and fees, grants and contracts, auxiliary enterprises, and sales and services. Tuition and fees and housing are shown net of an allowance for scholarships. If scholarships awarded to students exceed the amount owed for tuition and housing, the amounts paid to students are shown as an expense. Nonoperating revenues include state appropriations, investment income, and private gifts. As a public university, these nonoperating revenues are an integral part of the University's operating budget. Private gifts for capital projects and additions to the University's permanent endowment are also nonoperating sources of revenue but are not part of the University's operating budget. Figure 6 provides information about the University's sources of revenues, excluding endowments and capital, for the 2003-2004 fiscal year.

Figure 6.



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

Table 5. ***Summary of Revenues, Expenses, and Changes in Net Assets***

	2001-2002	2002-2003	2003-2004
		(Expressed in Thousands)	
Operating Revenues			
Tuition and Fees, Net	$ 296,962	$ 346,794	$ 385,198
Grants and Contracts	192,820	212,251	244,090
Auxiliary Enterprises, Net	162,284	167,605	189,022
Other Operating Revenues	61,853	59,988	65,597
Total Operating Revenues	713,919	786,638	883,907
Operating Expenses			
Depreciation	67,482	67,123	75,301
Operating Expense	1,040,726	1,086,492	1,177,558
Total Operating Expenses	1,108,208	1,153,615	1,252,859
Operating Loss	(394,289)	(366,977)	(368,952)
Nonoperating Revenue	427,989	457,519	526,036
Capital and Endowments	55,063	15,142	63,344
Total Nonoperating Revenues	483,052	472,661	589,380
Increase in Net Assets	88,763	105,684	220,428
Net Assets, Beginning of Year	1,820,603	1,909,366	2,015,050
Net Assets, End of Year	**$1,909,366**	**$2,015,050**	**$2,235,478**

Statement of Cash Flows

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

Table 6. ***Summarized Comparison of Changes in Cash and Cash Equivalents***

	2001-2002	2002-2003	2003-2004
		(Expressed in Thousands)	
Cash Used by Operating Activities	$(303,349)	$(289,742)	$(297,226)
Cash Provided by Noncapital Financing Activities	423,349	423,790	453,470
Cash Provided (Used) by Investing Activities	57,774	2,117	(15,732)
Cash Used by Capital and Related Financing Activities	(85,593)	(112,230)	(148,758)
Net Increase (Decrease) in Cash and Cash Equivalents	92,181	23,935	(8,246)
Cash and Cash Equivalents, Beginning of Year	366,848	459,029	482,964
Cash and Cash Equivalents, End of Year	**$459,029**	**$482,964**	**$474,718**

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

For the 2004-2005 fiscal year, the University received increases in operating appropriations from the State of Indiana for its West Lafayette (3.1%), Calumet (0.5%), North Central (2.7%) and Fort Wayne (5.5%) campuses. The increase for the West Lafayette campus was targeted to research support and the Biomedical Engineering program with modest amounts for inflation and operating support for new facilities. Tuition increases were voluntarily constrained by the seven public universities in Indiana at the request of the Governor. With this combination of constrained increases in both operating appropriations and tuition and fees, the University has continued its emphasis on internal reallocations to high priority initiatives.

The University was notified in 2003-2004 that it would not receive Repair and Rehabilitation (R&R) funding from the State in 2004-2005 for buildings and infrastructure. The University received $2.08 million of the $8.3 million appropriated for the 2003-2005 biennium. The University received less than $90,000 of the $28.0 million appropriated for R&R in the 2001-03 biennium.

Enrollment* at all Purdue campuses increased to 64,780 for the fall semester of the 2003-2004 academic year, up from 64,392 the previous year. This includes an additional 283 students for a total of 38,847 on the West Lafayette campus. Undergraduate enrollment is being carefully managed at the West Lafayette campus while other campuses in the Purdue system have the ability to serve additional full-time and part-time students.

The University continues its comprehensive fund-raising effort to generate $1.3 billion by 2007 in support of students, faculty, programs, and facilities. "The Campaign for Purdue" was officially announced in September 2002. As of June 30, 2004, the University has raised $947 million toward its $1.3 billion goal.

One important economic factor facing the University is the consideration of the 2005-2007 biennial budget request by the State Legislature during the legislative session beginning in January 2005. The legislative request was approved by the Board of Trustees at its September 24, 2004, meeting.

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

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

DICK AND SANDY DAUCH ALUMNI CENTER

* *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 2004	2003
	(Expressed in Thousands)	
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	$474,718	$482,964
Accounts Receivable, Net of Allowance for Uncollectible Amounts	60,542	52,412
Marketable Securities	13,330	29,661
Pledges Receivable, Net of Allowance for Uncollectible Amounts	32,511	58,160
Notes Receivable, Net of Allowance for Uncollectible Amounts	9,858	8,338
Accrued Revenues	10,570	9,785
Inventories	6,018	6,167
Prepaid Expenses	2,681	628
Deferred Expenses	783	584
Funds Held in Trust by Others	205	6,044
Total Current Assets	611,216	654,743
Noncurrent Assets:		
Notes Receivable, Net of Allowance for Uncollectible Amounts	35,657	36,093
Pledges Receivable, Net of Allowance for Uncollectible Amounts	32,478	16,509
Marketable Securities and Other Investments	1,316,242	1,114,312
Interest in Charitable Remainder Trusts	16,971	
Capital Assets, Net of Accumulated Depreciation	1,167,863	1,043,309
Total Noncurrent Assets	2,569,211	2,210,223
Total Assets	**3,180,427**	**2,864,966**
Liabilities:		
Current Liabilities:		
Accounts Payable	39,084	33,987
Accrued Salary and Wages	8,060	5,692
Accrued Compensated Absences (Current Portion)	20,101	20,221
Deferred Revenue (Current Portion)	37,135	31,789
Deposits Held in Custody for Others	19,782	20,146
Accrued Expenses	24,490	32,080
Securities Lending Liability	229,698	166,225
Notes Payable (Current Portion)	1,718	1,605
Long-term Bonds Payable, Net (Current Portion)	24,010	23,615
Leases Payable to Affiliated Foundations (Current Portion)	3,795	4,067
Total Current Liabilities	407,873	339,427

(continued on page 15)

STATEMENT OF NET ASSETS *(continued)*

	As of June 30	
	2004	**2003**
	(Expressed in Thousands)	
Noncurrent Liabilities:		
Accrued Compensated Absences (Less Current Portion)	15,712	14,657
Deferred Revenue (Less Current Portion)	12,456	740
Funds Held in Trust for Others	9,650	8,150
Notes Payable (Less Current Portion)	5,686	7,272
Long-term Bonds Payable, Net (Less Current Portion)	390,899	373,314
Leases Payable to Affiliated Foundations (Less Current Portion)	82,130	85,925
Advances from Federal Government	20,543	20,431
Total Noncurrent Liabilities	537,076	510,489
Total Liabilities	**944,949**	**849,916**
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	697,257	605,608
Restricted		
Nonexpendable		
Instruction and Research	96,804	82,580
Student Aid	87,364	80,592
Other	20,936	3,714
Total Nonexpendable	205,104	166,886
Expendable		
Instruction and Research	77,446	67,432
Student Aid	57,911	51,937
Auxiliary Enterprises	2,713	2,713
Construction	99,389	86,237
Other (Note 1)	386,781	346,835
Total Expendable	624,240	555,154
Unrestricted	708,877	687,402
Total Net Assets	**$2,235,478**	**$2,015,050**

See Accompanying "Notes to the Financial Statements."

COMPONENT UNITS

Statements of Financial Position

	Purdue Research Foundation	Purdue Alumni Foundation
	Statement reported as of	
	June 30, 2004	December 31, 2003
	(Expressed in Thousands)	
ASSETS		
Cash and cash equivalents	$ 2,649	$ 1,434
Accounts and other receivables	1,758	111
Pledges receivable	2,755	
Investments in securities	487,289	140,767
Investment in Inproteo	1,934	
Investment in INCAPS	200	
Mortgages and contracts	639	
Notes receivable	2,644	
Investment in affiliate	7	
Real estate	84,031	209
Less allowances	(10,327)	
Net real estate	73,704	209
Other assets and equipment	6,409	27
Less allowances	(2,576)	
Net other assets and equipment	3,833	27
Interest in charitable remainder trusts	28,966	2,533
Interest in charitable perpetual trust	16,970	
Total Assets	**623,348**	**145,081**
Liabilities and net assets		
Liabilities		
Accounts payable	4,541	806
Net funds held as custodian	16,113	8,950
Bonds payable	10,085	
Mortgages and note payable	10,987	
Gift annuity payable	1,027	
Total Liabilities	42,753	9,756
Net Assets		
Unrestricted	92,208	9,368
Temporarily restricted	341,893	84,534
Permanently restricted	82,375	20,750
Unrealized gain	64,119	20,673
Total net assets	580,595	135,325
Total Liabilities and Net Assets	**$623,348**	**$145,081**

See Note 1.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	For the Year Ended June 30	
	2004	**2003**
	(Expressed in Thousands)	
Operating Revenues		
Tuition and Fees	$ 435,709	$ 392,242
Less: Scholarship Allowance	(50,511)	(45,448)
Net Tuition and Fees	385,198	346,794
Federal Appropriations	15,223	13,912
County Appropriations	6,600	6,539
Grants and Contracts	244,090	212,251
Sales and Services	42,565	38,378
Auxiliary Enterprises		
(Net of Scholarship Allowance of $5,033 and $4,393 Respectively)	189,022	167,605
Other Operating Revenues	1,209	1,159
Total Operating Revenues	883,907	786,638
Operating Expenses		
Compensation and Benefits	907,717	847,236
Supplies and Services	240,691	211,453
Depreciation Expense	75,301	67,123
Scholarships, Fellowships, and Student Awards	29,150	27,803
Total Operating Expenses	1,252,859	1,153,615
Net Operating Loss	(368,952)	(366,977)
Nonoperating Revenues (Expenses)		
State Appropriations	355,042	353,423
Private Gifts	81,302	68,764
Investment Income	106,554	48,252
Interest Expense	(21,412)	(18,415)
Other Nonoperating Revenues, Net	4,550	5,495
Total Nonoperating Revenues before Capital and Endowments	526,036	457,519
Capital and Endowments		
Capital State Appropriations	8,076	
Capital Gifts	28,348	15,279
Private Gifts for Permanent Endowments	30,116	9,825
Plant Assets Retired	(3,196)	(9,962)
Total Capital and Endowments	63,344	15,142
Total Nonoperating Revenues	589,380	472,661
INCREASE IN NET ASSETS	**220,428**	**105,684**
Net Assets, Beginning of Year	2,015,050	1,909,366
Net Assets, End of Year	$2,235,478	$2,015,050

See Accompanying "Notes to the Financial Statements."

COMPONENT UNITS

Statements of Activities

	Purdue Research Foundation	Purdue Alumni Foundation
	Statement reported as of	
	June 30, 2004	December 31, 2003
	(Expressed in Thousands)	
Revenue and support		
Amount received for Purdue University research projects	$ 70,444	
Less payments to Purdue University	(70,444)	
Administrative fee on research projects		
Contributions	6,168	$ 8,039
Income on investments	10,802	2,659
Net unrealized and realized gains	57,805	24,759
Loss on investment in Inproteo	(35)	
Change in gift annuities	24	
Revenue from pledges	2,727	
Increase in interests in charitable trusts	5,404	
Change in value of charitable remainder trusts		(58)
Rents	5,038	
Royalties	4,457	
Other	97	541
Net assets released from restrictions		
Total Revenue and support	92,487	35,940
Expenses and losses		
Expenses for the benefit of Purdue University		
Contributions to Purdue University	5,398	
Scholarships, awards, athletics and other projects		14,337
Patent and royalty	2,737	
Grants	9,094	
Services for Purdue University	1,423	
Development Office	451	
Other	376	
Total expenses for the benefit of Purdue University	19,479	14,337
Administrative and other expenses		
Salaries and benefits	3,380	
Property management	3,076	
Professional fees	2,340	417
Supplies	1,215	
Interest	282	
Other	396	78
Total administrative and other expenses	10,689	495
Change in net assets	62,319	21,108
Net assets, beginning of year	518,276	114,217
Net assets, end of year	**$580,595**	**$135,325**

See Note 1

STATEMENT OF CASH FLOWS

	For the Year Ended June 30	
	2004	2003
	(Expressed in Thousands)	
Cash Flows by Operating Activities		
Tuition and Fees, Net of Scholarship Allowance	$385,762	$346,275
Federal Appropriations	15,223	13,912
County Appropriations	6,600	6,539
Grants and Contracts	242,622	210,261
Sales and Services	42,401	42,589
Auxiliary Enterprises, Net of Scholarship Allowance	187,353	167,493
Other Operating Revenues	555	3,687
Compensation and Benefits	(913,315)	(846,618)
Supplies and Services	(233,710)	(203,999)
Scholarships, Fellowships, and Student Awards	(29,292)	(27,865)
Student Loans Issued	(9,873)	(9,947)
Student Loans Collected	8,448	7,931
Cash Used by Operating Activities	(297,226)	(289,742)
Cash Flows by Noncapital Financing Activities		
State Appropriations	354,674	353,185
Gifts for Other than Capital Purposes	75,548	68,561
Funds Held in Trust for Others and Deferred Gifts	18,554	(378)
Other Nonoperating Revenues, Net	4,694	2,422
Cash Provided by Noncapital Financing Activities	453,470	423,790
Cash Flows by Investing Activities		
Purchase of Investments	(6,730,399)	(9,192,392)
Proceeds from Sales and Maturities of Investments	6,640,692	9,164,841
Interest and Dividends on Investments, Net	73,975	29,668
Cash Provided (Used) by Investing Activities	(15,732)	2,117
Cash Flows by Capital and Related Financing Activities		
Debt Repayment	(29,155)	(96,452)
Capital Debt	41,950	135,551
Interest Expense	(20,159)	(17,550)
Capital Gifts	38,111	16,038
State Appropriations for Capital Projects	3,076	
Funds Held in Trust by Others	5,840	33,835
Purchase of Capital Assets	(188,421)	(183,652)
Cash Used by Capital and Related Financing Activities	(148,758)	(112,230)
Net Increase (Decrease) in Cash and Cash Equivalents	(8,246)	23,935
Cash and Cash Equivalents, Beginning of Year	482,964	459,029
Cash and Cash Equivalents, End of Year	$474,718	$482,964

(continued on page 20)

STATEMENT OF CASH FLOWS *(continued)*

Reconciliation of Cash Used for Operating Activities (Indirect Method)

Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities	For the Year Ended June 30 2004	2003
	(Expressed in Thousands)	
Operating Loss	$(368,952)	$(366,977)
Depreciation Expense	75,301	67,123
Gifts in Kind	6,990	5,220
Changes in Assets and Liabilities:		
Accounts Receivable	(2,678)	(551)
Notes Receivable	(1,424)	(1,882)
Accrued Revenues	(1,278)	(170)
Inventories	149	(89)
Prepaid Expenses	(2,053)	452
Deferred Expenses	(200)	188
Accrued Compensated Absences	935	815
Accounts Payable	1,891	1,445
Deferred Revenue	6,240	4,784
Deposits Held in Custody for Others	(5,784)	454
Accrued Expenses	(8,843)	1,384
Accrued Salary and Wages	2,368	(1,539)
Advances from Federal Government	112	(399)
Cash Used by Operating Activities	$(297,226)	$(289,742)

See Accompanying "Notes to the Financial Statements."

BIRCK NANOTECHNOLOGY CENTER (under construction)

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2004

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

BASIS OF PRESENTATION:

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

During the 2004 fiscal year, the University adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement No. 14.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

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

For the year ended June 30, 2004, the University adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* which provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a primary government and clarifies reporting requirements for those organizations. Based on these criteria, the financial statements now include the University as the primary government, and two entities, the Purdue Research Foundation and the Purdue Alumni Foundation, as discretely presented component units. Two other entities, The Purdue Foundation and Ross-Ade Foundation, continue to be blended within the University's statements and are not separately presented in accordance with GASB Statement No. 14.

Discrete Component Units

Purdue Research Foundation. Purdue Research Foundation (PRF) was created in 1930. The primary purpose of the foundation is to promote the educational purpose of Purdue University, award scholarships, grants or other financial assistance to students and faculty; seek, acquire and hold gifts and endowments for the needs of the University; and to acquire property or facilities for the future use or benefit of the University. PRF is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. PRF provided grants, contracts, and gifts to Purdue University totaling approximately $19.5 million during its most recent fiscal year. PRF's fiscal year begins July 1 and ends June 30. PRF's audited financial statements, as presented in Purdue University's financial report, were rounded to the nearest thousand dollars. Complete financial statements for the foundation can be obtained by writing to: Purdue Research Foundation, 3000 Kent Avenue, West Lafayette, IN 47906.

Purdue Alumni Foundation. Purdue Alumni Foundation (PAF) was created in 1944 by the Purdue Alumni Association, Inc. The primary purpose of the foundation is to provide ways and means for alumni of Purdue University, as well as others, to provide scholarships and awards and support athletics and other University-related projects. PAF is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. PAF provided grants, contracts, and gifts to Purdue University totaling approximately $14.3 million during its most recent fiscal year. PAF's fiscal year begins January 1 and ends December 31. PAF's audited financial statements, as presented in Purdue University's financial report, were rounded to the nearest thousand dollars. Complete financial statements for the foundation can be obtained by writing to: Purdue Alumni Foundation, 3000 Kent Avenue, West Lafayette, IN 47906.

Both foundations are private nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards, including FASB Statement 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.

Blended Component Units

The Purdue Foundation, Inc. The Purdue Foundation, Inc., was created in 1979. It is a separately incorporated, not-for-profit entity. The primary purpose of the foundation is the solicitation, receipt, and acceptance of gifts, donations, and bequests of funds and other property for the benefit of Purdue University. The foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Purdue University is the sole beneficiary of the The Purdue Foundation.

Ross-Ade Foundation. The Ross-Ade Foundation was created in 1923. It is a separately incorporated, not-for-profit entity organized as an affiliated organization. Ross-Ade Foundation constructs athletic and parking facilities on behalf of the University. These assets are leased by the University and are reported as capital leases. (See Note 8.)

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

Accounting Methods and Policies

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

Financial Accounting Standards Board (FASB). Certain pre-1989 FASB statements apply to public colleges and universities. GASB Statement No. 35 also permits business-type activities to adopt post-1989 FASB statements unless they conflict with GASB pronouncements. The University has elected not to adopt post-November 30, 1989, FASB statements.

Accounts Receivable. Accounts receivable are shown net of an allowance for doubtful amounts. The amount of the allowance was $1,057,086 for the 2003-2004 fiscal year and $1,005,458 for the 2002-2003 fiscal year.

Pledges Receivable. Pledges receivable are accrued as of the end of the fiscal year, provided the pledge is verifiable, measurable, and probable of collection. Pledges receivable do not include gifts made in anticipation of estates, telephone solicitations, or promises of endowment funds. An allowance for uncollectible pledges is calculated based on the University's experience. The amount of the allowance was $3,954,682 for the 2003-2004 fiscal year and $4,383,447 for the 2002-2003 fiscal year.

Notes Receivable. Notes receivable primarily represent student loans due the University and are presented net of allowance for doubtful amounts of $73,675 for the 2003-2004 fiscal year and $155,043 for the 2002-2003 fiscal year.

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

Investments. Investments, exclusive of institutional physical properties, are generally reported at fair value as of June 30, 2004. Fair value is generally based on quoted market price. Investments, exclusive of endowment funds, may be classified as either cash equivalents, current or noncurrent depending on the individual investment's maturity date at June 30. Endowment funds are primarily included in noncurrent investments with the exception of amounts designated for distribution.

Prepaid Expenses. Prepaid expenses include amounts paid for services attributable to the fiscal year beginning July 1, 2004. These services include insurance, equipment leases, services of consultants, subscriptions, and certain subcontracts. These amounts are identified at the end of the fiscal year and accrued for financial reporting purposes.

Capital Assets. Capital assets are stated at cost or fair market value at date of gift, less accumulated depreciation computed on a straight-line basis over the estimated useful life, as shown in the table on page 25. Capital assets are removed from the records at the time of disposal.

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

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

- Invested in capital assets, net of related debt: Resources resulting from capital acquisition or construction, net of accumulated depreciation and net of related debt. (See Note 8.)
- Restricted – nonexpendable: Net assets subject to externally imposed stipulations that the funds be maintained inviolate and in perpetuity. Such assets include the University's permanent and term endowment funds (see Note 10) and are categorized as instruction and research, student aid, and other.
- Restricted – expendable: Net assets that may be spent provided certain third-party restrictions are met. The following categories of restricted – expendable net assets are presented: instruction and research; student aid; auxiliary enterprises; construction; and other. Approximately 86% or $332.4 million of the "other" category results from undistributed gain on endowment funds and the fair value of funds functioning as endowments where the donor has restricted the use of the funds for a particular purpose. Neither component is available for general institutional use.
- Unrestricted: Net assets not subject to externally imposed stipulations pertaining to their use. Management may designate that these funds will be spent for certain projects or programs or to fulfill certain long-term goals. Management has designated substantially all unrestricted net assets for academic and capital purposes.

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

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

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

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

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

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

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

Gifts. The University receives pledges of financial support from many different sources. Gift income is recognized when received or pledged. In-kind gifts of tangible or intangible property are recognized at fair value on the date of gift and are capitalized, if appropriate, subject to the University's policies on capitalization. For the 2003-2004 fiscal year, revenue from gifts-in-kind of $18,415,416 was recognized. Comparative data for 2002-2003 reflect $7,466,797 in gifts-in-kind revenue.

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

Purdue Research Foundation Trust Funds. The Purdue Research Foundation (PRF) Trust Funds are various revocable and irrevocable trusts established for the benefit of Purdue University, Purdue Research Foundation, Purdue Alumni Foundation and affiliates. The Purdue Research Foundation acts as trustee for these trusts. The Internal Revenue Service has determined that the PRF Trust

Funds are exempt from federal income tax as defined in Sections 642 and 664 of the Internal Revenue Code.

The University, beginning in 2003-2004, records its interest in PRF Trusts' charitable remainder trusts based on the estimated present value of future cash flows. Future cash flows are estimated using an assumed investment rate of return on the underlying investments that will satisfy the trust requirements and an applicable discount rate at the time of contribution. The University's discrete component units reflect their respective PRF Trust interests on the Statements of Financial Position. For June 30, 2004, the fair value of funds held by PRF Trusts for Purdue University was $29,491,686. 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.

Reclassification. $22.3 million of 2002-2003 restricted-expendable net assets were reclassified to unrestricted net assets to better reflect sources of funding for various construction projects.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, revolving and change funds, cash in transit, credit cards in transit, securities lending cash collateral, and certain investments. It is the University's practice to invest operating cash balances and bond proceeds in investments of varying maturity dates. (See Note 3.) Investments, exclusive of endowment funds, that are included in cash equivalents represent short-term, highly liquid investments that are both a) readily convertible to known amounts of cash and b) so near their maturity date that they present insignificant risk of changes in value because of changes in interest rates. Cash purchases and sales of those types of investments are part of the University's cash management activities rather than part of its operating, capital, investing, and financing activities; details of these transactions are not reported in the Statement of Cash Flows.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits. At June 30, 2004, the carrying amount of the University's deposits (demand deposit accounts) was -$4,185,079.14 and the bank balance was $3,738,596.60, of which $219,669.79 was covered by federal depository insurance. The remaining balance was insured by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

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

The University's investments, exclusive of endowment funds, are categorized as cash equivalents, current, or noncurrent for financial reporting purposes. Cash equivalents are described in Note 2. Current investments include those maturing between October 1, 2004 and June 30, 2005. Noncurrent investments mature on or after July 1, 2005. All securities were insured, registered, or held by the University or its agent for the benefit of the University.

An accounting of the University's investments, exclusive of endowment funds, at June 30, 2004, follows:

Investment Type	**Carrying Value**	**Market Value**
	(Expressed in Thousands)	
Money Market Funds	$ 220,000	$ 218,621
Securities Lending Cash Collateral	218,170	218,170
Treasury Securities	155,220	154,352
Agency Securities	136,964	136,138
Asset Backed Securities	68,794	68,257
Corporate Securities	225,667	226,214
Mortgages	138,568	137,432
Total	**$1,163,383**	**$1,159,184**

Noncurrent investments include a $3,209,351 federal home loan mortgage that is collateral for the University's medical self-insurance.

NOTE 4 – SECURITIES LENDING

The treasurer of the University, in accordance with policies established by the Board of Trustees, has entered into an agreement with a trust company to participate in a securities lending program. The market value of the cash collateral is recorded as an asset in the Statement of Net Assets along with a corresponding liability. At June 30, 2004, the University had securities with market value of $252,025,130 involved in loans. These loans were supported by collateral of $256,298,744. Of this collateral amount, $229,698,440 was cash and is included in cash and cash equivalents in the Statement of Net Assets, and $26,600,304 was acceptable noncash collateral. The University does not have the ability to pledge or sell the noncash collateral received except in the case of borrower default. Noncash collateral is not included in the University's Statement of Net Assets. Securities lending of domestic securities is cash collateralized on the contract date at 102% and foreign securities are cash collateralized at 105%. Credit risk is calculated as the aggregate of the lender's exposure to individual borrowers or on individual loans. At June 30, 2004, the University had no aggregate credit risk.

The University and the borrowers of its securities maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan is invested, together with the cash collateral of other lenders, in a co-mingled investment pool owned by the custodian. The maximum weighted maturity of the fund is 90 days. Since the loans may be called on demand, their duration does not generally match the duration of the investment made with the cash collateral. If the University had to terminate a term loan, the lending agent has the ability to substitute the same security from a different client while returning the University's security. For the year ended June 30, 2004, income from its participation in this securities lending program was $2,697,196, and the expense was $2,291,917. Net income to the University from this program was $405,279. Under the securities lending agreement, the custodian remits to the University earnings less rebate fees and expenses on a monthly basis.

NOTE 5 – DISAGGREGATION OF RECEIVABLES AND PAYABLES

During the 2003-2004 fiscal year, the State of Indiana deferred payment of the state universities' June operating appropriation of $27,219,147. This appropriation was received in July 2004. Receivables from the State total $32,219,147, representing 53.2% of current accounts receivable (net).

Accrued liabilities for payments related to construction in progress were $18,900,135 as of June 30, 2004. This represents 48.4% of current accounts payable.

NOTE 6 – CONSTRUCTION IN PROGRESS

Expenditures for construction projects in various stages of completion at June 30, 2004, totaled $99.5 million for the fiscal year. As of June 30, 2004, contractual obligations for capital construction projects were $117,565,343.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004, is summarized below.

***Capital Assets Activity** (Expressed in Thousands)*

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Capital Assets, Not Being Depreciated:				
Land	$ 16,711	$ 4,788	$ (7)	$ 21,492
Construction in Progress	219,601	99,504	(198,972)	120,133
Total, Capital Assets, Not Being Depreciated	236,312	104,292	(198,979)	141,625
Capital Assets, Being Depreciated:				
Land Improvements	51,535	4,418		55,953
Infrastructure	17,570	19,211		36,781
Buildings	1,096,564	226,786	(29)	1,323,321
Equipment	420,465	47,636	(24,265)	443,836
Operating Software	1,800	392		2,192
Administrative Software	12,514			12,514
Total, Capital Assets, Being Depreciated	1,600,448	298,443	(24,294)	1,874,597
Less Accumulated Depreciation:				
Land Improvements	(38,298)	(1,904)		(40,202)
Infrastructure	(5,795)	(1,453)		(7,248)
Buildings	(509,434)	(41,128)		(550,562)
Equipment	(238,066)	(28,611)	20,393	(246,284)
Software (Operating and Administrative)	(1,858)	(2,205)		(4,063)
Total Accumulated Depreciation	(793,451)	(75,301)	20,393	(848,359)
Total Capital Assets, Net of Accumulated Depreciation	$1,043,309	$327,434	$(202,880)	$1,167,863

NOTE 8 – DEBT RELATED TO CAPITAL ASSETS

Notes Payable. Notes outstanding of $7,403,255 at June 30, 2004, represent financing for various activities.

On December 1, 1997, a note in the amount of $3,435,000 was obtained from Bank One, Indiana, N.A. to refund outstanding Athletic Facilities Bonds. The note has a floating interest rate and is due July 1, 2006. The outstanding balance of the note as of June 30, 2004, was $1,270,000. The interest rate as of June 30, 2004, was 1.35%.

On March 1, 1998, an Energy Savings Loan Agreement was negotiated with Bank One, Indiana, N.A. This agreement authorized a maximum line of credit of $10,000,000 to pay the costs of qualified energy savings projects through December 31, 2001. Projects include both capital and non-capital improvements to the physical plant. Individual notes may have either a fixed or floating interest rate with maturities not extending beyond 2011. The outstanding balance of these notes as of June 30, 2004, was $6,001,855. The interest rate for the notes ranged from 1.41 to 5.04% as of June 30, 2004.

On December 16, 2003, a non-interest bearing note for forestry woodlands was issued for $164,250. The outstanding balance at June 30, 2004 was $131,400.

Bonds Payable. Bonds payable at June 30, 2004, total $409,405,000, consisting of the following issues:

Issue	Issue Date	Interest Rates	Maturity Dates	Outstanding June 30, 2004
Student Facilities System Revenue Bonds:				
Series 2003A	2003	4.0%-5.38%	2004-2028	$ 94,975,000
Series 2003B	2003	2%-5%	2005-2029	24,350,000
Series 2004A	2004	Variable	2008-2033	28,100,000
Student Fee Bonds:				
Series E	1990	3.0 - 3.9%	2004-2007	8,700,000
Series H	1993	2.78 - 5.25%	1998-2015	11,000,000
Series K	1995	2.2 - 5.63%	1997-2020	17,500,000
Series L	1995	3.0 - 5.63%	1997-2020	15,300,000
Series N	1998	3.55 - 5.5%	1998-2014	45,145,000
Series O	1998	2.68 - 5.63%	2000-2019	30,230,000
Series P	1998	4.0 - 5.25%	1999-2017	50,645,000
Series Q	2000	2.63 - 6.0%	2002-2022	47,520,000
Series R	2002	3.0 - 5.38%	2002-2023	22,090,000
Series S	2004	Variable	2007-2026	13,850,000
Total				**$409,405,000**

The Student Fee Bonds are secured by a pledge of student fees and the Student Facilities System Revenue Bonds are secured by a pledge of any other available income, except student fees and state appropriations. Student fees (net of scholarship allowance) were $385,198,229.

On May 5, 2004, Student Facilities System Revenue Bonds, Series 2004A were issued in the amount of $28,100,000. This series was issued to finance student housing facilities and a parking garage at the Calumet campus. As of June 30, 2004, the balance outstanding on these bonds was $28,100,000.

On June 16, 2004, Student Fee Bonds, Series S, were issued in the amount of $13,850,000. This series was issued to finance the Biomedical Engineering Building at the West Lafayette Campus. As of June 30, 2004, the balance outstanding on these bonds was $13,850,000.

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

Fiscal Year	Principal	Interest	Total
2005	$ 23,625,000	$ 18,884,695	$ 42,509,695
2006	20,250,000	18,010,652	38,260,652
2007	21,175,000	17,036,648	38,211,648
2008	22,290,000	15,995,726	38,285,726
2009	18,320,000	15,097,115	33,417,115
2010 - 2014	105,810,000	59,873,120	165,683,120
2015 - 2019	86,565,000	33,911,948	120,476,948
2020 - 2024	56,760,000	16,790,854	73,550,854
2025 - 2029	38,105,000	6,705,250	44,810,250
2030 - 2034	16,505,000	1,169,000	17,674,000
	$409,405,000	$203,475,008	$612,880,008
Add Unamortized Premium	5,504,281		5,504,281
Total	**$414,909,281**	**$203,475,008**	**$618,384,289**

Capital Leases. At June 30, 2004, long-term debt included amounts relating to properties leased from affiliated corporations and others with a net book value of $96,326,193. The outstanding balance on these leases at June 30, 2004, was $85,925,000. The lease-purchase payments on these properties in the 2003-2004 fiscal year totaled $8,417,426, consisting of $4,066,553 principal and $4,350,873 interest costs.

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

Fiscal Year	Principal	Interest	Total
2005	$ 3,795,000	$ 4,378,821	$ 8,173,821
2006	3,960,000	4,207,407	8,167,407
2007	4,165,000	4,007,352	8,172,352
2008	4,380,000	3,790,029	8,170,029
2009	4,595,000	3,572,954	8,167,954
2010 - 2014	18,365,000	14,847,403	33,212,403
2015 - 2019	15,880,000	10,202,531	26,082,531
2020 - 2024	17,810,000	6,015,306	23,825,306
2025 - 2027	12,975,000	1,318,750	14,293,750
Total	**$85,925,000**	**$52,340,553**	**$138,265,553**

NOTE 9 – OTHER DEBT INFORMATION

Long-term Liabilities. Long-term liability activity (expressed in thousands) for the year ended June 30, 2004, is summarized below:

***Long-term Liabilities** (Expressed in Thousands)*

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004	Current Portion
Advances from Federal Government	$ 20,431	$ 704	$ (592)	$ 20,543	
Bonds Payable, Net	396,929	41,950	(23,970)	414,909	$ 24,010
Compensated Absences	34,878	34,401	(33,466)	35,813	20,101
Deferred Revenue	740	11,716		12,456	
Funds Held in Trust for Others	8,150	10,122	(8,622)	9,650	
Leases Payable to Affiliated Foundations	89,992		(4,067)	85,925	3,795
Notes Payable	8,877	164	(1,637)	7,404	1,718
Total	**$559,997**	**$99,057**	**$(72,354)**	**$586,700**	**$49,624**

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

Description of Bonds	Final Maturity Date	Amount Outstanding June 30, 2004
Building Facilities Fee Bonds	2009	$ 7,425,000
Dormitory Facilities Revenue Bonds, Series A – L	2008	2,393,000
Student Fee Bonds, Series B	2004	30,600,000
Student Fee Bonds, Series G	2004	4,520,000
Student Fee Bonds, Series M	2006	49,975,000

Direct Financing Lease. In 1998, the University agreed to refinance the construction of the Animal Disease Diagnostic Laboratory (ADDL) Building and lease it to the Indiana Department of Administration on behalf of the Indiana State Board of Animal Health. Lease payments are equal to the University's debt service payments. Nonrecourse bonds for $10,830,000 were issued to the Indiana Bond Bank, secured solely from lease payments from the Indiana Department of Animal Health through annual appropriations for this purpose from the State of Indiana. The University's rights to receive lease payments have been assigned to the Trustees for the Indiana Bond Bank. At June 30, 2004, the outstanding amount of these bonds was $6,560,000. The ADDL Building, the lease receivable, and the bonds payable are not reflected on the University's books.

In addition, the University has entered into various operating leases for buildings and equipment. Net expenditures for rent under these leases for the year ended June 30, 2004, were $8,724,384 and are included in supplies and services in the Statement of Revenues, Expenses, and Changes in Net Assets.

NOTE 10 – DONOR-RESTRICTED ENDOWMENTS

The University's endowment funds (including true, term, and funds functioning as endowments) are invested in a unitized pool. The unitized endowment pool purchases investments to generate present and future income in support of various programs. The University's Board of Trustees establishes the spending policy for the unitized endowment pool. The current spending policy distributes 4.5% of the average of the ending values for the prior 12 quarters in semi-annual distributions. The distribution includes both income and equity components. Market appreciation of the pool was $318,367,188 as of June 30, 2004. Of this amount, 33.2% represents appreciation attributable to donor-restricted (true and term) endowments. The University's endowment policies are subject to the provisions of Indiana Code section IC 30-2-12 (Uniform Management of Institutional Funds). Under this section, the University's Board of Trustees may authorize expenditure — consistent with donors' intent — of net appreciation in the fair value of the assets over the historical cost of the endowment.

NOTE 11 – CONTINGENT LIABILITIES AND COMMITMENTS

Legal Actions. In the normal course of its activities, the University is a party in various legal actions. Although the University 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.

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

Limited Partnership Agreements. Under the terms of various limited partnership agreements approved by the University's Board of Trustees, the University is obligated to make periodic payments for commitments to venture capital, private equity, and real estate investments over the next several fiscal years. As of June 30, 2004, the University had the following unfunded commitments: $31,768,369 to eight Private Equity/Venture Capital managers, $3,500,000 to two private real estate managers and $3,399,706 to the Indiana Future Fund. These amounts are not included as liabilities in the Statement of Net Assets. Outstanding commitments are estimated to be paid based on the capital calls from the individual managers, subject to change due to market conditions, as follows:

Fiscal Year	Amount
2004-05	$9,667,018
2005-06	$9,667,019
2006-07	$9,667,019
2007-08	$9,667,019

NOTE 12 – RETIREMENT PLANS

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

All Employees. University employees are participants in various retirement programs, including the Federal Insurance Contributions Act (FICA). For the 2003-2004 fiscal year, the University's cost was $37,322,613 under this program.

Faculty and Administrative/Professional Staff. Faculty, professional, and certain administrative employees of the University participate in a defined contribution plan administered through the Teachers Insurance and Annuity Association (TIAA). Benefit provisions are established and/or amended by the Board of Trustees. The plan purchases individual annuity contracts for members and provides for immediate vesting. Faculty and management personnel participate immediately upon employment; all others must satisfy a three-year waiting period. The University contributes 11% of each participating employee's salary up to $9,000 and 15% of the salary above $9,000. Employee contributions are not required but may be made on a voluntary basis. For the 2003-2004 fiscal year, the University made contributions totaling $51,517,205 to this plan. For the fiscal year ended June 30, 2004, there were 5,461 employees participating in TIAA with annual pay equal to $351,144,077.

Clerical and Service Staff. Regular clerical and service staff, employed at least half-time, participate in the Public Employees Retirement Fund (PERF), a retirement program administered by an agency of the State of Indiana. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. Benefit provisions are established and/or amended by the State of Indiana. There are two parts to this plan: an annuity savings plan to which the University contributes 3% of the employee's salary, and a defined benefit agent multi-employer plan to which the University currently contributes 5% of the employee's salary. Employee contributions are not required but may be made on a voluntary basis. Employees are eligible to participate in this plan immediately upon employment and are fully vested in the defined benefit plan after 10 years of employment. For the 2003-2004 fiscal year, the University made contributions totaling $10,544,413 to this plan. For the fiscal year ended June 30, 2004, there were 4,969 employees participating in PERF with annual pay equal to $122,609,331.

The required employer's contribution was determined as part of the July 1, 2003, actuarial valuation using the projected unit cost method. The actuarial assumptions included: (a) 7.25% investment rate of return (net of administrative expenses), (b) projected salary increases of 5% per year, and (c) 2% per year cost of living adjustments. PERF's unfunded actuarial accrued liability is being amortized over 34 years. Actuarial information related to the University's portion of the plan is disclosed later in this note.

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

Police and Firefighters. A supplemental pension program for police officers and firefighters (Police/Fire) was authorized by the Board of Trustees on March 13, 1990, and was established on July 1, 1990. In conjunction with other retirement plans offered by the University, this plan provides police officers and firefighters employed by Purdue with a total retirement benefit that is comparable to the benefits received by municipal police and fire personnel in Indiana. Benefit provisions are established and/or amended by the Board of Trustees. The program is an agent single-employer defined benefit plan administered through the Teachers Insurance and Annuity Association (TIAA). The plan provides for vesting after the completion of 10 years of covered employment, and employees are eligible for normal retirement benefits after the completion of 20 years of covered employment and attainment of 55 years of age. The normal benefit payable under this plan is an amount equal to 50% of the annual base salary of a nonprobationary-level police officer at each campus, as in effect at the time of a member's retirement, reduced by the amount of any pension benefits payable under other Purdue University retirement programs, including TIAA-CREF and PERF. For the fiscal year ended June 30, 2004, there were 98 employees participating in Police/Fire with annual pay equal to $4,298,299.

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

The pension benefit obligation was computed as part of an actuarial valuation performed as of July 1, 2003. Because the plan was implemented on a retroactive basis to cover all current police officers and firefighters, the University has an unfunded actuarial liability at July 1, 2003, of $3.3 million, which is being amortized over a 30-year period. The required contribution to the plan for the 2003-2004 fiscal year was $911,800, consisting of $531,842 normal cost, $320,308 amortization of the unfunded liability and $59,650 interest. Of the required amount, $115,974 represents employee contributions, and $795,826 represents the University's contribution. The actual amount contributed by the University was $795,861. The required contribution was determined as part of the July 2003 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 7% investment rate of return, (b) projected salary increases of 5% per year, and (c) 3% per year cost of living adjustments.

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

Three-Year Trend Information *(Expressed in Thousands)*

Plan*	Fiscal Year Ending June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Total Unfunded (Excess) Actuarial Liability	Funded Ratio	Annual Covered Payroll	Liability to Payroll	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Benefit)
PERF†	2001	$169,867	$156,111	$(13,756)	108.8%	$122,040	-11.3%	$5,601	111.0%	$(3,390)
	2002	134,304	138,342	4,038	97.1%	109,160	3.7%	5,544	111.9%	(4,048)
	2003	142,790	127,758	(15,032)	111.8%	109,468	-13.7%	5,934	108.4%	(4,549)
Police/Fire	2001	$ 11,323	$ 14,858	$ 3,535	76.2%	$ 3,770	93.8%	$ 883	108.6%	$ (67)
	2002	12,175	15,674	3,499	77.7%	3,867	90.5%	868	107.1%	(54)
	2003	13,384	16,730	3,346	80.0%	4,298	77.8%	912	100.0%	0

**Data for 2004 not available from actuaries.*
†University portion only.

Cooperative Extension Service. As of June 30, 2004, there were 67 staff members with federal appointments employed by the Indiana Cooperative Extension Service and covered by the Federal Civil Service Retirement System.

NOTE 13 – RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; accident, health, and other medical benefits provided to employees and their dependents; and long-term disability benefits provided to employees. The University handles these risks of loss through combinations of risk retention and commercial insurance. For buildings and contents, the University's risk retention per incident is $250,000 per occurrence. There is a $1 million retention per occurrence or wrongful act for general, automobile, professional, and educators' legal liability. The University retains the entire risk for medical benefits. The maximum liability to the University for job-related illnesses or injuries is $250,000 per incident, with a maximum annual aggregate liability of $5.2 million.

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

The University accrues liabilities for claims if information indicates that a loss has been incurred as of June 30, and the amount of the loss can reasonably be estimated. The liability for medical claims incurred, but not reported at June 30, 2004, is based on actuarial estimates. The income benefit liability for employees disabled before January 1, 2004, was transferred to an insurance carrier, and all future disabled income benefit liability is now fully insured. Changes in the balances of claims liabilities during the 2003-2004 and 2002-2003 fiscal years were as follows:

	Year Ended June 30, 2004	Year Ended June 30, 2003
Beginning Liability	$23,782,576	$22,675,909
Claims Incurred	58,860,507	65,487,972
Claims Payments	(67,728,890)	(64,381,305)
Ending Liability	**$14,914,193**	**$23,782,576**

NOTE 14 – SEGMENTS

For 2003-2004, the University had no reportable segments.

NOTE 15 – OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification (expressed in thousands) for the fiscal years ended June 30, 2004, and June 30, 2003, are summarized as follows:

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

	Compensation and Benefits	Supplies and Services	Depreciation	Scholarships Fellowships and Student Awards	Total
Instruction and Departmental Research	$385,569	$ 61,734			$ 447,303
Organized Activities Related to Instruction and Research	7,278	8,388			15,666
Sponsored Research	98,271	41,138			139,409
Other Seperately Budgeted Research	33,170	5,605			38,775
Extension and Public Service	64,104	25,758			89,862
Academic Support	15,366	14,283			29,649
Student Services	26,153	7,020			33,173
Physical Plant Operations and Maintenance	48,435	32,001			80,436
General Administration	57,205	26,980			84,185
General Institutional Services	22,531	7,773			30,304
Student Aid	1,562	19		$29,150	30,731
Auxiliary Enterprises	148,073	9,992			158,065
Depreciation			$75,301		75,301
Total	**$907,717**	**$240,691**	**$75,301**	**$29,150**	**$1,252,859**

Operating Expenses by Function for the Year Ended June 30, 2003

	Compensation and Benefits	Supplies and Services	Depreciation	Scholarships Fellowships and Student Awards	Total
Instruction and Departmental Research	$361,496	$ 49,738			$ 411,234
Organized Activities Related to Instruction and Research	6,812	8,828			15,640
Sponsored Research	86,590	40,510			127,100
Other Separately Budgeted Research	31,978	5,632			37,610
Extension and Public Service	62,590	22,849			85,439
Academic Support	14,252	14,592			28,844
Student Services	23,489	5,519			29,008
Physical Plant Operations and Maintenance	47,398	25,714			73,112
General Administration	53,798	22,903			76,701
General Institutional Services	18,724	7,036			25,760
Student Aid	2,418			$27,803	30,221
Auxiliary Enterprises	137,691	8,132			145,823
Depreciation			$67,123		67,123
Total	**$847,236**	**$211,453**	**$67,123**	**$27,803**	**$1,153,615**

NOTE 16 – SUBSEQUENT EVENT

In October 2004, the University plans to issue Student Fee Bonds, Series T, in the approximate amount of $14,500,000, with a variable rate of interest. This series will be issued to assist in the financing of the Computer Science Building at the West Lafayette Campus.

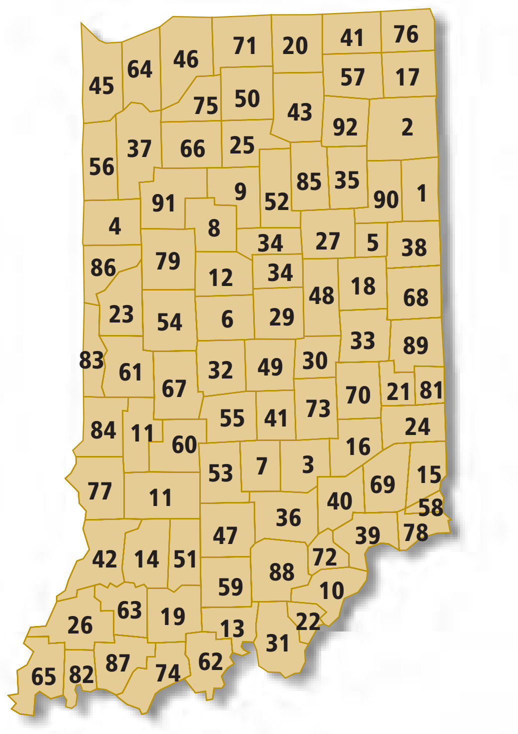
IN-STATE ENROLLMENT (UNAUDITED)

Total In-State Enrollment by County, Fall 2003-2004 Academic Year

The enrollment at Purdue University was 64,780 students for the 2003-2004 fall semester. The breakdown was: West Lafayette, 38,847; Calumet, 9,129; Fort Wayne, 11,806; North Central, 3,469; and Statewide Technology, 1,529. (The enrollment figures do not include 4,264 Purdue University students at Indiana University-Purdue University Indianapolis.) Although students came to Purdue from all over the world, 73% system-wide came from within Indiana.

	County	West Lafayette	Regional Campuses	Technology Statewide System	Total
1	ADAMS	114	429		543
2	ALLEN	1,032	7,369	4	8,405
3	BARTHOLOMEW	285	2	135	422
4	BENTON	148	1	5	154
5	BLACKFORD	25	12		37
6	BOONE	347	1	3	351
7	BROWN	20		6	26
8	CARROLL	165		14	179
9	CASS	189	8	31	228
10	CLARK	138		46	184
11	CLAY	59	2		61
12	CLINTON	268	2	22	292
13	CRAWFORD	18			18
14	DAVIESS	46	1		47
15	DEARBORN	190		4	194
16	DECATUR	142		47	189
17	DE KALB	110	590		700
18	DELAWARE	175	16	25	216
19	DUBOIS	168		2	170
20	ELKHART	535	42	61	638
21	FAYETTE	53	1	31	85
22	FLOYD	177	1	39	217
23	FOUNTAIN	137	1	2	140
24	FRANKLIN	70		6	76
25	FULTON	113	23	3	139
26	GIBSON	94			94
27	GRANT	161	48	16	225
28	GREENE	60	1		61
29	HAMILTON	1,181	11	21	1,213
30	HANCOCK	270	2	5	277
31	HARRISON	58		19	77
32	HENDRICKS	487	2	14	503
33	HENRY	107		19	126
34	HOWARD	398	5	121	524
35	HUNTINGTON	129	455		584
36	JACKSON	106		30	136
37	JASPER	238	155	1	394
38	JAY	26	16	1	43
39	JEFFERSON	55		6	61
40	JENNINGS	51		28	79
41	JOHNSON	287	2	22	311
42	KNOX	93	2		95
43	KOSCIUSKO	298	430	3	731
44	LA GRANGE	62	112	7	181
45	LAKE	2,195	7,670	2	9,867
46	LA PORTE	418	1,617	7	2,042
47	LAWRENCE	96		1	97
48	MADISON	288	5	101	394
49	MARION	1,839	18	54	1,911
50	MARSHALL	182	29	8	219

(continued on page 39)



	County	West Lafayette	Regional Campuses	Technology Statewide System	Total
51	MARTIN	15			15
52	MIAMI	135	17	31	183
53	MONROE	173	6	3	182
54	MONTGOMERY	210		2	212
55	MORGAN	175	1	4	180
56	NEWTON	91	27	3	121
57	NOBLE	111	466	3	580
58	OHIO	15		1	16
59	ORANGE	51			51
60	OWEN	19		1	20
61	PARKE	37			37
62	PERRY	39			39
63	PIKE	17			17
64	PORTER	856	2,075	3	2,934
65	POSEY	83			83
66	PULASKI	123	30	5	158
67	PUTNAM	92		1	93
68	RANDOLPH	49	1	8	58
69	RIPLEY	84	1	27	112
70	RUSH	63		8	71
71	ST JOSEPH	930	74	131	1,135
72	SCOTT	28		4	32
73	SHELBY	142		11	153
74	SPENCER	76	1		77
75	STARKE	83	157	2	242

	County	West Lafayette	Regional Campuses	Technology Statewide System	Total
76	STEUBEN	98	276		374
77	SULLIVAN	23	1		24
78	SWITZERLAND	19		1	20
79	TIPPECANOE	3,357	27	103	3,487
80	TIPTON	98		16	114
81	UNION	17		5	22
82	VANDERBURGH	344	3	1	348
83	VERMILLION	54			54
84	VIGO	184	3		187
85	WABASH	118	147	3	268
86	WARREN	67		3	70
87	WARRICK	185	2		187
88	WASHINGTON	37	2	17	56
89	WAYNE	167	6	83	256
90	WELLS	85	357		442
91	WHITE	289	4	10	303
92	WHITLEY	95	470		565
	Total	**22,837**	**23,235**	**1,462**	**47,534**

ACKNOWLEDGEMENTS:

The following staff members of the Department of Accounting Services, Office of the Comptroller, prepared the 2003-2004 *Financial Report* and the included financial statements.

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

JOHN R. SHIPLEY – *University Comptroller*

THERESA L. ASHMAN – *Associate Comptroller*

MELISSA A. CHILDERS – *Gift Funds Accountant*

DANIEL D. FASTENAU – *Unrestricted/Restricted Funds Accountant*

CHARLIE J. KLUMPP – *Unrestricted Funds Accountant*

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

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

NEIL A. SMITH – *System and Reconciliation Administrator*

KRISTI K. STINE – *Data Analyst*

KATHERINE L. VANDERWALL – *Endowment and Investment Accountant*

KENNETH J. WILSON – *Assistant Comptroller*

PURDUE
UNIVERSITY

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APPENDIX C

FORM OF APPROVING OPINION OF BOND COUNSEL

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July 20, 2005

The Trustees of Purdue University
West Lafayette, Indiana

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

Lehman Brothers Inc.
New York, New York

Re: The Trustees of Purdue University Student Fee Bonds, Series U (the "Bonds") issued by The Trustees of Purdue University (the "Corporation") pursuant to an Amended and Restated Trust Indenture dated as of July 1, 1985, as heretofore supplemented and amended, and as further supplemented by a Twenty-First Supplemental Indenture dated as of July 1, 2005 (collectively, the "Indenture") to J.P. Morgan Trust Company, National Association (as successor to NBD Bank, N.A.), Indianapolis, Indiana, as trustee (the "Trustee"); Principal amount $35,200,000

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 refunding of the Refunded Bonds (as defined in the Indenture), as certified by the Secretary or Assistant Secretary of the Corporation, and the Indenture as executed and delivered for the purpose of securing the payment of the Bonds and the interest thereon.

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

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

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

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

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

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

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

Very truly yours,

APPENDIX D

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

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SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

Pursuant to continuing disclosure requirements promulgated by the Securities and Exchange Commission in SEC Rule 15c2-12, as amended (the "Rule"), the Corporation entered into a Continuing Disclosure Undertaking Agreement, dated as of July 1, 1996, as previously supplemented, to be further supplemented by a Fourteenth Supplement to Continuing Disclosure Undertaking Agreement, dated as of August 1, 2005 (collectively, the "Undertaking"), with J.P. Morgan Trust Company, National Association (as successor to NBD Bank, N.A.), as Counterparty. Pursuant to the terms of the Undertaking, the Corporation will agree to provide the following information while any of the Series U Bonds are Outstanding:

- Audited Financial Statements. To each nationally recognized municipal securities information repository ("NRMSIR") then in existence and to the Indiana state information depository then in existence, if any ("SID"), when and if available, the audited financial statements of the Corporation for each fiscal year, beginning with the fiscal year ending June 30, 2005, together with the auditor's report and all notes thereto; and

- Financial Information in this Official Statement. To each NRMSIR then in existence and to the SID, within 180 days of the close of the Corporation's fiscal year, beginning with the fiscal year ending June 30, 2005, annual financial information, other than the audited financial statements described above, including (i) unaudited financial statements of the Corporation if audited financial statements are not available and (ii) operating data (excluding any demographic information or forecasts) of the general type provided under the following headings in this Official Statement and Appendix A hereto (collectively, the "Annual Information") (along with other information specified in official statements for Student Facilities System Revenue Bonds); provided, however, that the updating information may be provided in such format as the Corporation deems appropriate:

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

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

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

- principal and interest payment delinquencies;
- non-payment related defaults;
- unscheduled draws on debt service reserves reflecting financial difficulties;
- unscheduled draws on credit enhancements reflecting financial difficulties;
- substitution of credit or liquidity providers, or their failure to perform;
- adverse tax opinions or events affecting the tax-exempt status of the Series U Bonds;
- modifications to the rights of owners of the Series U Bonds;
- Series U Bond calls;
- defeasances;
- release, substitution or sale of property securing repayment of the Series U Bonds; and
- rating changes

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

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

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

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

Remedy. The sole remedy against the Corporation for any failure to carry out any provision of the Undertaking shall be for specific performance of the Corporation's disclosure obligations under the Undertaking and not for money damages of any kind or in any amount. The Corporation's failure to honor its covenants thereunder shall not constitute a breach or default of the Series U 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 U 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 U 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 U Bonds supported by reasonable documentation of such claim shall be sufficient to evidence standing to pursue the remedy set forth above. The Counterparty, upon satisfactory indemnification and demand by those persons it reasonably believes to be holders or beneficial owners of Series U Bonds, may also pursue the remedy of specific performance set forth above in any court of competent jurisdiction in the State of Indiana. The Counterparty shall have no obligation to pursue any remedial action in the absence of a valid demand from holders or beneficial owners of Series U Bonds and satisfactory indemnification.

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

Modification of Undertaking. The Corporation and the Counterparty may, from time to time, amend or modify the Undertaking without the consent of or notice to the owners of the Series U Bonds if either (a)(i) such amendment or modification is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Corporation, or type of business conducted, (ii) the Undertaking, as so amended or modified, would have complied with the requirements of the Rule on the date hereof, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (iii) such amendment or modification does not materially impair the interests of the holders of the Series U Bonds, as determined either by (A) any person selected by the Corporation that is unaffiliated with the Corporation (including the Counterparty or the trustee under the Indenture, or nationally recognized bond counsel) or (B) an approving vote of the holders of the requisite percentage of Outstanding Series U Bonds as required under Section 13.01 of the Indenture at the time of such amendment or modification; or (b) such amendment or modification (including an amendment or modification which rescinds the Undertaking) is permitted by the Rule, as then in effect.

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

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