NEW ISSUE
Book-Entry Only

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

In the opinion of Ice Miller LLP, Bond Counsel, conditioned on continuing compliance with the Tax Covenants (as hereafter defined) under existing laws, judicial decisions, regulations and rulings, the interest on the 2006 Certificates is excludable from gross income for purposes of federal income tax pursuant to Section 103 of the Internal Revenue Code of 1986 as amended. In the opinion of Ice Miller LLP, under existing laws, judicial decisions, regulations and rulings, the interest with respect to the 2006 Certificates is exempt from income taxation in the State of Indiana. See "Tax Matters" herein.

$70,345,000
Certificates of Participation, Series 2006
Evidencing a Proportionate Interest of Owners Thereof in
Lease Payments to Be Made by
The Trustees of Purdue University, as Lessee

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

The Certificates of Participation, Series 2006 (the "2006 Certificates") are issuable only as fully registered 2006 Certificates and, when issued, 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 2006 Certificates will be made in book-entry form in the denomination of $5,000 or any integral multiple of that sum. Purchasers of beneficial interests in the 2006 Certificates (the "Beneficial Owners") will not receive physical delivery of certificates representing their interest in the 2006 Certificates.

Interest represented by the 2006 Certificates, at the rates set forth below, is payable on July 1, 2007 and on each July 1 and January 1 thereafter, and such interest, together with the principal of and premium, if any, represented by the 2006 Certificates, will be paid directly to DTC by the Trustee, so long as DTC or its nominee is the registered owner of the 2006 Certificates. The final disbursements of such payments to the Beneficial Owners of the 2006 Certificates will be the responsibility of the DTC Participants and the Indirect Participants, all as defined and more fully described in this Official Statement under the caption "THE 2006 CERTIFICATES OF PARTICIPATION - Book-Entry Only System."

Certain 2006 Certificates are subject to redemption prior to maturity as described in this Official Statement; provided that the Serial 2006 Certificates described below are not subject to redemption prior to maturity.

The 2006 Certificates are being sold to refund indebtedness issued to finance and refinance certain parking facilities and athletic facilities (collectively, the "Leased Property") leased to the Corporation (as defined below) by the Ross-Ade Foundation, as Lessor (the "Lessor"). The 2006 Certificates will be issued pursuant to a Trust Indenture dated as of November 15, 2006 which supplements and amends a Trust Indenture dated as of November 15, 1996 (the "1996 Indenture") and a Trust Indenture dated as of November 1, 1998 (the "1998 Indenture") (collectively, the "Indenture") between The Bank of New York Trust Company, N.A., as successor to NBD Bank, N.A. (the "Trustee") and the Lessor. The Leased Property has been constructed by the Lessor and leased to The Trustees of Purdue University (the "Corporation") pursuant to a Lease-Purchase Agreement dated as of November 1, 2001 and certain other lease purchase agreements (as further described herein) which have been previously assigned to the Trustee under the 1996 Indenture and the 1998 Indenture (collectively, the "Leases"). The 2006 Certificates are payable solely from available moneys of the Corporation for lease rental payments under the Leases (as further defined herein) (the "Lease Payments") and are secured only by certain real estate and moneys in funds created under the Indenture, all on a parity basis with certain Certificates of Participation, Series 1998 and other Additional Participation Certificates issued pursuant to the Indenture. The nature of sources of payment of and security for the 2006 Certificates, and the limits on such sources, are described more fully in this Official Statement. The Lessor will assign to the Trustee its right to receive the Lease Payments and a security interest in the Leased Property.

Neither the faith and credit of the Corporation or the State of Indiana nor the taxing power of the State is pledged to the 2006 Certificates. Neither the 2006 Certificates nor the Lease Agreement constitutes a debt of the Corporation or the State within the meaning of any constitutional or statutory debt limitation or restriction.

$61,790,000 Serial 2006 Certificates

Maturity July 1	Principal Amount	Interest Rate	Yield	Maturity July 1	Principal Amount	Interest Rate	Yield
2007	$4,520,000	5.000%	3.560%	2017	$2,640,000	5.250%	3.860%
2008	3,695,000	5.000	3.580	2018	2,780,000	5.250	3.920
2009	3,885,000	5.000	3.600	2019	2,930,000	5.250	3.970
2010	3,650,000	5.000	3.620	2020	3,085,000	5.250	4.010
2011	2,465,000	5.000	3.630	2021	3,240,000	5.250	4.040
2012	2,585,000	5.000	3.650	2022	3,415,000	5.250	4.070
2013	2,715,000	4.000	3.680	2023	3,595,000	5.250	4.090
2014	2,820,000	4.000	3.720	2024	3,780,000	5.250	4.110
2015	2,935,000	5.000	3.760	2025	3,980,000	5.250	4.130
2016	3,075,000	5.000	3.800				

$8,555,000 4.250% Term 2006 Certificates due July 1, 2027 -- Price 98.0% -- Yield 4.398%

The 2006 Certificates are offered when, as and if issued and received by the Underwriters, and subject to approval of certain legal matters by Ice Miller LLP, as Bond Counsel, and certain other conditions. Certain legal matters are subject to the approval of Stuart & Branigin, counsel to the Corporation and the Foundation. Ice Miller LLP will also serve as Disclosure Counsel. John S. Vincent & Company LLC is serving as Financial Advisor to the Corporation. It is expected that the 2006 Certificates in definitive form will be available for delivery to DTC in New York, New York on or about December 1, 2006.

LEHMAN BROTHERS

CABRERA CAPITAL MARKETS, INC.

CITY SECURITIES CORPORATION

Dated: November 17, 2006

THE TRUSTEES OF PURDUE UNIVERSITY

West Lafayette, Indiana

Trustees

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

Michael J. Birck	William S. Oesterle
JoAnn Brouillette	Mamon M. Powers, Jr.
Susan B. Butler	Thomas E. Spurgeon
Rachel N. Cumberbatch*	Mark W. Townsend*

*Terms expire June 30, 2007

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*
Morgan J. Burke, *Director of Intercollegiate Athletics*
Peggy L. Fish, *Director of Audits*
Kevin P. Green, *Director of State Relations*
Joseph B. Hornett, *Senior Vice President, Purdue Research Foundation*
Wayne W. Kjonaas, *Vice President for Physical Facilities*
Jesse L. Moore, *Manager, Supplier Diversity Development*
William G. McCartney, *Interim Vice President for Information Technology*
Rabindra N. Mukerjea, *Director, Strategic Planning and Assessment*
Thomas B. Robinson, *Vice President for Student Services*
Alysa C. Rollock, *Vice President for Human Relations*
Charles O. Rutledge, *Vice President for Research*
Ken L. Sandel, *Managing Director for the Executive Vice President and Treasurer*
John A. Sautter, *Vice President for Housing and Food Services*
Scott W. Seidle, *Senior Director of Investments*
Terry D. Strueh, *Vice President for Governmental Relations*
Glenn F. Tompkins, *Senior Associate Athletic Director - Business*

Regional Campus Staff

Howard Cohen, *Chancellor, Purdue University Calumet*
James B. Dworkin, *Chancellor, Purdue University North Central*
Michael A. Wartell, *Chancellor of Indiana University-Purdue University Fort Wayne*

No dealer, broker, salesman or any other person has been authorized by the Corporation or Foundation or the Underwriters to give any information or to make any representation 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 Foundation. Certain information in this Official Statement has been obtained from the Corporation or Foundation and other sources considered to be reliable, but is not guaranteed as to accuracy or completeness. Any information or expressions of opinion in this Official Statement 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 or Foundation since the date of this Official Statement.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the 2006 Certificates in any jurisdiction in which or to any person to whom it is unlawful to make such offer, solicitation or sale.

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INTRODUCTION

This Official Statement, including the cover page and the Appendices (the "Official Statement") is provided to furnish certain information with respect to the sale and delivery of Certificates of Participation, Series 2006 (the "2006 Certificates"), evidencing a proportionate interest of the registered owners of such 2006 Certificates in rental payments (the "Lease Payments") to be made by The Trustees of Purdue University, as Lessee (the "Corporation" or "Lessee"), as the rental for certain real and personal property pursuant to (i) a Lease-Purchase Agreement dated as of November 1, 2001 (the "2001 Lease"), and (ii) certain other lease purchase agreements (as further described herein) pursuant to which the Projects (as defined herein) have been financed and refinanced, all of which have previously been assigned to the Trustee under the 1996 Indenture and the 1998 Indenture, all between the Corporation, as Lessee, and the Ross-Ade Foundation, as Lessor (the "Foundation" or "Lessor") (all of which are referred to collectively herein as the "Leases"). The 2006 Certificates will be delivered pursuant to a Trust Indenture dated as of November 15, 2006 (the "2006 Indenture"), between The Bank of New York Trust Company, N.A. (as successor to NBD Bank, N.A.) (the "Trustee") and the Lessor, which supplements and amends a Trust Indenture dated as of November 15, 1996 (the "1996 Indenture") as previously supplemented by a Trust Indenture dated as of November 1, 1998 (the "1998 Indenture"). The 1996 Indenture, 1998 Indenture and the 2006 Indenture (together with any further amendments or supplements thereto) are referred to collectively herein as the "Indenture". The 2006 Certificates and the Certificates of Participation, Series 1998 (the "1998 Certificates") are secured on a parity basis under the Indenture, and together with Additional Participation Certificates described below are referred to as "Parity Certificates").

The Corporation has entered into the Leases to finance the acquisition and construction of parking facilities on its West Lafayette and Fort Wayne campuses and improvements to Ross-Ade Stadium on the Corporation's West Lafayette Campus (collectively, the "Leased Property"). See "THE PROJECTS."

The Lessor will execute, with respect to the 2001 Lease, an Assignment of Lease (the "2006 Assignment") and has previously assigned certain Leases pledged pursuant to the 1996 Indenture and the 1998 Indenture (and, collectively, the "Assignments"). The Assignments transfer and assign all of the Lessor's rights in and obligations under the Leases to the Trustee for the benefit of the registered owners of all Parity Certificates. Under the Assignments, the Trustee will assume the rights and duties of the Lessor for all purposes of the Leases and the Lessor will have no continuing interest in, or responsibility with respect to, the Leases or the Leased Property or the Lease Payments under each Lease.

The Trustee will make payments of the interest and principal represented by the 2006 Certificates solely from moneys available under the Indenture, including Lease Payments required to be made by the Corporation under the Leases.

In general, the Corporation is required under the Leases to pay Lease Payments equal to the principal, interest and Trustee fees represented by the 2006 Certificates. See "SECURITY AND SOURCES OF PAYMENTS FOR THE 2006 CERTIFICATES - Sources of Payment." The Corporation is also required to pay any taxes and assessments and the cost of maintenance and repair of the Leased Property. See, for example, "PARKING LEASES - Additional Rental Payments and Other Charges" in APPENDIX C.

The 2006 Certificates are secured only by (a) the interests of the Trustee in real estate subject to the Leases and (b) all right, title and interest of the Trustee in moneys and investments, if any, in the 2006 Certificate Fund and the Project Fund, including the right to receive money in such funds, including Lease Payments by the Corporation under the Leases. The Corporation's obligation to make such Lease Payments is limited to funds legally available for that purpose and is subject to all prior liens on any such moneys. **STUDENT FEES AND STATE APPROPRIATIONS ARE NOT CONSIDERED TO BE AVAILABLE MONEYS FOR THESE PURPOSES.**

For a discussion of the Corporation, its programs, campuses, students, faculty, sources of revenues and financial condition, see APPENDIX A: "PURDUE UNIVERSITY."

THE 2006 CERTIFICATES ARE NOT A GENERAL OBLIGATION DEBT OR LIABILITY OF THE CORPORATION, THE FOUNDATION OR THE STATE OF INDIANA, AND NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE 2006 CERTIFICATES AGAINST THE STATE OF INDIANA, THE CORPORATION, OR AGAINST THE PROPERTY OR FUNDS OF THE STATE OF INDIANA, EXCEPT TO THE EXTENT OF THE FUNDS PLEDGED UNDER THE INDENTURE FOR PAYMENT OF THE 2006 CERTIFICATES. NEITHER THE 2006 CERTIFICATES NOR THE LEASES CONSTITUTE A DEBT OF THE CORPORATION OR THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS.

The descriptions and summaries of and references to various documents contained in this Official Statement do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the full text of each such document.

PLAN OF REFUNDING

The 2006 Certificates are being issued to refund (1) all of the outstanding Certificates of Participation, Series 1996 Evidencing a Proportionate Interest of Owners Thereof in Lease Payments to Be Made by the Corporation, issued in the original aggregate principal amount of $25,330,000, and currently outstanding in the principal amount of $10,955,000 and (2) all of the Outstanding Certificates of Participation, Series 2001A evidencing a proportional interest of owners thereof in lease payments to be made by the Corporation in the original aggregate principal amount of $60,000,000, and currently outstanding in the principal amount of $60,000,000 (the "Series 2001A Certificates") (the "Refunded Certificates"). The objective of the refunding is to provide to the Corporation significant lease payment reductions and simplified borrowing mechanisms for parking and athletic facilities.

On the date of issuance of the 2006 Certificates, a portion of the proceeds from the sale of the 2006 Certificates will be deposited in trust accounts (collectively, the "Escrow Funds") with The Bank of New York Trust Company, N.A. as Trustee, as successor trustee for the Series 2001A Certificates (the "Prior Trustee") and as escrow trustee (the "Escrow Trustee") pursuant to an Escrow Deposit Agreement between the Lessor and The Bank of New York Trust Company, N.A., as Trustee, Prior Trustee, and Escrow Trustee (the "Escrow Agreement"). The moneys so deposited will be invested in noncallable obligations of the United States of America ("Government Obligations"). The principal and interest on the Government Obligations, together with a specified beginning cash balance, will be sufficient to pay the debt service on the Refunded Certificates to the dates on which they mature or will be redeemed. Upon such deposit and investment the Refunded Certificates will be considered no longer outstanding.

The Refunded Certificates are scheduled to mature on July 1 of each year from July 1, 2007 through July 1, 2027. The Series 1996 Participation Certificates will be called for early redemption on January 1, 2007, at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, without premium. The Series 2001A Certificates maturing on or after July 1, 2012 will be redeemed on July 1, 2011 at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption. In addition, the Corporation will prepay certain lease rental payments on the date of delivery of the 2006 Certificates in order to defease the outstanding Series 2001B Participation Certificates.

The accuracy of the mathematical computations of the adequacy of the Escrow Fund to provide fully for all payments of principal of and interest on the Refunded Certificates will be verified at the time of delivery of the 2006 Certificates by Causey Demgen & Moore, Inc., independent certified public accountants. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

PURPOSE OF THE 2006 CERTIFICATES

The 2006 Certificates are being issued as Additional Participation Certificates under the Indenture to execute the PLAN OF REFUNDING described above and pay costs incurred in the issuance of the 2006 Certificates.

Sources and Uses of Funds

The sources and uses of funds necessary to provide for the refunding, and the sale and delivery of the 2006 Certificates and the discharge of the 2001 Indenture, are estimated as shown below.

Sources of Funds:

Principal Amount of 2006 Certificates	$70,345,000.00
Corporation Lease Prepayments*	513,961.00
Net Original Issue Premium	5,145,596.80
Total Sources	$76,004,557.80

Uses of Funds:

1996 Escrow Cost	$11,212,903.00
2001 Escrow Cost**	64,347,523.32
Underwriting Discount	211,181.84
Costs of Issuance	232,949.64
Total Uses	$76,004,557.80

THE SERIES 2006 CERTIFICATES OF PARTICIPATION

Principal Amount, Date, Interest Rates and Maturities

The 2006 Certificates will be issued in the aggregate principal amount of $70,345,000, will be dated the date of delivery thereof and will mature on the dates and in the principal amounts set forth on the cover page of this Official Statement.

Each 2006 Certificate represents an undivided proportionate interest in the principal portion of the Lease Payments due and payable with respect to the maturity date of the 2006 Certificate and in the interest portion of the Lease Payments due and payable semiannually, to and including such maturity date (or earlier redemption), at the rate set forth in the Certificate. Interest represented by the 2006 Certificates will be payable semiannually, commencing on July 1, 2007, and on each July 1 and January 1 of each year thereafter to and including the date of maturity (or earlier redemption) (the "Interest Payment Dates"). Record Date shall mean the December 15 or June 15 immediately preceding the respective January 1 and July 1.

Each 2006 Certificate will accrue interest from the Interest Payment Date next preceding the date of its execution, unless: (i) executed on an Interest Payment Date or after a Record Date but before the following Interest Payment Date, in which case interest accrues from such Interest Payment Date, (ii) executed on the date of initial delivery or prior to July 1, 2007, in which case interest accrues from the date of delivery, or (iii) payment of interest is in default, in which case interest is payable from the last Interest Payment Date to which interest has been paid. Interest with respect to the 2006 Certificates will be computed on the basis of a 360-day year, consisting of twelve, 30-day months.

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* To defease outstanding 2001B Certificates.
** Includes lease prepayment for 2001B Certificate.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2006 Certificates. The 2006 Certificates 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 participation certificate will be issued for the 2006 Certificates, in the aggregate principal amount of such issue, 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 17 A 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 2006 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2006 Certificates on DTC's records. The ownership interest of each actual purchaser of each 2006 Certificate ("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 2006 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2006 Certificates, except in the event that use of the book-entry system for the 2006 Certificates is discontinued.

To facilitate subsequent transfers, all 2006 Certificates 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 2006 Certificates 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 2006 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2006 Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2006 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2006 Certificates, such as redemptions, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of 2006 Certificates may wish to ascertain that the nominee holding the 2006 Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2006 Certificates 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 2006 Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2006 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the 2006 Certificates 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 nor its nominee, the Corporation or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are 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.

A Beneficial Owner shall give notice to elect to have its 2006 Certificates purchased or tendered, through its Participant, to the Tender Agent and shall effect delivery of such 2006 Certificates by causing the Direct Participant to transfer the Participant's interest in the 2006 Certificates, on DTC's records, to the Tender Agent. The requirement for physical delivery of 2006 Certificates in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2006 Certificates are transferred by Director Participants on DTC's records and followed by a book-entry credit of tendered 2006 Certificates to the Tender Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the 2006 Certificates 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, participation 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, participation certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borrower believes to be reliable, but neither the Corporation, the Borrower, either Letter of Credit Bank nor any Underwriter takes any responsibility for the accuracy thereof.

<u>Disclaimer</u>

THE INFORMATION PROVIDED ABOVE UNDER THIS CAPTION HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE CORPORATION, THE BORROWER, THE LETTER OF CREDIT BANK OR THE UNDERWRITERS AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

The Corporation, the Borrower, the Trustee and the Letter of Credit Bank will have no responsibility or obligation with respect to:

(i) the accuracy of the records of DTC, its nominee or any Direct Participant or Indirect Participant with respect to any beneficial ownership interest in any 2006 Certificates;

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

(iii) the payment to any Direct Participant or Indirect Participant or any other person, other than an owner, as shown in the certificate register, of any amount with respect to the principal of or premium, if any, or interest on any 2006 Certificate; or

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

Prior to any discontinuation of the book-entry only system described under this caption, the Corporation and the Trustee may treat DTC as, and deem DTC to be, the absolute owner of the 2006 Certificates for all purposes whatsoever, including, without limitation:

(i) the payment of the principal of and premium, if any, and interest on the 2006 Certificates;

(ii) giving notices of redemption and other matters with respect to the 2006 Certificates;

(iii) registering transfers with respect to the 2006 Certificates; and

(iv) the selection of 2006 Certificates for redemption.

Form and Denomination

The 2006 Certificates will be issued in fully registered form in the denomination of $5,000 or any integral multiple of that amount.

Optional Redemption

The 2006 Certificates maturing on July 1, 2027 are subject to optional redemption in whole or in part on any date on or after January 1, 2012, in the order of maturity specified by the Foundation (as directed by the Corporation), at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption.

If fewer than all of the 2006 Certificates are to be optionally redeemed, the Corporation will select the order of maturities and the Trustee will select by lot within maturities, the particular 2006 Certificates or portion of 2006 Certificates to be redeemed. The portion of any 2006 Certificate of a denomination of more than $5,000 to be redeemed will be in the principal amount of $5,000 or an integral multiple of that sum, and in selecting portions of such 2006 Certificates for redemption, the Trustee will treat each such 2006 Certificate as representing that number of 2006 Certificates of $5,000 denomination which is obtained by dividing the principal amount of such 2006 Certificate by $5,000.

Mandatory Redemption

The 2006 Certificates due July 1, 2027 are subject to mandatory redemption by lot prior to maturity in the years and amounts set forth below at a price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption:

Year	Amount
2026	$4,185,000
2027*	4,370,000

* Final Maturity

For so long as the 2006 Certificates are registered to DTC or its nominee, DTC Participants, in accordance with their current practice, will select the ownership interests of the Beneficial Owners to be redeemed through a lottery process.

Notice of Redemption

FOR SO LONG AS THE 2006 CERTIFICATES ARE REGISTERED TO DTC OR ITS NOMINEE, ANY NOTICE OF REDEMPTION WILL BE GIVEN ONLY TO DTC OR ITS NOMINEE, AS DESCRIBED ABOVE UNDER THE HEADING "BOOK-ENTRY ONLY SYSTEM" UNDER THIS CAPTION. ANY FAILURE BY DTC TO NOTIFY THE OWNERS DOES NOT AFFECT THE VALIDITY OF THE REDEMPTION PROCEEDINGS FOR THE 2006 CERTIFICATES. Notice of redemption of the 2006 Certificates shall be given by the Trustee by first class mail to the registered owner of each 2006 Certificate, not less than 30 days prior to the date fixed for redemption.

Interest on the 2006 Certificates so called for redemption shall cease to accrue on the redemption date specified in said notice if funds are on deposit with the Trustee to redeem the 2006 Certificates when presented.

Transfer and Exchange of 2006 Certificates

FOR SO LONG AS THE 2006 CERTIFICATES ARE REGISTERED UNDER A BOOK-ENTRY ONLY SYSTEM, THE TRANSFER AND EXCHANGE PROCEDURES SHALL BE AS DESCRIBED ABOVE UNDER "BOOK-ENTRY ONLY SYSTEM."

In the event that the 2006 Certificates are no longer registered under a book-entry only system, pursuant to the Indenture, the Corporation shall cause to be kept a 2006 Certificate Register, and for that purpose, the Trustee has been appointed the 2006 Certificate Registrar. The Trustee shall not be required to transfer or exchange any 2006 Certificates during the period 15 days next preceding any Interest Payment Date of such 2006 Certificate nor to transfer or exchange any 2006 Certificate after the mailing of notice calling such 2006 Certificate for redemption has been made as provided in the Indenture, nor during the period next preceding the giving of such notice of redemption. No service charge or payment shall be required to be made by the Owner requesting an exchange, registration or transfer of any 2006 Certificate, but the Corporation and the Trustee 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.

In the event that the 2006 Certificates are no longer registered under a book-entry only system, the person in whose name any 2006 Certificate shall be registered on the 2006 Certificate Bond Register shall be deemed and regarded as the absolute Owner thereof for all purposes. Payment of either principal or interest with respect to any 2006 Certificate shall be made only to or upon the order of the Owner thereof or such Owner's legal representative. All such payments shall be valid and effectual to satisfy and discharge liability upon such 2006 Certificate to the extent of the sum or sums so paid. The Corporation, the Trustee, and any other Paying Agent may deem and treat the Owner as the absolute Owner of said 2006 Certificate whether such 2006 Certificate shall be overdue or not, for the purpose of receiving payment thereof and for all other purposes whatsoever, and neither the Corporation, the Trustee, the Depository or any other Paying or Co-Paying Agent shall be affected by any notice to the contrary.

Revision of Book-Entry Only System; Replacement 2006 Certificates

In the event either (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 2006 Certificates or (ii) the Foundation elects to discontinue its use of DTC as a securities depository for the 2006 Certificates, and in either case, the Foundation does not appoint an alternate securities depositor, 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 2006 Certificates, as are necessary or appropriate to discontinue use of DTC as a securities depository for the 2006 Certificates and to transfer the ownership of each of the 2006 Certificates to such person or persons, including any other securities depository, as the Owner of such 2006 Certificates may direct in accordance with the Indenture. If ownership of the 2006 Certificates is transferred to the Owners, the Trustee will execute and deliver fully registered replacement 2006 Certificates ("Replacement 2006 Certificates"), in the denomination of $5,000 or any integral multiple, to the Owners of the 2006 Certificates. The expenses of any such transfer, including the printing of certificates for the Replacement 2006 Certificates, will be paid by the Corporation.

The principal of the Replacement 2006 Certificates will be payable at the principal corporate trust office of the Trustee as 2006 Certificate paying agent (the "Paying Agent"), in Chicago, Illinois, and interest on the Replacement 2006 Certificates will be paid by check of the Paying Agent mailed on or before the business day prior to each Interest Payment Date to the registered owners appearing on the registration books maintained by the Trustee, as certificate registrar (the "2006 Certificate Registrar"), as of the close of business on the most recent Record Date.

Replacement 2006 Certificates may be transferred or exchanged by any 2006 Certificate Holder or any 2006 Certificate Holder's duly authorized attorney at the principal corporate trust office of the 2006 Certificate Registrar, to the extent and upon the conditions set forth in the Indenture, including the payment of a sum sufficient to cover any tax, fee or other governmental charge for any such transfer or exchange that may be imposed upon the Foundation or the 2006 Certificate Registrar. The 2006 Certificate Registrar will not be required (i) to transfer or exchange any Replacement 2006 Certificate during the period of 15 days prior to any selection of the Replacement 2006 Certificate to be redeemed until after the mailing of a notice of redemption, or (ii) to transfer or exchange any Replacement 2006 Certificate called for redemption.

SECURITY AND SOURCES OF PAYMENTS FOR THE 2006 CERTIFICATES

General

Each 2006 Certificate evidences and represents an undivided proportionate interest in the Lease Payments required under the Leases and the assignment of the Lease Payments to be paid by the Corporation to the Trustee.

THE CORPORATION'S OBLIGATION TO MAKE LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CORPORATION, THE FOUNDATION OR THE STATE OF INDIANA WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION. NEITHER THE FAITH AND CREDIT OF THE CORPORATION, THE FOUNDATION OR THE STATE IS PLEDGED TO MAKE PAYMENTS OF THE 2006 CERTIFICATES. PAYMENT OF THE PRINCIPAL OF AND INTEREST REPRESENTED BY THE 2006 CERTIFICATES WILL BE MADE BY THE TRUSTEE SOLELY FROM AMOUNTS DERIVED UNDER THE TERMS OF THE LEASES, INCLUDING LEASE PAYMENTS, AND AMOUNTS FROM TIME TO TIME ON DEPOSIT WITH THE TRUSTEE UNDER THE TERMS OF THE INDENTURE. OBLIGATIONS TO MAKE LEASE PAYMENTS ARE LIMITED TO AVAILABLE FUNDS OF THE CORPORATION EXCLUDING MANDATORY STUDENT FEES AND STATE APPROPRIATIONS.

Security

The 2006 Certificates will be delivered pursuant to the Indenture. Each 2006 Certificate represents an undivided proportionate interest of the registered owners in the Lease Payments required to be paid by the Corporation to the Trustee under the Leases, as rental for certain real property.

The Lessor has previously transferred or will transfer and assign all of its rights in and obligations under the Leases to the Trustee by the Assignments for the benefit of the registered owners of the 2006 Certificates. After the transfer, the Trustee will assume the rights and duties of the Lessor for all purposes of the Leases and the Lessor will have no continuing interest in, or responsibility with respect to, the Leases, the Leased Property under the Leases or the Lease Payments. The Lessor holds title to certain of the buildings, improvements and a portion of the underlying real estate. The remaining underlying real estate is excluded from the definition of Leased Property under the Leases. The Leases grant to the Lessor, upon default and notice, the right to take possession of the facilities (including the underlying real estate not owned by the Lessor). The Indenture constitutes a mortgage of the Leased Property to the Trustee.

Sources of Payment

The 2006 Certificates will be payable by the Trustee solely from: (i) Lease Payments required to be made by the Corporation under the Leases, and (ii) amounts remaining on deposit in the Project Fund and the 2006 Certificate Fund, pending disbursement to pay costs of issuance of the 2006 Certificates, and investment earnings on such funds.

The term of the 2001 Lease is equal to the term of the 2006 Certificates. The Leases are not subject to annual review by the Corporation. The 2001 Lease is subject to early termination only under certain limited circumstances, as described in APPENDIX C. These circumstances include, among other things, destruction or condemnation of the facility. Under the Leases, the Corporation is required to maintain property insurance in an amount not less than the principal amount of 2006 Certificates outstanding at all times.

The Corporation is required under the Leases to make Lease Payments semiannually in amounts sufficient to make the principal and interest payments represented by the 2006

Certificates and other Parity Certificates each December 31 and June 30, and will pay as additional rental the amount of the Trustee fees, unless the Leases are terminated. Under the Indenture, "Additional Participation Certificates" may be issued from time to time on a parity basis with the 2006 Certificates and the 1998 Certificates (collectively with such Additional Participation Certificates, the "Parity Certificates") in order to finance or refinance additional parking or athletic facilities as described more fully in APPENDIX C hereto under the heading "Additional Participation Certificates".

The Lessee has also covenanted and agreed in the Leases that it will use and apply any available funds, to the extent necessary, for the purpose of satisfying its obligations under the Leases; however, *mandatory student fees assessed all students, which include all academic fees assessed by the Corporation against students attending Purdue University, and appropriations by the State of Indiana shall not be considered available for the payment of such obligations.* Notwithstanding any other provisions of the Leases, the obligations imposed upon the Corporation under the Leases for the payment of rent or making of other expenditures of money shall be and remain subject to the availability of funds which may lawfully be used by the Corporation for such purposes. No obligation imposed on the Corporation shall be or become an indebtedness of or liability against the State of Indiana.

The Corporation is also required to pay any taxes and assessments and the cost of maintenance and repair of the Leased Property.

Schedule of Annual Payments to Certificate Owners

The following table sets forth the scheduled payments on Parity Certificates:

	Series 2006 Certificates				
Bond Year Ending July 1	Principal	Interest	Total	Series 1998 Certificates	Combined Total Payments
2007	$4,520,000.00	$2,024,954.17	$6,544,954.17	$949,397.50	$7,494,351.67
2008	3,695,000.00	3,245,350.00	6,940,350.00	947,522.50	7,887,872.50
2009	3,885,000.00	3,060,600.00	6,945,600.00	943,922.50	7,889,522.50
2010	3,650,000.00	2,866,350.00	6,516,350.00	943,547.50	7,459,897.50
2011	2,465,000.00	2,683,850.00	5,148,850.00	946,117.50	6,094,967.50
2012	2,585,000.00	2,560,600.00	5,145,600.00	946,337.50	6,091,937.50
2013	2,715,000.00	2,431,350.00	5,146,350.00	944,137.50	6,090,487.50
2014	2,820,000.00	2,322,750.00	5,142,750.00	941,612.50	6,084,362.50
2015	2,935,000.00	2,209,950.00	5,144,950.00	941,987.50	6,086,937.50
2016	3,075,000.00	2,063,200.00	5,138,200.00		5,138,200.00
2017	2,640,000.00	1,909,450.00	4,549,450.00		4,549,450.00
2018	2,780,000.00	1,770,850.00	4,550,850.00		4,550,850.00
2019	2,930,000.00	1,624,900.00	4,554,900.00		4,554,900.00
2020	3,085,000.00	1,471,075.00	4,556,075.00		4,556,075.00
2021	3,240,000.00	1,309,112.50	4,549,112.50		4,549,112.50
2022	3,415,000.00	1,139,012.50	4,554,012.50		4,554,012.50
2023	3,595,000.00	959,725.00	4,554,725.00		4,554,725.00
2024	3,780,000.00	770,987.50	4,550,987.50		4,550,987.50
2025	3,980,000.00	572,537.50	4,552,537.50		4,552,537.50
2026	4,185,000.00	363,587.50	4,548,587.50		4,548,587.50
2027	4,370,000.00	185,725.00	4,555,725.00		4,555,725.00
2028					
	$70,345,000.00	$37,545,916.67	$107,890,916.67	$8,504,582.50	$116,395,499.17

ROSS-ADE FOUNDATION

The Ross-Ade Foundation was organized in 1924 to promote and develop the educational and physical welfare of Purdue University students with funds that could not be provided from State Appropriations. The Foundation has built the football stadium known as Ross-Ade Stadium, a basketball arena, parking garages and golf courses, and has been instrumental in the development of the regional campuses by acquiring the land and constructing the facilities. All of the facilities are leased to the Corporation on a cost basis. The nine member Board of Directors of the Foundation includes three members of the Board of Trustees of the Corporation.

The Foundation has assisted the Corporation in financing many of its capital programs through lease-purchase arrangements. Each lease to the Corporation is in the amount equal to the Foundation's principal and interest payment on the borrowed funds to construct the facility. Once the borrowed funds are repaid, title to the facility is transferred to the Corporation unless otherwise agreed. The Corporation and the Foundation have entered into lease-purchase agreements securing loans with a total outstanding balance, as of November 15, 2006, in the amount of $78,170,000 as noted in the table below. The Corporation and the Foundation may borrow additional funds and enter into additional lease-purchase agreements secured by and payable from any available funds of the Corporation, at any time and without the consent of the owners of the 2006 Certificates.

THE PROJECTS

Facility	Original Date	Original Amount	Maturity Date	November 15, 2006 Outstanding Amount
West Lafayette Campus:				
Parking Garage VI*	1985	$7,550,000	2010	$2,475,619
Parking Garage VII*	1988	5,000,000	2009	1,205,000
Parking Garage VIII*	1990	3,020,000	2010	902,837
Parking Garage IX	1994	11,525,000	2015	6,725,000
Ross Ade – Tax Exempt*	2001	60,000,000	2027	60,000,000
Ross Ade – Taxable**	2001	10,000,000	2007	490,000
Regional Campus:				
Fort Wayne Parking Garage I*	1990	4,900,000	2010	1,406,544
Fort Wayne Parking Garage II*	1996	7,200,000	2016	4,965,000
		$109,195,000		$78,170,000

* To be refinanced by the 2006 Certificates
** To be defeased concurrently with the 2006 Certificates

ROSS-ADE STADIUM

Ross-Ade Stadium has been the home to Purdue football for the past 83 seasons. Ross-Ade was dedicated in 1924 and had an original seating capacity of 13,500 with standing room for an additional 5,000. From 1924 until 1970, the facility was expanded six times. In 2001, Ross-Ade underwent a $70 million renovation to make it a more functional and fan-friendly facility. This expansion included widening of concourses, increasing restrooms and concession points of sale, addressing ADA code requirements, and widening the aisles. The addition of premium seating (club seats and suites) provides the revenue stream to fund the majority of the annual debt service. Current seating capacity is 62,500.

PURDUE ATHLETIC PROGRAM

The Intercollegiate Athletic program at Purdue University consists of eighteen men's and women's sports that compete at the NCAA Division I level as members of the Big Ten Conference. In 2006-2007, approximately 474 scholarship athletes are participating in basketball, cross country, golf, soccer, softball, swimming and diving, tennis, indoor and outdoor track and field, volleyball, baseball, football and wrestling. The current vision of the program is to be a nationally prominent athletic organization that is excellent in all respects, which includes both a top 25 ranking athletically as well as graduating at least 75% of the student athletes.

PARKING PROGRAM

In 1963 it became apparent to the Corporation that in order to meet the demand for parking spaces of staff and students it would be necessary to construct garages, and that it would require a charge for parking to finance these garages. A yearly parking fee for staff and commuter students was approved and first charged on September 1, 1963. In addition to income generated from the staff and student yearly parking permits, the parking program also generates income from visitor garage parking, parking meters, fines, and investment income.

Beginning in the Fall of 2003 on the West Lafayette campus, a 4 stage program of increasing fees for parking permits was implemented with the goal of creating a self supporting auxiliary enterprise funded by users of the system. Prior to that time, the parking program was subsidized with University funding from an interest bearing reserve account and endowment income. Currently, 3 of 4 increases have been implemented, with the final increase planned for the Fall of 2007. The program is projected to be financially self sufficient in Fiscal Year 2009-10.

The Corporation and the Foundation in 1963 entered into an agreement whereby the Foundation would borrow funds for the construction of a garage and lease the garage to the Corporation at an annual amount equal to the Foundation's annual debt service cost. The agreement also stipulated that when the debt is paid off the Foundation would transfer title to the garage to the Corporation. This financial arrangement for the construction of parking facilities has continued and to date eleven parking garages and a number of surface parking lots have been constructed.

There are now 24,616 parking spaces on the West Lafayette campus, and 6,372 on the Fort Wayne campus. Of the West Lafayette spaces, 6,009 spaces are in garages and 18,607 are in surface parking lots. Of the Fort Wayne spaces, 1,700 spaces are in garages and 4,672 are in surface parking lots. A breakdown of the spaces available by type as of the fall semester for the past two years is as follows:

	West Lafayette		Fort Wayne	
Type	2006	2005	2006	2005
Reserved	450	436	0	0
A Permits	5,023	5,055	606	606
B Permits	998	902	0	0
Commuter Permits	3,877	3,961	4,926	4,926
Meter	253	250	132	132
University Vehicles	391	391	2	2
Public	1,413	1,413	0	0
Special	305	310	138	138
Residence Halls	11,906	11,906	568	568
Total	24,616	24,626	6,372	6,372

CERTIFICATE HOLDERS RISKS

The purchase of the 2006 Certificates involves certain investment risks, some of which are described in this Official Statement. Accordingly, each prospective purchaser should make an independent evaluation of all of the information presented in this Official Statement in order to make an informed investment decision. Certain of these risks are as follows:

- **Limited Obligations:** Each 2006 Certificate represents an undivided proportionate interest in the rights to receive payments made by the Corporation under the Leases. The obligations of the Corporation to make such payments do not constitute indebtedness of the Corporation and are limited to available funds of the Corporation which may be lawfully used for such purposes. Mandatory student fees (including all academic fees, however denominated, assessed against students) and appropriations from the State of Indiana are not considered to be available funds for these purposes.

- **Limited Nature of Leased Property:** The Leased Property, which includes (1) various parking garages on Purdue's West Lafayette and Ft. Wayne campuses and (2) the Ross-Ade Stadium and certain adjoining facilities, utilities and appurtenances located on the Purdue University campus in West Lafayette, are designed principally for the respective purposes (1) of providing parking facilities for the Purdue faculty, staff, students and visitors and (2) of staging athletic events, most specifically games of the Purdue University football team. Due to the limited possible uses of the Leased Property, it is unlikely that the proceeds of any sale, lease or other disposition of the Leased Property by the Trustee upon an event of default under the Leases would be sufficient to pay principal of or interest on all or a substantial portion of the 2006 Certificates.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of (a) the arithmetical computations of the adequacy of the maturity principal of and interest on the Government Obligations to pay, when due, the principal of, premium and interest on the Refunded Certificates at their respective maturities or redemption date, and (b) the mathematical computations supporting the conclusion that the 2006 Certificates are not "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder, will be verified by Causey Demgen & Moore, Inc., a firm of independent certified public accountants, as a condition of delivery of the 2006 Certificates.

TAX MATTERS

In the opinion of Ice Miller LLP, Indianapolis, Indiana, Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the 2006 Certificates 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 2006 Certificates 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 2006 Certificates to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue. In the opinion of Ice Miller LLP, Indianapolis, Indiana, Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the 2006 Certificates is exempt from income taxation in the State of Indiana. This opinion relates only to the exemption of interest on the 2006 Certificates for the State of Indiana income tax purposes. See APPENDIX D for the form of opinion of Bond Counsel with respect to the 2006 Certificates.

The Code imposes certain requirements which must be met subsequent to the issuance of the 2006 Certificates as a condition to the exclusion from gross income of interest on the 2006 Certificates 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 2006 Certificates that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the 2006 Certificates 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 2006 Certificates. The 2006 Indenture and certain certificates and agreements to be delivered on the date of delivery of the 2006 Certificates establish procedures under which compliance with the requirements of the Code can be met. It is not an event of default under the 2006 Indenture if the interest on the 2006 Certificates 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 2006 Certificates.

The interest on the 2006 Certificates is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, interest on the 2006 Certificates is included in adjusted current earnings in calculating corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The 2006 Certificates are *not* qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Code.

Indiana Code 6-5.5 imposes a franchise tax on certain taxpayers (as defined in Indiana Code 6-5.5) which, in general, includes all corporations which are transacting the business of a financial institution in Indiana. The franchise tax is measured in part by interest excluded from gross income under Section 103 of the Code minus associated expenses disallowed under Section 265 of the Code. Taxpayers should consult their own tax advisors regarding the impact of Indiana Code 6-5.5 on their ownership of the 2006 Certificates.

The accrual or receipt of interest on the 2006 Certificates may affect an owner's federal or state tax liability in other ways. The nature and extent of these other tax consequences will depend upon the owner's particular tax status and the owner's other items of income or deduction. Bond Counsel express no opinion regarding any other such tax consequences. The foregoing does not purport to be a comprehensive description of all of the tax consequences of owning the 2006 Certificates. Prospective purchasers of the 2006 Certificates should consult their own tax advisors with respect to the foregoing and other tax consequences of owning the 2006 Certificates.

ORIGINAL ISSUE DISCOUNT

The initial public offering prices of the 2006 Certificates maturing on July 1, 2027 (the "Discount Certificates") are less than the principal amounts payable at maturity. As a result, the Discount Certificates will be considered to be issued with original issue discount. The difference between the initial public offering price of the Discount Certificates, 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 Certificates will be treated as "original issue discount." A taxpayer who purchases a Discount Certificate in the initial public offering at the Issue Price for such maturity and who holds such Discount Certificate 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 Certificate for federal income tax purposes and will not, under present federal income tax law, realize taxable capital gain upon payment of the Discount Certificate at maturity.

The original issue discount on each of the Discount Certificates is treated as accruing daily over the term of such Certificate 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 Certificates, that the amount of original issue discount accruing each period will be added to the owner's tax basis for the Discount Certificates. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Certificates (including sale, redemption or payment at maturity). Owners of Discount Certificates who dispose of Discount Certificates 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 Certificates 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 Certificate may result in certain collateral federal income tax consequences. Owners of any Discount Certificates 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 Certificates will not receive a corresponding cash payment until a later year.

Owners who purchase Discount Certificates 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 Certificates.

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 Certificates. Owners who do not purchase Discount Certificates in the initial offering should consult their own tax advisors with respect to the tax consequences of the ownership of Discount Certificates.

Owners of Discount Certificates should consult their own tax advisors with respect to the state and local tax consequences of owning the Discount Certificates. It is possible that under the applicable provisions governing the determination of state or local income taxes, accrued interest on the Discount Certificates 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 2006 Certificates maturing on July 1, 2007 through and including July 1, 2025, (the "Premium Certificates"), are greater than the principal amounts payable at maturity or call date. As a result, the Premium Certificates will be considered to be issued with amortizable bond premium (the "Certificate Premium"). An owner who acquires a Premium Certificates in the initial public offering will be required to adjust the owner's basis in the Premium Certificates downward as a result of the amortization of the Certificate 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 Certificates (including sale, redemption or payment at maturity). The amount of amortizable Certificate Premium will be computed on the basis of the taxpayer's yield. Rules for determining (i) yield, (ii) the amount of amortizable Certificate Premium and (iii) the amount amortizable in a particular year are set forth at Section 171(b) of the Code. No income tax deduction for the amount of amortizable Certificate Premium will be allowed pursuant to Section 171(a)(2) of the Code, but amortization of Certificate 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 Certificates. Owners of Premium Certificates should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Certificate Premium upon the sale or other disposition of such Premium Certificates and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

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

RATINGS

Moody's Investors Service Inc. ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., ("S&P") have assigned the 2006 Certificates the ratings of "Aa1" and "AA", respectively. No application was made to any other rating service for the purpose of obtaining additional ratings on the 2006 Certificates. The Foundation and the University have furnished Moody's and S&P with certain information and materials relating to the 2006 Certificates and themselves which have not been included in this Official Statement.

Moody's

The above rating reflects only the view of Moody's. An explanation of the significance of Moody's rating may be obtained from Moody's at 99 Church Street, New York, New York 10007. The rating is not a recommendation to buy or hold the 2006 Certificates and there is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's in its judgment, if circumstances so warrant. Any such downward revision or withdrawal of such rating by Moody's may have an adverse effect on the market price of the 2006 Certificates.

Standard & Poor's

A Standard & Poor's public finance debt rating is a current assessment of the creditworthiness of an obligor with respect to a specific obligation. This assessment may take into consideration obligors such as guarantors, insurers, or lessees. The debt rating is not a recommendation to purchase, sell, or hold a security, inasmuch as it does not comment as to market price or suitability for a particular investor. The rating is based on current information furnished by the issuer or obtained by S & P from other sources it considers reliable. S&P does not perform an audit in connection with any rating and may, on occasion, rely on unaudited financial information. The rating may be changed, suspended, or withdrawn as a result of changes in or unavailability of such information, or for other circumstances.

UNDERWRITING

Under a 2006 Certificate Purchase Agreement among the Foundation, Trustee and the Underwriters, the 2006 Certificates are being purchased at an aggregate discount of $211,181.84 from the initial public offering prices set forth on the cover page hereof. The 2006 Certificate Purchase Agreement provides that the Underwriters will purchase all of the 2006 Certificates if any are purchased.

The Underwriters may offer and sell the 2006 Certificates to certain dealers (including dealers depositing 2006 Certificates into unit investment trusts) and others at prices lower than the initial public offering prices stated on the cover page hereof. The initial offering prices may be changed from time to time by the Underwriters.

CERTAIN LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the 2006 Certificates are subject to the approval of Ice Miller LLP, Bond Counsel. The form of approving opinion of Bond Counsel with respect to the 2006 Certificates is attached hereto as APPENDIX D. Ice Miller LLP will also serve as Disclosure Counsel. Certain legal matters will be subject to the approval of Stuart & Branigin, Lafayette, Indiana, counsel to the Foundation and the Corporation.

LEGAL OPINIONS AND ENFORCEABILITY OF REMEDIES

The various legal opinions to be delivered concurrently with the delivery of the 2006 Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By tendering 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 II 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 2006 Certificates 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 2006 Certificates in a situation where such enforcement may adversely affect public health and welfare may be subject to these police powers.

LITIGATION

Absence of Litigation Related to 2006 Certificates

There are no lawsuits pending or, to the best of the knowledge of appropriate Corporation and Foundation officials, threatened against the Corporation or the Foundation which question their respective right to enter into the Financing Documents (as described below) or the validity or enforceability of the Financing Documents or to consummate the transactions described in the Financing Documents or in this Official Statement; nor are there any lawsuits pending or, to the best of the knowledge of such officials, are there any lawsuits threatened against the Corporation or Foundation which, if decided adversely to the Corporation or Foundation, would, individually or in the aggregate, impair the Corporation's and Foundation's ability to comply with all the requirements set forth in the Financing Documents or have a material adverse effect upon the financial condition of the Corporation or the Foundation.

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. Although the Corporation believes that the planned remediation of this site will be funded out of tax revenues presently in the possession of a local governmental agency, the Corporation remains contingently liable in an undetermined amount.

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.

MISCELLANEOUS

John S. Vincent & Company LLC is serving as Financial Advisor to the Corporation.

Copies of the form of the 2001 Lease, the Leases, the Assignment and the Indenture (collectively, the "Financing Documents") referred to in this Official Statement may be obtained, until the delivery of the 2006 Certificates, from the Underwriters upon request to: 399 Park Avenue, 16th Floor, New York, New York 10022. After delivery of the 2006 Certificates, copies of such documents may be obtained by Owners from the Trustee upon request at: 300 North Meridian Street, Indianapolis, Indiana, 46204, Attention: Corporate Trust Department.

The Board of Trustees of The Trustees of Purdue University and the Board of Directors of the Ross-Ade Foundation have authorized the distribution of this Official Statement.

ROSS-ADE FOUNDATION

By: /s/Martin C. Jischke
President

THE TRUSTEES OF PURDUE UNIVERSITY

By: /s/ Morgan R. Olsen
Executive Vice President and Treasurer

APPENDIX A

PURDUE UNIVERSITY

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Purdue University
and
The Trustees of Purdue University

General

Purdue University (the "University") was established in 1869 and is one of sixty-eight land-grant colleges and universities created as a result of the Morrill Act of 1862. The University was originally established to teach agricultural and mechanical arts and was named in honor of John Purdue, a substantial donor to the University. The University is one of the seven state-supported universities in Indiana. During its approximately 137 years of operation, the University has grown from 39 students and six instructors to a population, as of the 2006 Fall semester, of over 69,000 full-time and part-time students and more than 4,500 faculty members. The University's educational activities are conducted primarily on four campuses: the main campus in West Lafayette, regional campuses in Hammond and Westville, and a campus operated jointly with Indiana University in Fort Wayne. In addition to its operation of the four campuses, the University is responsible for certain academic programs at the campus of Indiana University-Purdue University in Indianapolis. The University operates a Statewide Technology Program at numerous locations throughout Indiana.

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

Accreditation and Membership

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

Strategic Plan

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

As a part of the strategic plan, the University has embarked on a comprehensive fund-raising effort to generate $1.5 billion by 2007 in support of students, faculty, programs, facilities, and unrestricted purposes. "The Campaign for Purdue" will fund more than 50 capital projects, affecting almost every campus, school and program in the University system. Two other key campaign goals include providing need and merit-based scholarship support for students and funds to hire 300 additional faculty. The campaign was officially announced on September 27, 2002 and, as of October 2006, has raised over $1.4 billion toward the $1.5 billion goal.

The Board of Trustees of the Corporation

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

Trustees

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

Michael J. Birck
JoAnn Brouillette
Susan B. Butler
Rachel N. Cumberbatch*
William S. Oesterle
Mamon M. Powers, Jr.
Thomas E. Spurgeon
Mark W. Townsend*

* Terms expire June 30, 2007

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*
Morgan J. Burke, *Director of Intercollegiate Athletics*
Peggy L. Fish, *Director of Audits*
Kevin P. Green, *Director of State Relations*
Joseph B. Hornett, *Senior Vice President, Purdue Research Foundation*
Wayne W. Kjonaas, *Vice President for Physical Facilities*
Jesse L. Moore, *Manager, Supplier Diversity Development*
William G. McCartney, *Interim Vice President for Information Technology*
Rabindra N. Mukerjea, *Director, Strategic Planning and Assessment*
Thomas B. Robinson, *Vice President for Student Services*
Alysa C. Rollock, *Vice President for Human Relations*
Charles O. Rutledge, *Vice President for Research*
Ken L. Sandel, *Managing Director for the Executive Vice President and Treasurer*
John A. Sautter, *Vice President for Housing and Food Services*
Scott W. Seidle, *Senior Director of Investments*
Terry D. Strueh, *Vice President for Governmental Relations*
Glenn F. Tompkins, *Senior Associate Athletic Director - Business*

Regional Campus Staff
Howard Cohen , *Chancellor, Purdue University Calumet*
James B. Dworkin, *Chancellor, Purdue University North Central*
Michael A. Wartell, *Chancellor, Indiana University-Purdue University Fort Wayne*

Student Admissions

The table below sets forth the total number of first year applications received and accepted, and the number of students enrolled at the West Lafayette campus, for the academic years indicated. The University is managing the total undergraduate enrollment on the West Lafayette Campus to approximately 30,900.

ACADEMIC YEAR	APPLICATIONS RECEIVED	APPLICATIONS ACCEPTED	PERCENT ACCEPTED	STUDENTS ENROLLED	YIELD OVERALL	YIELD IN STATE
2002-03	22,872	17,292	75.6%	6,323	36.6%	59.6%
2003-04	22,977	18,076	78.7%	6,446	35.7%	59.0%
2004-05	24,003	19,259	80.2%	6,786	35.2%	60.1%
2005-06	24,052	20,432	84.9%	7,191	35.2%	58.9%
2006-07	24,883	21,042	84.6%	7,518	35.7%	59.1%

The freshman applicants at the West Lafayette campus for the fall semesters 2002 through 2006 had an average combined score for the Scholastic Aptitude Test (SAT) verbal and mathematical test of 1150, 1150, 1149, 1150 and 1142, respectively. Fifty-five percent of the fall 2006 freshman class had a high school grade point average between 3.5 and 4.0 and eighty-seven percent of the 2006 Fall freshman class had a high school grade point average between 3.0 and 4.0.

Tuition and Fees

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

Student Fees, Tuition and Other Fees: The table below sets forth the total fees applicable to both full-time and part-time students at the West Lafayette campus for the academic years 2002-03 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
2002-03 [1]	5,580	16,260	200	540
2003-04 [1]	5,860	17,640	210	586
2004-05 [1]	6,092	18,700	218	621
2005-06 [1]	6,458	19,824	231	658
2006-07 [2, 3]	7,096	21,266	254	706

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

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

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

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

The table below sets forth the fees charged per academic year to students attending each regional campus of the University for the academic years 2002-03 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
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
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
2002-03	[1]	4,487	10,019	4,372	9,211
2003-04	[1]	4,712	10,871	4,590	9,995
2004-05	[1]	4,901	11,523	4,774	10,595
2005-06	[1]	5,195	12,215	5,060	11,231
2006-07	[3, 4]	5,567	13,008	5,412	11,953

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

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

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

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

Student Enrollment

The University attracts students from a variety of backgrounds and geographical locations. The following table presents the University's headcount enrollment for the fall semester of the academic years 2002-03 through 2006-07.

	WEST LAFAYETTE CAMPUS			REGIONAL CAMPUSES*				
ACADEMIC YEAR	FULL-TIME	PART-TIME	TOTAL	FULL-TIME	PART-TIME	TOTAL	STATEWIDE TECHNOLOGY	UNIVERSITY TOTAL*
2002-03	34,563	4,001	38,564	12,225	12,050	24,275	1,553	64,392
2003-04	34,867	3,980	38,847	13,255	11,152	24,407	1,526	64,780
2004-05	34,745	3,908	38,653	13,645	10,833	24,478	1,451	64,582
2005-06	34,968	3,744	38,712	14,138	10,500	24,638	1,419	64,769
2006-07	35,497	3,731	39,228	14,692	10,039	24,731	1,358	65,317

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*
2002-03	30,908	7,656	38,564	37,169	53,697
2003-04	30,851	7,996	38,847	37,471	54,592
2004-05	30,747	7,906	38,653	37,281	54,642
2005-06	30,875	7,837	38,712	37,533	55,177
2006-07	31,290	7,938	39,228	38,148	56,210

* 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 2006, the University's faculty and staff aggregate total was 18,537. Of the total faculty, 54% hold tenured/tenure track appointments.

	West Lafayette	Regional & Statewide Technology	Total
Tenured/Tenure Track Faculty			
Academic, Associate and Assistant Deans	50	19	69
Academic Department Heads	57	49	106
Professors	744	124	868
Associate Professors	556	273	829
Assistant Professors	425	207	632
Instructors	0	10	10
Sub-Total of Tenured/Tenure Track Faculty	**1,832**	**682**	**2,514**
Non-Tenure Appointments			
Clinical/Professional	74	22	96
Research Faculty	18	1	19
Continuing Lecturers	120	74	194
Limited-Term Lecturers	156	827	983
Visiting Faculty	147	67	214
Post Doctoral	348	4	352
Sub-Total of Non-Tenure Appointments	**863**	**995**	**1,858**
Adjunct Faculty			
Adjunct Faculty	262	45	307
Sub-Total of Adjunct Faculty	**262**	**45**	**307**
Graduate Student Staff			
Graduate Assistants	1,875	32	1,907
Graduate Lecturers	16	0	16
Graduate Research Assistants	2,342	9	2,351
Graduate Aids	0	175	175
Graduate Student Administrative	233	14	247
Sub-Total of Graduate Student Staff	**4,466**	**230**	**4,696**
Staff			
Administrative Staff	1,397	405	1,802
Operations Assistant	379	56	435
Professional Staff	1,714	109	1,823
Technical Assistant	167	29	196
Extension Educators	267	0	267
Clerical Staff	1,416	388	1,804
Service Staff	2,454	381	2,835
Sub-Total of Staff	**7,794**	**1,368**	**9,162**
GRAND TOTAL ALL STAFF	**15,217**	**3,320**	**18,537**

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

Facilities

Academic and Administrative Facilities: The University has 203 principal buildings used for academic instruction, research, athletics and administrative functions. These buildings are located on the University's four campuses and comprise 3,412 acres. The University, together with related foundations, also owns 14,428 acres of agricultural land throughout the state.

Libraries: The University Library System is made up of the Hicks Undergraduate Library and 13 departmental and school libraries with over 2,495,000 volumes, more than 10,000 electronic information sources, and over 20,000 serial titles. In addition to books and journals, the Library System has over 3,099,000 items in microform (reel film, micro cards, microfiche, etc.) which include older scholarly and technical materials not readily available in other forms.

Research Facilities: The University has approximately 1,317,150 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 11,918 spaces for students in 2006-07. There are 8,698 room and board spaces, 790 graduate housing room spaces, 1,449 single student apartments with food contract options and 981 married student apartments. The Fort Wayne campus provided 568 spaces and the Calumet campus provided 370 spaces for students in 2006-07. A new Student Housing Project currently under construction at the Fort Wayne campus is expected be available for use for the Fall 2007 term and will provide an additional 188 beds in 1-, 2- and 4-bedroom units. In August 2006, 11,587 spaces, or 97.2%, were occupied on the West Lafayette campus; 568, or 100%, were occupied on the Fort Wayne campus; and 370, or 100.0%, were occupied on the Calumet campus.

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

Athletic Facilities: The University is home to Ross-Ade stadium which seats 62,500 for football games. Additional facilities included Mackey Arena for basketball games, the Birck Boilermaker Golf Complex, Boilermaker Aquatic Center, Intercollegiate Athletic Facility, Lambert Fieldhouse, Mollenkopf Athletic Center, Rankin Track and Field, Soccer and Softball Complexes, a Cross Country Course, a Baseball Field and Tennis Courts.

Parking Facilities: The University has nine parking garages on the West Lafayette campus, one on the Calumet campus and two on the Fort Wayne campus in addition to surface parking on each campus. The Calumet garage is included in the University's housing and dining facilities and the Student Facilities System.

Other Facilities: The University's other facilities include the Purdue University Airport; the Edward C. Elliott Hall of Music which seats 6,025 people; and the Slayter Center of the Performing Arts.

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, 2006, 2005, 2004 and 2003. "Appendix B" contains the audited financial statement for the fiscal years ended June 30, 2006 and 2005.

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

	Fiscal Year Ended June 30 (dollars in thousands)			
	2006	**2005**	**2004 [1] (Restated)**	**2003**
Operating Revenues				
Tuition and Fees	$510,215	$471,677	$435,709	$392,242
Less: Scholarship Allowance	(60,524)	(53,740)	(50,511)	(45,448)
Net Tuition and Fees	$449,691	$417,937	$385,198	$346,794
Federal Appropriations	14,874	15,299	15,223	13,912
County Appropriations	7,379	6,992	6,600	6,539
Grants and Contracts	270,785	262,869	244,090	212,251
Sales and Services	47,107	44,484	42,565	38,378
Auxiliary Enterprises (Net of Scholarship Allowance of $6,587, $5,944, $5,033, and $4,393, Respectively)	195,093	196,743	189,022	167,605
Other Operating Revenues	2,194	1,760	1,209	1,159
Total Operating Revenues	**$987,123**	**$946,084**	**$883,907**	**$786,638**
Operating Expense				
Compensation and Benefits	$927,243	$887,579	$837,228	$847,236
Supplies and Services	350,810	338,217	311,180	211,453
Depreciation Expense	90,325	83,627	75,301	67,123
Scholarships, Fellowships, and Student Awards	30,021	29,262	29,150	27,803
Total Operating Expenses	**$1,398,399**	**$1,338,685**	**$1,252,859**	**$1,153,615**
Net Operating Loss	**($411,276)**	**($392,601)**	**($368,952)**	**($366,977)**
Nonoperating Revenues (Expenses)				
State Appropriations	$358,282	$358,957	$355,042	$353,423
Private Gifts	55,020	78,071	81,302	68,764
Investment Income	102,139	114,089	109,650	48,252
Interest Expense	(23,303)	(21,814)	(21,412)	(18,415)
Other Nonoperating Revenues, Net	4,277	3,997	4,550	5,495
Total Nonoperating Revenues before Capital and Endowments	**$496,415**	**$533,300**	**$529,132**	**$457,519**
Capital and Endowments				
Capital State Appropriations	$8,306	$6,076	$8,076	$ -
Capital Gifts	25,435	19,755	28,348	15,279
Private Gifts for Permanent Endowments & Charitable Remainder Trusts	31,099	40,042	30,116	9,825
Plant Assets Retired	(1,079)	(3,784)	(3,196)	(9,962)
Total Capital and Endowments	**$63,761**	**$62,089**	**$63,344**	**$15,142**
Total Nonoperating Revenues	**$560,176**	**$595,389**	**$592,476**	**$472,661**
Increase in Net Assets before Change in Accounting Policy	**$148,900**	**$202,788**	**$223,524**	**$105,684**
Cumulative Effect of Change in Accounting Policy				
Assets under Capitalization Level Written Off [2]		(57,713)	-	-
Increase in Net Assets	**$148,900**	**$145,075**	**$223,524**	**$105,684**
Net Assets, Beginning of Year	**$2,383,649**	**$2,238,574**	**$2,015,050**	**$1,909,366**
Net Assets, End of Year	**$2,532,549**	**$2,383,649**	**$2,238,574**	**$2,015,050**

[1] Restated to reflect GASB 35

[2] See Notes to Financial Statements

State Appropriations

The Corporation receives a significant portion of the revenues needed to sustain its educational and research activities from the State of Indiana. Other revenues are mainly derived from student fees and the federal government.

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

The State Appropriations received by the Corporation for the past four years, and the appropriations made for the current 2006-07 year, 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							
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
2006	[1]	310,483	22,869	8,306	24,930	-	366,588
Current							
2007	[2]	314,468	26,103	8,306	24,831	2,400	376,108

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

[2] Appropriated

Student Financial Aid

Total financial support for students amounted to approximately $524 million for the fiscal year that ended June 30, 2006. 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, 2006.

STUDENT FINANCIAL ASSISTANCE
Fiscal Year Ended June 30, 2006
(dollars in thousands)

	West Lafayette	Regional Campuses	University Total
Scholarships and Grants:			
University Scholarships	$18,237	$2,068	$20,305
University Incentive Grant	5,589	0	$5,589
Purdue Opportunity Awards	444	0	$444
Athletic Grant in Aid Awards	6,727	1,399	$8,126
State Awards	18,256	13,190	$31,446
Private Awards	11,342	2,418	$13,760
Indiana Resident Top Scholars	2,897	0	$2,897
Fellowships	8,977	152	$9,129
Institutional Fee Remissions	16,816	2,156	$18,972
Federal Grants	28,690	17,310	$46,000
Total Scholarships and Grants	**$117,975**	**$38,693**	**$156,668**
Loans:			
Federal Stafford Loans	$75,715	$58,150	$133,865
Federal Parent Loans for Undergraduate Students	51,421	3,914	$55,335
Federal Perkins and Health Professions Loans	5,676	644	$6,320
Purdue Loans	4,401	0	$4,401
Private Loans	33,378	4,197	$37,575
Total Loans	**$170,591**	**$66,905**	**$237,496**
Employment and Employment Related:			
Work-Study Salaries	$1,384	$631	$2,015
Graduate Student Staff Salaries	73,002	1,944	$74,946
Other Part-Time University Salaries	14,231	3,143	$17,374
Employment Related Fee Remissions	32,149	1,481	$33,630
Other Employment Related Awards	1,914	0	$1,914
Total Employment Related	**$122,680**	**$7,199**	**$129,879**
Total Student Financial Assistance	**$411,246**	**$112,797**	**$524,043**

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
2002	576,339,255
2003	558,351,025
2004	611,088,073
2005	694,177,086
2006	791,234,312

Related Foundations

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

FOUNDATION	ASSET (BOOK) VALUE	INCOME	DISBURSED TO/FOR THE CORPORATION
Purdue Research Foundation	$803,069,013	$84,908,581	$27,731,668
Ross-Ade Foundation	80,526,977	4,253,109	4,229,875
The Purdue Foundation, Inc.	3,816,464	47,563,711	47,563,711
Indiana-Purdue Foundation at Fort Wayne	6,617,593	1,901,068	1,754,322
Total	**$894,030,047**	**$138,626,469**	**$81,279,576**

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. The Foundation owns 7,409 acres of land, 6,177 acres of which is leased to Purdue University. In order to achieve investment efficiencies and minimize transaction and other associated costs across the Purdue affiliated Foundations, the termination and dissolution of Purdue Alumni Foundation and the distribution of its managed funds to the Purdue Research Foundation was authorized in September 2005. At December 31, 2005, the assets of the Purdue Alumni Foundation were consolidated into the Purdue Research Foundation and are reflected in the financial information above. Four members of the fifteen-member Board of Directors are members of the Board of Trustees of the Corporation. The financial information is as of June 30, 2006.

Ross-Ade Foundation: The Ross-Ade Foundation was organized in 1924 through gifts from alumni to promote and develop the educational and physical welfare of students with funds that could not be provided from state appropriations. This Foundation has built the football stadium and parking garages, and has been instrumental in the development of the regional campuses by acquiring the land and constructing the facilities. All the facilities are leased to the Corporation on a cost basis. The nine member Board of Directors of this Foundation includes three members of the Board of Trustees of the Corporation. The financial information is as of August 31, 2006.

The Purdue Foundation, Inc.: The Purdue Foundation, Inc. was incorporated in 1979 for the purpose of consolidating the solicitation, receipt and acceptance of gifts, donations, and bequests from the general public, including individuals, corporations and other sources, for the benefit of the Corporation. Included on the nine-member Board of Directors are five members of the Board of Trustees of the Corporation. The financial information is as of June 30, 2006.

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 has given land to these universities. The 15 member Board of Directors of this Foundation includes two members of the Board of Trustees of the Corporation. The financial information is as of June 30, 2006.

Fund Raising Activity

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, facilities, and unrestricted purposes. "The Campaign for Purdue" will fund more than 50 capital projects, affecting almost every campus, school and program in the University system. Two other key campaign goals include providing need and merit-based scholarship support for students and funds to hire 300 additional faculty. The campaign was officially announced on September 27, 2002 and, as of October 2006, has raised over $1.4 billion toward the $1.5 billion goal.

For the year ended June 30, 2006, the Corporation received approximately $212 million in private support from individuals, corporations, foundations and other sources. Total gifts for the five years ended June 30, 2006, for the Corporation are shown in the following table.

TOTAL GIFT GIVING BY CATEGORY

(dollars in thousands)

	2006	2005	2004	2003	2002
Cash/Securities	$95,814	$120,171	$127,591	$75,328	$93,073
Real Estate	$9,485	16,324	504	444	21,205
Gifts-in-Kind	26,124	50,268	36,047	130,230	38,671
Irrevocable Deferred	19,273	4,593	14,501	15,103	11,051
Pledge Balances	60,941	50,628	50,429	90,526	70,334
Total	**$211,637**	**$241,983**	**$229,071**	**$311,630**	**$234,334**

Grants and Contracts

System-wide sponsored program expenditures for the 2005-2006 fiscal year were $258.7 million, an increase of $9.1 million, or approximately 3.6% over previous year expenditures. Research project expenditures comprised 78% of the total 2005-2006 sponsored program expenditures. Departments with sponsored research program expenditures in excess of $5 million were: Biological Sciences, $17.0 million; Electrical & Computer Engineering, $15.8 million; Mechanical Engineering, $14.3 million; Chemistry, $12.0 million; Civil Engineering, $10.4 million; Medicinal Chemistry and Molecular Pharmacology, $7.9 million; Agronomy, $7.1 million; Physics, $6.6 million; Management Administration and Instruction, $5.7 million; Aeronautics & Astronautics, $5.6 million; Foods and Nutrition, $5.6 million; and Birck Nanotechnology Center, $5.2 million. The percent of the research dollar that was expended for salaries increased to 41%. The percent for capital expenditures decreased to 6%.

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

	2006	2005	2004	2003	2002
Federal Sources					
Department of Health and Human Services	$44,533	$42,465	$38,594	$34,117	$32,040
National Science Foundation	44,680	39,605	35,164	28,851	23,973
Department of Energy	12,263	14,472	10,133	10,280	8,475
Department of Defense	21,710	20,218	21,418	18,506	15,871
Department of Agriculture	13,894	15,607	17,565	14,259	11,022
Other Federal Agencies	29,763	25,916	23,736	25,627	18,278
Total Federal Sources	**$166,843**	**$158,283**	**$146,610**	**$131,640**	**$109,659**
State of Indiana	29,722	29,032	24,299	23,306	24,039
Business and Foundations	52,679	53,690	46,372	42,709	37,895
Non-Profit Organizations	9,435	8,616	8,366	7,397	7,667
Total Non-Federal Sources	**$91,836**	**$91,338**	**$79,037**	**$73,412**	**$69,601**
Total All Sources	**$258,679**	**$249,621**	**$225,647**	**$205,052**	**$179,260**

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 November 15, 2006, is $564,972,950, and is summarized in the following table.

Title of Indebtedness	Final Maturity	Projected Amount Outstanding as of November 15, 2006	
Bank Note			
Qualified Energy Savings	2011	3,072,950	(1)
Bonds Outstanding			
Student Fee Bonds, Series E	2007	2,000,000	(2)
Student Fee Bonds, Series H	2015	9,500,000	(2)
Student Fee Bonds, Series K	2020	15,200,000	(2)
Student Fee Bonds, Series L	2020	13,300,000	(2)
Student Fee Bonds, Series N	2014	27,815,000	(2)
Student Fee Bonds, Series O	2019	25,805,000	(2)
Student Fee Bonds, Series P	2017	41,940,000	(2)
Student Fee Bonds, Series Q	2010	7,815,000	(2)
Student Fee Bonds, Series R	2023	15,840,000	(2)
Student Fee Bonds, Series S	2026	13,625,000	(2)
Student Fee Bonds, Series T	2027	14,500,000	(2)
Student Fee Bonds, Series U	2022	35,100,000	(2)
Student Fee Bonds, Series V	2027	60,415,000	(2)
Student Fee Bonds Series W	2026	41,600,000	(2)
Student Facilities System Revenue Bonds, Series 2003A	2028	84,180,000	(3)(4)
Student Facilities System Revenue Bonds, Series 2003B	2029	24,055,000	(3)(4)
Student Facilities System Revenue Bonds, Series 2004A	2033	28,100,000	(3)(4)
Student Facilities System Revenue Bonds, Series 2005A	2029	22,940,000	(3)(4)
Leasehold Indebtedness			
Parking Facilities	2015-2016	17,680,000	(4)(5)
Ross-Ade Stadium Renovation	2027	60,490,000	(4)(5)
Total Outstanding Indebtedness		**$564,972,950**	
Refunded Indebtedness-Escrowed to Maturity or Call Date			
Building Facilities Fee Bonds	2009	3,280,000	(6)
Dormitory Facilities Revenue Bonds, Series A - L	2008	880,000	(6)
Student Fee Bonds, Series Q	2010	34,955,000	(6)
Total Refunded Bonds		**$39,115,000**	

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

(2) Secured by a pledge of Student Fees.

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

(4) Payable from available funds of the Corporation.

(5) A portion of outstanding to be refunded by COPS Series 2006.

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

Physical Property

Physical property owned by the Corporation, or otherwise available to and utilized by the University, consists primarily of 18,431 acres of land and 433 buildings of which 203 had 10,000 or more gross square feet. The buildings, together with equipment and furnishings, were valued at an estimated replacement cost for insurance purposes at approximately $4.0 billion as of September 30, 2006. The following table sets forth the increase in net plant investment for the five years ended June 30, 2002 through 2006. Additions are valued at cost or, in the case of gifts, at fair value at the date of donation.

FISCAL YEAR ENDED JUNE 30	INVESTMENT IN PLANT (AT COST)	ACCUMULATED DEPRECIATION	NET BOOK VALUE IN PLANT
2002	1,681,248,948	747,276,201	933,972,747
2003	1,836,761,164	793,451,993	1,043,309,171
2004	2,016,220,987	848,357,941	1,167,863,046
2005	2,130,035,414	907,927,404	1,222,108,010
2006	2,304,452,322	980,154,393	1,324,297,929

Insurance

All Risk Coverage: All facilities of the Corporation are insured under a blanket form policy, including new construction not yet completed. The blanket form covers buildings for loss up to the total of its replacement cost value (unless otherwise specified as actual cash value). There is a $250,000 deductible clause which is applicable to each occurrence. The Corporation self-insures those losses up to $250,000 through its Insurance Services Enterprise. The Insurance Services Enterprise allocated reserve fund balance was at $6.3 million as of June 30, 2006.

The Corporation also maintains business interruption insurance for protection against loss of income due to temporary shutdown of operations resulting from physical damage to property. The total value of business interruption reported to our insurer is $689 million. Coverage for the Student Facilities System and Purdue Memorial Union is based on an annual estimate of income and payroll. The values from these areas are included in the number above. A $250,000 deductible applies per occurrence and is funded by the Corporation's Insurance Services Enterprise.

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

Capital Programs

The Corporation has an on-going capital improvement program consisting of new construction and the renovation of existing facilities. Capital improvement projects are expected to be funded from a variety of sources, including gifts, state appropriations, bond financing and Corporation funds. Major construction in progress includes the Neil Armstrong Millennium Engineering building, McCutcheon Drive Parking Garage addition and the Strategic Infrastructure Improvement project on the West Lafayette campus, and an additional student housing facility on the Indiana University-Purdue University Fort Wayne campus. In addition, the Music building on the Indiana University-Purdue University Fort Wayne campus and the Cary Quadrangle and Food Service consolidation and renovation projects on the West Lafayette campus are near completion. Construction of the Richard and Patricia Lawson Computer Sciences building and the Weldon Biomedical Engineering building were completed during 2006.

The University is also in the process of the construction of Discovery Park, a $100 million research and education complex on the West Lafayette campus that will integrate science, technology, engineering and management. Initially, four major buildings are planned for the park: the Bindley Biosciences Center - $15.0 million; Birck Nanotechnology Center - $56.4 million; Burton D. Morgan Center for Entrepreneurship - $7.0 million; and the Gerald and Edna Mann Hall - $10.0 million. These facilities were primarily funded from private donations to the University. Construction for three of the buildings is complete: Burton D. Morgan Center for Entrepreneurship, Bindley Biosciences, and Birck Nanotechnology. Construction at Mann Hall should be complete by Spring of 2007.

The University's Board of Trustees has approved the construction and financing of the Windsor Halls Renovation project at $53.0 million, a Replacement Student Housing project at $60.0 million, and the Wiley Dining Facility at $19.8 million. The University has also received legislative authority to issue bonds in an amount up to $60 million to address various repair and rehabilitation needs of the University. The University plans to issue bonds to fund a portion of these projects during 2007.

Retirement Plans

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

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

Presidential Search Committee

After initiating a successful seven-year strategic plan which includes hiring 300 additional faculty, $700 million in new construction and a $1.5 billion comprehensive capital campaign, the President of Purdue University, Dr. Martin C. Jischke, has announced his plan to retire June 30, 2007. A 14-member search committee composed of faculty, staff, students, alumni and trustees has been appointed and will work with the executive search firm R.W. Funk & Associates in choosing and evaluating a successor. The trustees will meet with representatives across the campuses and throughout the State to determine the priorities that the next president should pursue. It is anticipated that a new president will selected and approved by the Board of Trustees upon Dr. Jischke's retirement.

APPENDIX B

FINANCIAL REPORT

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PURDUE
UNIVERSITY

FINANCIAL REPORT 2005–2006

LETTER OF TRANSMITTAL

To the Board of Trustees of Purdue University:

We are pleased to submit this, the 84th annual financial report of Purdue University. This report is for the fiscal year that ended June 30, 2006, and sets forth the complete and permanent record of the financial status of the University for the year.

The University Financial Statements have been audited by the Indiana State Board of Accounts, and the Auditors' Report appears on page 5.

Respectfully submitted,

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.

REPORT OF THE TREASURER

This report presents Purdue University's financial position and results of operations for the fiscal year ending June 30, 2006. We provide this financial report as part of the University's commitment to report annually on its fiscal affairs. These financial statements have been audited by the Indiana State Board of Accounts and their report appears on page 5.

Purdue University, founded in 1869 and named for benefactor John Purdue, began its journey with six faculty, 39 students, and a mission to provide education in agriculture and the mechanical arts as one of the nation's land grant institutions. Since its inception, Purdue has been advancing education and transforming lives through its mission of learning, discovery, and engagement. The student body is made up of over 69,000 students on four campuses and multiple enrollment centers across the state, from every county in Indiana, all fifty states, and 130 countries.

Through its strategic plan, Purdue is focused on achieving preeminence as a public research university. Included in this focus are plans to provide the infrastructure and financing necessary to realize this vision. The University completed major construction projects in excess of $156 million during fiscal year 2006, including three new academic/research buildings on the West Lafayette campus. These buildings are the Birck Nanotechnology Center and the Bindley Bioscience Center in Discovery Park, the University's new location for collaborative, interdisciplinary research, and the Biomedical Engineering Building, adjacent to Discovery Park. Additional physical infrastructure investments estimated at over $396 million are either under way or in design at this time.

Purdue also is practicing good stewardship in its existing campus infrastructure by implementing a plan to fund repairs and rehabilitation (R&R) of existing facilities through careful fiscal management of dedicated student fee revenue, debt financing, and R&R appropriations from the state of Indiana. The facilities expansion on the West Lafayette campus has increased demands on the utility infrastructure as well, requiring careful planning for replacement and expansion of campus heating, cooling, and electrical systems. Purdue is also conscious of its responsibility to be an efficient consumer of natural resources and has embarked on an energy management and sustainability plan that includes the establishment of conservation measures, phased implementation of building-level metering, and the creation of an energy management office.

The focus on infrastructure replacement extends to the University's aging enterprise information systems. OnePurdue is the University's multi-year, system-wide initiative that will change the way Purdue does business by integrating mission-critical enterprise data, information, and business processes. Replacement of financial, human resources, and student information systems is included in this aggressive plan, which is now under way. Once fully implemented, OnePurdue applications will be used by virtually everyone in the University community.

Purdue jointly manages and invests its endowment funds with the Purdue Research Foundation, in order to capture economy of scale and to provide access to a variety of sophisticated investment options. During fiscal year 2006, the respective boards approved a new endowment investment policy, with a revised asset allocation that targets a reduced allocation to U.S. equities and fixed income, and an increased allocation to non-U.S. developed markets, emerging markets, real estate, and natural resources. At June 30, 2006, the market value of the combined Purdue Endowment was $1.494 billion.

Through prudent stewardship, Purdue University continues on its march toward preeminence.

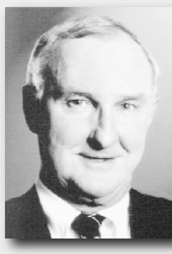
MORGAN R. OLSEN
Executive Vice President and Treasurer

BOARD OF TRUSTEES

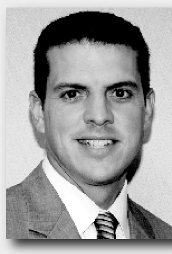
As of June 30, 2006

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

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



Michael J. Birck
Hinsdale, Illinois
Chairman and CEO, Tellabs, Inc.
Term: 1999–2009



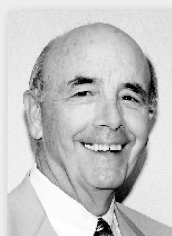
William S. Oesterle
Indianapolis, Indiana
CEO, Angie's List
Term: 2005–2008

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

Mamon M. Powers Jr.
Gary, Indiana
President, Powers and Sons Construction Company, Inc.
Term: 1996–2008

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

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



Thomas E. Spurgeon
Peoria, Illinois
Consultant to Lincoln Office
Term: 2005–2008

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

Rachel N. Cumberbatch
Lebanon, Indiana
Student
Term: 2005–2007

OFFICERS OF THE UNIVERSITY

As of June 30, 2006

Officers of the Board of Trustees

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

Administrative Staff

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

Regional Campus Staff

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

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, 2006 and 2005. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the component unit of the University as discussed in Note 1, which represents 100% of the assets and revenues of the discretely presented component unit. We also did not audit the trust which maintains the University's portion of trust agreements as discussed in Note 1. The University's interest in the charitable remainder trusts represents approximately 1% of the assets of the University. The financial statements of these units were audited by other auditors whose reports thereon have been furnished to us and our opinion, insofar as it relates to those units, is based upon the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Purdue University, as of June 30, 2006 and 2005, 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 19, 2006, 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 19, 2006

State Board of Accounts

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ending June 30, 2006

INTRODUCTION

The following discussion and analysis provides an overview of the financial position of Purdue University for the fiscal year ending June 30, 2006, the financial activities for the 2005–2006 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 2005–2006, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries."

FINANCIAL HIGHLIGHTS

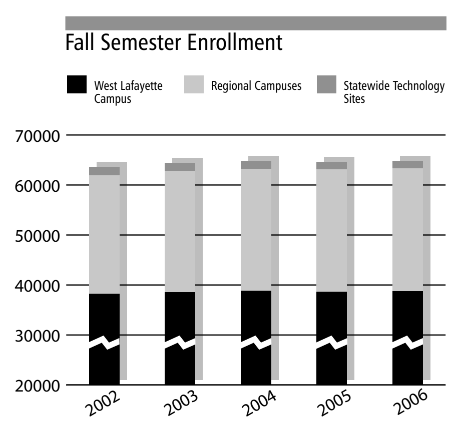
Operating revenues were $987.1 million, compared to $946.1 million in the prior year — an increase of 4.3%. This increase is due primarily to increases in net student fee revenue ($31.8 million) and grants and contracts ($7.9 million).

Tuition and fee revenue, net of scholarship allowances, increased from $417.9 million in the 2004–2005 fiscal year to $449.7 million in the 2005–2006 fiscal year — an increase of 7.6%. New tuition levels for incoming freshmen were introduced in the fall of 2002 in support of the University's strategic plan. The new fee structure is being phased in over a five-year period. Enrollment patterns for the last five years are illustrated in Figure 1.

Total operating expenses increased 4.5% from $1.34 billion for the 2004–2005 fiscal year to $1.4 billion for the 2005–2006 fiscal year. This change was driven by a 4.5% increase in compensation and benefits, the single largest component of operating expenses, which increased by $39.6 million from $887.6 million to $927.2 million.

Nonoperating revenues decreased $35.2 million, from $595.4 million in the 2004–2005 fiscal year to $560.2 million in the 2005–2006 fiscal year. Investment income decreased $12.0 million from $114.1 million in the 2004–2005 fiscal year to $102.1

Figure 1. Five-Year Enrollment Data*



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

million in the 2005–2006 fiscal year. Investment income includes dividends and interest, realized gains and losses, as well as net unrealized gains. The University reports its investments at fair value as of the date of the financial statements. The change in the market value of investments between June 30, 2005, and June 30, 2006, is contained in investment income.

Capital and endowment activity increased $1.7 million or 2.7% from the 2004–2005 fiscal year.

The 2005–2006 change in net assets of $148.9 million represents an increase of $3.8 million or 2.6% from the prior-year increase of $145.1 million.

PURDUE UNIVERSITY FINANCIAL STATEMENTS

Use of the Financial Statements

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

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

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

Statement of Net Assets

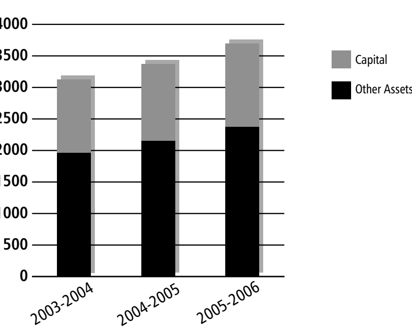
Current assets include those that may be used to support current operations, such as cash and cash equivalents, accounts and pledges receivable, and inventories. Noncurrent assets include capital assets, certain pledges receivable, and investments. Total assets were $3.6 billion as of June 30, 2006, compared to $3.3 billion at June 30, 2005, an increase of $277.3 million or 8.4%. Current assets as of June 30, 2006, increased $7.6 million while noncurrent assets increased $269.7 million or 10.0%.

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

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

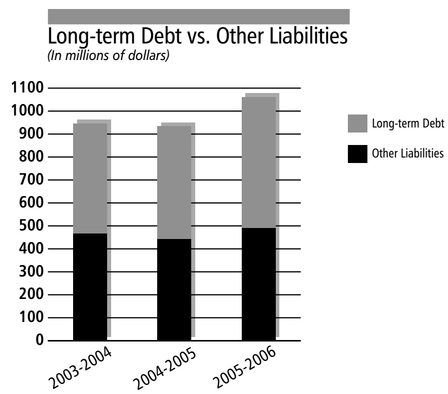
Figure 2

Capital vs. Other Assets
(In millions of dollars)



securities lending activity, and salaries and wages payable. Noncurrent liabilities include bonds, notes, and leases payable. Total liabilities were $1,062.3 million at June 30, 2006 and $933.8 million at June 30, 2005. Figure 3 depicts the portion of long-term debt relative to total liabilities.

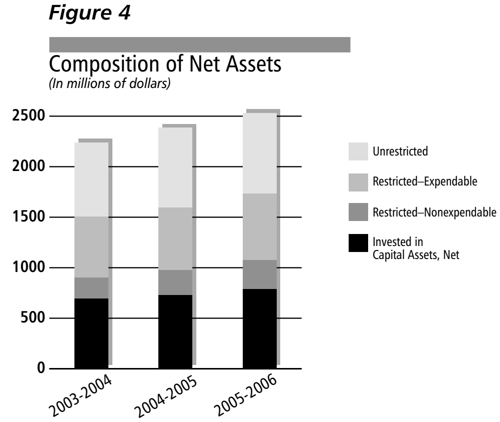
Figure 3



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

Net assets are classified into four categories: invested in capital assets, net of related debt; restricted–nonexpendable; restricted–expendable; and unrestricted. "Invested in capital assets, net of related debt" represents the University's investment in capital assets such as movable equipment, buildings, land, infrastructure, and improvements, net of accumulated depreciation and related debt and subject to the University's policies on capitalization. "Restricted–nonexpendable" represents the University's permanent endowment funds received from donors for the purpose of creating present and future income. These funds must be held inviolate and in perpetuity and are, therefore, not expendable. Earnings on these funds support various programs determined by donors. "Restricted–expendable" represents net assets that have purpose restrictions imposed by third parties. Examples include scholarship funds and contract and grant funds. Unrestricted net assets do not have third-party restrictions, although management has designated these funds for a particular purpose. It is management's practice to designate unrestricted net assets for specific purposes at the close of each fiscal year. Total net assets for the University were $2.53 billion as of June 30, 2006. Figure 4 provides a comparison between fiscal years as well as the composition of net assets.

Figure 4



Biomedical Engineering Building

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

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

	Restated 2003–2004	2004–2005	2005–2006
Current Assets	$611,216	$608,709	$616,334
Capital Assets	1,167,863	1,222,108	1,324,298
Other Assets	1,401,348	1,486,647	1,654,189
Total Assets	3,180,427	3,317,464	3,594,821
Current Liabilities	407,873	392,627	444,845
Noncurrent Liabilities	533,980	541,188	617,427
Total Liabilities	941,853	933,815	1,062,272
Invested in Capital Assets, Net of Related Debt	697,257	727,659	791,088
Restricted–Nonexpendable	205,104	248,548	282,897
Restricted–Expendable	604,448	615,405	662,549
Unrestricted	731,765	792,037	796,015
Total Net Assets	**$2,238,574**	**$2,383,649**	**$2,532,549**

Capital and Noncapital Projects

The University continues to expand its campuses and renovate existing facilities to meet the needs of its students, faculty, and staff. Significant projects completed during the 2005–2006 fiscal year are listed in Table 2.

Table 2. Major Projects Completed during the 2005–2006 Fiscal Year *(More than $1 Million)*

	Project Total (Dollars in Thousands)
Aquaculture Building Reconstruction	$ 2,659
Bindley Bioscience Center	15,000
Biomedical Engineering Building	25,000
Birck Nanotechnology Center	58,300
Calumet Campus Parking Garage	11,500
Extension of Infrastructure at University and Third	2,625
Forney Hall of Chemical Engineering Renovation	4,750
Purdue University Airport Pavement and Lighting Repair	1,900
Radiation Therapy Facility	1,400
Residence Halls Food Service Consolidation, Phase V	1,025
Residence Halls Food Service Facility, Phase III	11,970
Spurgeon Golf Training Facility	2,722
Visual and Performing Arts, Phase II (Pao Hall)	17,692
Total Major Projects Completed	**$156,543**

Bindley Bioscience Center

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

	Project Budget (Dollars in Thousands)
Armstrong Hall of Engineering	$ 53,187
Cary Quadrangle, Phases V and VI	19,700
Computer Science Building, Phase I (Lawson Hall)	20,000
Dennis J. and Mary Lou Schwartz Tennis Center	7,200
Discovery Park Site Development, Phase IV and V	1,925
Discovery Park Site Development, Phase Va	1,045
Earhart Residence Hall — Installation of Sprinklers	
and Student Room Air Conditioning	7,950
Fort Wayne Chiller Replacement	2,000
Fort Wayne Student Housing, Phase II	10,500
Fort Wayne Music Building	28,000
Gerald D. and Edna E. Mann Hall	12,400
High Voltage Improvements, Phase I	1,750
McCutcheon Drive Parking Garage Addition	16,712
McCutcheon Hall Fire Protection and Air Conditioning	8,900
Stewart Center Partial Roof Replacement and Masonry Repair	1,269
Wade Utility MACT Compliance	9,000
Total Major Projects in Progress	**$201,538**

In addition, the University's Board of Trustees has authorized the following major projects that had not been started as of June 30, 2006:

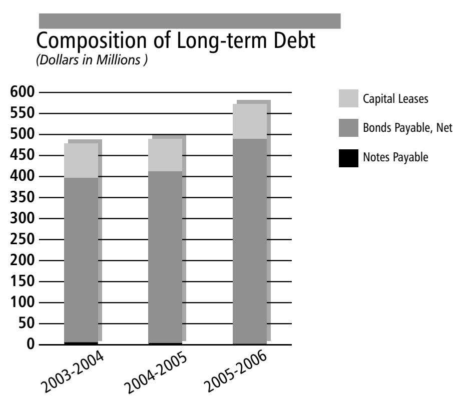
Table 4. Major Projects Authorized, but Not Started

	Project Budget (Dollars in Thousands)
Beck Agricultural Center	$ 4,100
Child Care Center	3,000
Discovery Learning Center	10,000
High Voltage Improvement, Phase II	25,100
PMU Market Renovation	6,160
Printing Services Facility	3,700
Purdue Village Community Center	3,820
Replacement Student Apartments	60,000
Residence Halls Food Service Consolidation, Phase IV	12,382
Storm Sewer Modifications	9,500
University Hall Accessibility Upgrade	2,200
Wetherill Laboratory of Chemistry Electrical Upgrade	2,000
Windsor Residence Halls Renovation	53,000
Total Major Projects Authorized	**$194,962**

Debt and Financing Activities

During the fiscal year, the University issued three series of bonds: Student Fee Bonds Series U for $35.2 million, Student Fee Bonds Series V for $60.4 million, and Student Fee Bonds Series W for $41.6 million. Series U was issued to partially refinance Series Q. Series V provided partial financing of the Neil Armstrong Hall of Engineering on the West Lafayette campus and the Fort Wayne Music Building. Series W was issued to finance Strategic Infrastructure and Utilities Improvements on the West Lafayette campus.

Figure 5

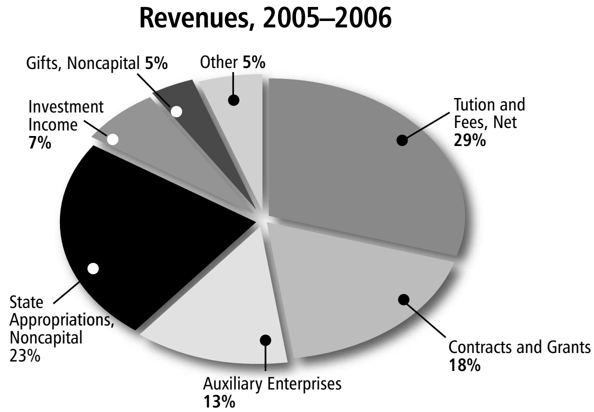


The University also entered into a capital lease with Purdue Research Foundation, a discrete component unit. The lease-purchase agreement was $8.2 million for the Academic Learning Center near the Calumet campus.

In the 2005–2006 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 6



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 expenses. Nonoperating revenues include state appropriations, investment income, and private gifts. As a public university, these nonoperating revenues are an integral part of the University's operating budget. Private gifts for capital projects and additions to the University's permanent endowment are also nonoperating sources of revenue but are not part of the University's operating budget. Figure 6 provides information about the University's sources of revenues, excluding endowments and capital, for the 2005–2006 fiscal year.

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

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

Expressed in Thousands	Restated 2003–2004	2004–2005	2005–2006
Operating Revenues			
Tuition and Fees, Net	$ 385,198	$ 417,937	$ 449,691
Grants and Contracts	244,090	262,869	270,785
Auxiliary Enterprises, Net	189,022	196,743	195,093
Other Operating Revenues	65,597	68,535	71,554
Total Operating Revenues	883,907	946,084	987,123
Operating Expenses			
Depreciation	75,301	83,627	90,325
Operating Expense	1,177,558	1,255,058	1,308,074
Total Operating Expenses	1,252,859	1,338,685	1,398,399
Operating Loss	(368,952)	(392,601)	(411,276)
Nonoperating Revenue	529,132	533,300	496,415
Capital and Endowments	63,344	62,089	63,761
Total Nonoperating Revenues	592,476	595,389	560,176
Cumulative Effect of Change in Accounting Policy		(57,713)	
Increase in Net Assets	223,524	145,075	148,900
Net assets, Beginning of Year	2,015,050	2,238,574	2,383,649
Net assets, End of Year	**$2,238,574**	**$2,383,649**	**$2,532,549**

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 (Expressed in Thousands)

	2003–2004	2004–2005	2005–2006
Cash Used by Operating Activities	$(297,226)	$(306,042)	$(317,519)
Cash Provided by Noncapital Financing Activities	453,470	471,119	441,094
Cash Provided (Used) by Investing Activities	(15,732)	(80,954)	37,159
Cash Used by Capital and Related Financing Activities	(148,758)	(173,458)	(137,467)
Net Increase (Decrease) in Cash and Cash Equivalents	(8,246)	(89,335)	23,267
Cash and Cash Equivalents, Beginning of Year	482,964	474,718	385,383
Cash and Cash Equivalents, End of Year	**$474,718**	**$385,383**	**$408,650**

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

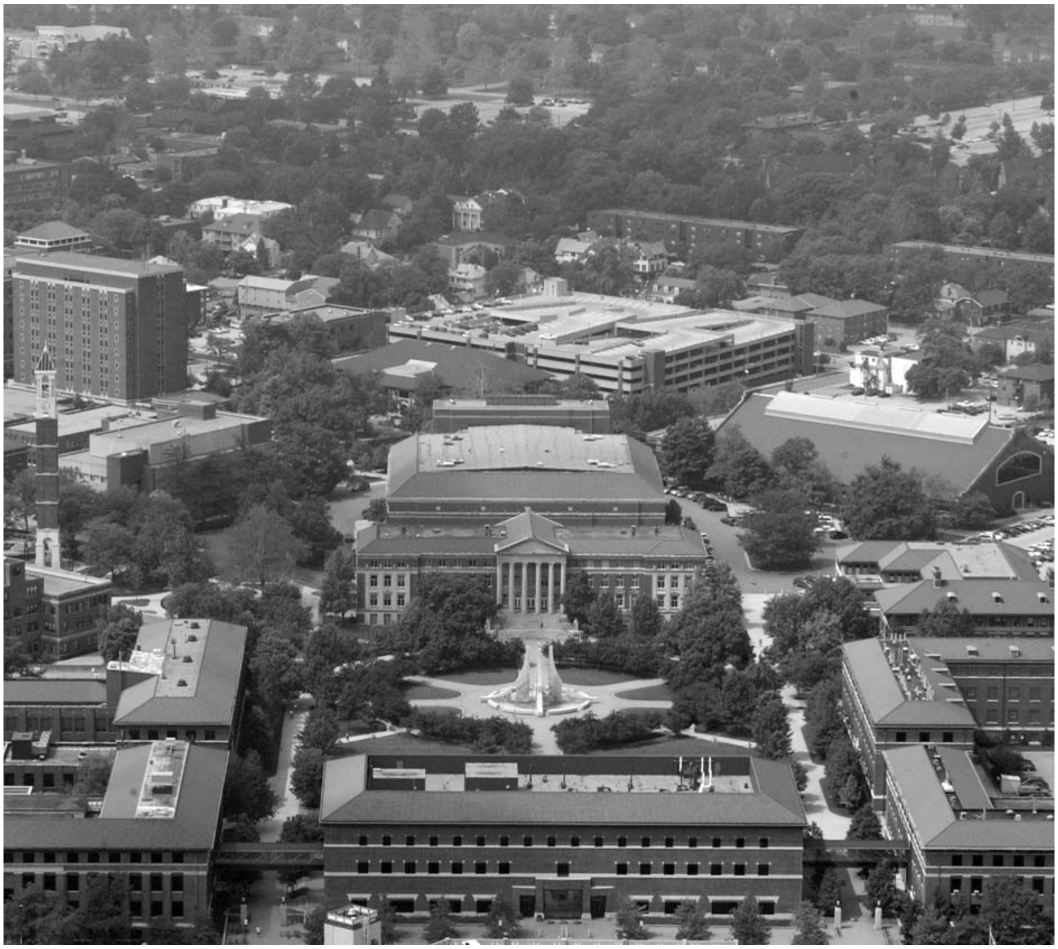
For the 2006–2007 fiscal year, the University received increases in operating appropriations from the state of Indiana for each campus — West Lafayette (0.9%), Calumet (1.7%), North Central (2.7%), and Fort Wayne (3.1%). Tuition rate increases were set for two fiscal years (2005–2006 and 2006–2007), with six percent increases each year, not inclusive of a new Repair and Rehabilitation (R&R) fee for new students only, which was effective fall 2006. The strategic plan fee increase that was implemented in 2002–2003 will be fully implemented in 2007–2008, and the fee will have generated approximately $35.4 million for plan priorities. With this combination of limited increases in operating appropriations and tuition and fees, the University has continued its emphasis on internal reallocations to high priority initiatives.

The University is expected to receive $16.6 million for R&R funding from the state for the 2005–2007 biennium, which is nearly 50% of the requested formula funding amount. The state has also agreed to pay $10.8 million toward its June 2005 Purdue University operating accounts payable of $27.9 million. The University must allocate these dollars for deferred maintenance, not general fund expenses as originally appropriated.

The University has submitted its 2007–2009 Legislative Request for Operating Appropriations to the state. In addition to modest base adjustments and inflationary increases, the request also calls for a new initiative to facilitate growth of the "Indiana New Manufacturing Economy" linking our expertise from each campus in the manufacture of liquid fuel alternatives, pharmaceuticals, advanced manufacturing, value-added agriculture, logistics, and regional strengths. The January 2007 legislative session will set Purdue's operating appropriation for the next biennium.

Enrollment* at all Purdue campuses increased to 64,769 for the fall semester of the 2005–2006 academic year, up from 64,582 the previous year. This includes an increase of 59 students for a total of 38,712 on the West Lafayette campus. Undergraduate enrollment is being carefully managed at the

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



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 fundraising effort to generate $1.5 billion in gifts and pledges by 2007 in support of students, faculty, programs, and facilities. “The Campaign for Purdue” was officially announced in September 2002. As of June 30, 2006, the University community has raised $1.396 billion toward its $1.5 billion goal.

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.

STATEMENT OF NET ASSETS

	As of June 30	
	2006	2005
	(Dollars in Thousands)	
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	$408,650	$385,383
Accounts Receivable, Net of Allowance for Uncollectible Amounts	39,962	31,346
Marketable Securities	49,548	132,535
Pledges Receivable, Net of Allowance for Uncollectible Amounts	26,093	23,198
Notes Receivable, Net of Allowance for Uncollectible Amounts	11,219	8,952
Bond Proceeds Receivable	42,382	
Accrued Revenues	15,125	15,322
Appropriation Receivable from the State	10,795	
Other Assets	12,560	11,973
Total Current Assets	**$616,334**	**$608,709**
Noncurrent Assets:		
Notes Receivable, Net of Allowance for Uncollectible Amounts	34,962	37,158
Pledges Receivable, Net of Allowance for Uncollectible Amounts	25,573	26,772
Marketable Securities and Other Investments	1,558,567	1,376,020
Interest in Charitable Remainder Trusts	17,890	18,705
Appropriation Receivable from the State	17,197	27,992
Capital Assets, Net of Accumulated Depreciation	1,324,298	1,222,108
Total Noncurrent Assets	**2,978,487**	**2,708,755**
Total Assets	**$3,594,821**	**$3,317,464**
LIABILITIES:		
Current Liabilities:		
Accounts Payable	39,001	33,269
Accrued Salary and Wages	14,097	10,398
Accrued Compensated Absences (Current Portion)	21,555	21,686
Deferred Revenue (Current Portion)	49,683	41,718
Deposits Held in Custody for Others	18,361	20,872
Accrued Expenses	22,781	22,573
Securities Lending Liability	250,494	215,068
Bonds (Net), Leases and Notes Payable (Current Portion)	28,873	27,043
Total Current Liabilities	**$444,845**	**$392,627**

(continued on page 15)

STATEMENT OF NET ASSETS *(CONTINUED)*

	As of June 30	
	2006	**2005**
	(Dollars in Thousands)	
Noncurrent Liabilities:		
Accrued Compensated Absences (Less Current Portion)	16,875	17,014
Deferred Revenue (Less Current Portion)	838	6,569
Funds Held in Trust for Others	7,026	6,512
Bonds (Net), Leases and Notes Payable (Less Current Portion)	572,232	490,372
Advances from Federal Government	20,456	20,721
Total Noncurrent Liabilities	**617,427**	**541,188**
Total Liabilities	**$1,062,272**	**$933,815**
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	**$791,088**	**$727,659**
Restricted		
Nonexpendable		
Instruction and Research	146,824	125,085
Student Aid	111,307	99,254
Other	24,766	24,209
Total Nonexpendable	**$282,897**	**$248,548**
Expendable		
Instruction and Research	60,611	69,515
Student Aid	55,638	60,239
Auxiliary Enterprises	3,980	3,384
Construction	84,040	66,401
Other (Note 1)	458,280	415,866
Total Expendable	**$662,549**	**$615,405**
Unrestricted	**796,015**	**792,037**
Total Net Assets	**$2,532,549**	**$2,383,649**

See Accompanying "Notes to the Financial Statements."

COMPONENT UNIT

Statement of Financial Position

	Purdue Research Foundation For the Year Ending June 30, 2006 (Dollars in Thousands)
Assets	
Cash and cash equivalents	$ 24,105
Accounts and other receivables	4,530
Pledges receivable	1,937
Investments in securities	710,679
Investment in INCAPS	153
Mortgages and contracts	60
Notes receivable	955
Investment in AmeriPlex PRF, LLC	7,972
Real estate	109,267
Less allowances	(11,779)
Net real estate	$ 97,488
Other assets and equipment	$9,953
Less allowances	(3,056)
Net other assets and equipment	$ 6,897
Interest in charitable remainder trusts	$ 27,720
Interest in charitable perpetual trust	18,182
Total Assets	**$900,678**
Liabilities and net assets	
Liabilities	
Accounts payable	$ 7,997
Net funds held as custodian	45,062
Bonds payable	17,695
Mortgages and notes payable	18,216
Gift annuity payable	2,038
Total Liabilities	**$ 91,008**
Net Assets	
Unrestricted	100,210
Board designated	15,000
Temporarily restricted	492,340
Permanently restricted	105,217
Unrealized gains	96,903
Total net assets	**$809,670**
Total liabilities and net assets	**$900,678**

See Note 1.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	For the Year Ending June 30	
	2006	2005
	(Dollars in Thousands)	
Operating Revenues		
Tuition and Fees	$510,215	$471,677
Less: Scholarship Allowances	(60,524)	(53,740)
Net Tuition and Fees (pledged for repayment of Student Fee Bonds)	$449,691	$417,937
Federal Appropriations	14,874	15,299
County Appropriations	7,379	6,992
Grants and Contracts	270,785	262,869
Sales and Services	47,107	44,484
Auxiliary Enterprises		
(Net of Scholarship Allowance of $6,587 and $5,944 Respectively)	195,093	196,743
Other Operating Revenues	2,194	1,760
Total Operating Revenues	**$987,123**	**$946,084**
Operating Expenses		
Compensation and Benefits	927,243	887,579
Supplies and Services	350,810	338,217
Depreciation Expense	90,325	83,627
Scholarships, Fellowships, and Student Awards	30,021	29,262
Total Operating Expenses	**$1,398,399**	**$1,338,685**
Net Operating Loss	(411,276)	(392,601)
Nonoperating Revenues (Expenses)		
State Appropriations	358,282	358,957
Private Gifts	55,020	78,071
Investment Income	102,139	114,089
Interest Expense	(23,303)	(21,814)
Other Nonoperating Revenues, Net	4,277	3,997
Total Nonoperating Revenues before Capital and Endowments	**$496,415**	**$533,300**
Capital and Endowments		
State Capital Appropriations	8,306	6,076
Capital Gifts	25,435	19,755
Private Gifts for Permanent Endowments and Charitable Remainder Trusts	31,099	40,042
Plant Assets Retired	(1,079)	(3,784)
Total Capital and Endowments	**$63,761**	**$62,089**
Total Nonoperating Revenues	**560,176**	**595,389**
Increase in Net Assets before Change in Accounting Policy	**148,900**	**202,788**
Cumulative Effect of Change in Accounting Policy		
Assets under Capitalization Level Written Off (Note 1)		(57,713)
INCREASE IN NET ASSETS	**$148,900**	**$145,075**
Net Assets, Beginning of Year	2,383,649	2,238,574
Net Assets, End of Year	$2,532,549	$2,383,649

See Accompanying "Notes to the Financial Statements."

COMPONENT UNIT

Statement of Activities

	Purdue Research Foundation For the Year Ending June 30, 2006 (Dollars in Thousands)
Revenue and support	
Amount received for Purdue University research projects	$ 16,451
Less payments to Purdue University	(16,451)
Administrative fee on research projects	
Contributions	12,756
Income on investments	10,734
Net unrealized and realized gains	62,843
Change in gift annuities	75
Revenue from pledges	151
Increase in interests in charitable trusts	2,189
Rents	6,201
Royalties	2,912
Other	916
Net assets released from restrictions	
Total Revenue and support	**$ 98,777**
Expenses and losses	
Expenses for the benefit of Purdue University	
Contributions to Purdue University	$ 11,813
Patent and royalty	3,075
Grants	9,630
Services for Purdue University	1,685
Development office	847
Other	682
Total expenses for the benefit of Purdue University	**$ 27,732**
Administrative and other expenses	
Salaries and benefits	6,344
Property management	5,142
Professional fees	3,089
Supplies	1,298
Interest	1,625
Research park	1,044
Other	1,322
Total administrative and other expenses	**$ 19,864**
Change in net assets	$51,181
Purdue Alumni Foundation assets transferred	132,290
Net assets, beginning of year	626,199
Net assets, end of year	**$809,670**

See Note 1.

STATEMENT OF CASH FLOWS

	For the Year Ending June 30	
	2006	2005
	(Dollars in Thousands)	
Cash Flows by Operating Activities		
Tuition and Fees, Net of Scholarship Allowances	$450,577	$419,727
Federal Appropriations	14,874	15,299
County Appropriations	7,379	6,992
Grants and Contracts	266,349	261,428
Sales and Services	46,744	43,347
Auxiliary Enterprises, Net of Scholarship Allowances	196,612	196,622
Other Operating Revenues	2,029	2,410
Compensation and Benefits	(923,306)	(883,939)
Supplies and Services	(348,247)	(337,692)
Scholarships, Fellowships, and Student Awards	(30,021)	(29,262)
Student Loans Issued	(10,671)	(10,386)
Student Loans Collected	10,162	9,412
Cash Used by Operating Activities	**$(317,519)**	**$(306,042)**
Cash Flows by Noncapital Financing Activities		
State Appropriations	358,282	358,184
Gifts for Other than Capital Purposes	83,355	113,740
Funds Held in Trust for Others and Deferred Gifts	(4,711)	(5,017)
Other Nonoperating Revenues, Net	4,168	4,212
Cash Provided by Noncapital Financing Activities	**$441,094**	**$471,119**
Cash Flows by Investing Activities		
Purchases of Investments	(7,958,989)	(5,770,338)
Proceeds from Sales and Maturities of Investments	7,943,078	5,647,215
Interest and Dividends on Investments, Net	53,070	42,169
Cash Provided (Used) by Investing Activities	**$37,159**	**$(80,954)**
Cash Flows by Capital and Related Financing Activities		
Debt Repayment	(64,211)	(29,138)
Capital Debt Proceeds	98,474	38,700
Interest Expense	(23,625)	(22,171)
Capital Gifts Received	22,943	31,085
State Appropriations for Capital Projects	8,306	11,076
Construction or Purchase of Capital Assets	(179,354)	(203,010)
Cash Used by Capital and Related Financing Activities	**$(137,467)**	**$(173,458)**
Net Increase (Decrease) in Cash and Cash Equivalents	**23,267**	**(89,335)**
Cash and Cash Equivalents, Beginning of Year	385,383	474,718
Cash and Cash Equivalents, End of Year	**$408,650**	**$385,383**

(continued on page 20)

STATEMENT OF CASH FLOWS

Reconciliation of Cash Used for Operating Activities (Indirect Method)

Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:	**For the Year Ending June 30** **2006**	**2005**
	(Dollars in Thousands)	
Operating Loss	$(411,276)	$(392,601)
Depreciation Expense	90,325	83,627
Gifts in Kind	(767)	2,083
Changes in Assets and Liabilities:		
Accounts Receivable	(6,657)	(3,009)
Notes Receivable	(551)	(1,053)
Accrued Revenues	75	(1,601)
Other Assets	(588)	(2,286)
Accrued Compensated Absences	(270)	2,888
Accounts Payable	3,937	783
Deferred Revenue	7,370	4,009
Deposits Held in Custody for Others	(3,081)	164
Accrued Expenses	530	(1,561)
Accrued Salary and Wages	3,699	2,337
Advances from Federal Government	(265)	178
Cash Used by Operating Activities	**$(317,519)**	**$(306,042)**

See Accompanying "Notes to the Financial Statements."

Neil Armstrong Hall of Engineering

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ending June 30, 2006

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

BASIS OF PRESENTATION:

The financial statements of Purdue University have been prepared in accordance with the principles contained in Governmental Accounting Standards Board (GASB) Statement No. 35, "Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities," within the financial reporting guidelines of GASB Statement No. 34, "Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments," and with other accounting principles generally accepted in the United States of America, as prescribed by the GASB.

During fiscal year 2006, the University adopted GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries."

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

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

The University adopted GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units," which 1) provides criteria for determining whether certain university-related organizations should be reported as component units based on the nature and significance of their relationship with a primary government and 2) clarifies reporting requirements for these organizations. Based on these criteria, the financial statements define the University as the primary government, and one entity, the Purdue Research Foundation, as a discretely presented component unit. 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 Unit

Purdue Research Foundation. Purdue Research Foundation (PRF) was created in 1930. The primary purpose of PRF is to promote the educational purpose of Purdue University; award scholarships, grants, or other financial assistance to students and faculty; seek, acquire, and hold gifts and endowments for the needs of the University; and acquire property or facilities for the future use or benefit of the University. PRF is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. PRF provided grants, contracts, and gifts to Purdue University totaling approximately $11.8 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 the Purdue Research Foundation, 3000 Kent Avenue, West Lafayette, IN 47906.

PRF is a private nonprofit organization that reports 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 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).

Other

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

Purdue Alumni Foundation. Purdue Alumni Foundation (PAF) was created in 1944 by the Purdue Alumni Association Inc. and was dissolved December 31, 2005. In past years, PAF was reported as a discrete component unit of the University. The primary purpose of PAF was 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 activities. PAF was an exempt organization under Section 501(c)(3) of the Internal Revenue Code. $132.3 million of net assets was transferred to PRF, while $15.5 million was transferred to the Purdue Alumni Association. Complete financial statements for the foundation can be obtained by writing to: Purdue Alumni Foundation, 3000 Kent Avenue, West Lafayette, IN 47906.

Accounting Methods and Policies

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

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

Accounts Receivable. Accounts receivable are shown net of an allowance for doubtful accounts. The amount of the allowance was $1,733,308 for the 2005–2006 fiscal year and $1,130,093 for the 2004–2005 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 $2,029,171 for the 2005–2006 fiscal year and $3,092,205 for the 2004–2005 fiscal year.

Notes Receivable. Notes receivable primarily represent student loan repayments due the University and are presented net of allowance for doubtful accounts of $63,382 for the 2005–2006 fiscal year and $73,417 for the 2004–2005 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, 2006. Fair value is generally based on quoted market price. Investments, exclusive of endowment funds, may be classified as cash equivalents, current or noncurrent depending on the individual investments' maturity date at June 30. Endowment funds are primarily included in noncurrent investments, with the exception of amounts designated for distribution.

Prepaid Expenses. Prepaid expenses include amounts paid for services attributable to the fiscal year beginning July 1, 2006. These services include insurance, equipment leases, services of consultants, subscriptions, and certain subcontracts. These amounts are identified at the end of the fiscal year and accrued for financial reporting purposes.

Capital Assets. Capital assets are stated at cost or fair market value at date of gift, less accumulated depreciation computed on a straight-line basis over the estimated useful life, as shown in the following table. Capital assets are removed from the records at the time of disposal. Effective July 1, 2004, the University changed its capitalization level from $10,000 to $100,000 for land improvements and infrastructure, and to expense library books if they fall under the $2,500 per item threshold for moveable equipment. For fiscal year 2004–2005, assets with a total cost of $64.0 million and accumulated depreciation of $6.3 million were retired and are reflected as the cumulative effect of a change in accounting policy of $57.7 million. This amount represents assets previously capitalized but not meeting the new capitalization levels.

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

Property Class	Threshold	Useful Life
Moveable Equipment (including fabricated equipment)	$2,500	More than one year
Software	$100,000	5 years
Administrative Systems	$500,000	7 years
Buildings and Related Components	$100,000	10 to 50 years
Land Improvements	$100,000	Varies
Infrastructure	$100,000	Varies

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

- Invested in capital assets, net of related debt: Resources resulting from capital acquisition or construction, net of accumulated depreciation and net of related debt (see Note 8).
- Restricted–nonexpendable: Net assets subject to externally imposed stipulations that the funds be maintained inviolate and in perpetuity. Such assets include the University's permanent and term endowment funds (see Note 10) and are categorized as instruction and research, student aid, and other.
- Restricted–expendable: Net assets that may be spent provided certain third-party restrictions are met. The following categories of restricted–expendable net assets are presented: instruction and research; student aid; auxiliary enterprises; construction; and other. Approximately 87% or $398.3 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 interest — are considered operating expenses. Operating expenses include compensation and benefits, travel, and supplies. Graduate, staff, staff dependent, and staff spouse fee remissions are included with compensation and benefits. Expenses are accrued when incurred and measurable. Expenses are reported using natural classifications in the Statement of Revenues, Expenses, and Changes in Net Assets. Functional reporting appears in Note 14. Indirect expenses, such as depreciation, are not allocated across functional categories.

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

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

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

Student Fees. Tuition and fees assessed to students are reported net of scholarship allowances. Scholarship allowances represent amounts credited to students' tuition and fees and include scholarships, Pell Grants, and various other types of aid. Student loans are not included in this calculation. Aid applied to housing is shown as an allowance against auxiliary revenues. Aid remitted directly to students is shown as scholarships, fellowships, and student awards expenses. Graduate and other employment-related remissions are included with compensation and benefits expenses.

Grants and Contracts. The University has been awarded grants and contracts for which the monies have not been received or expended. These awards have not been reflected in the financial statements but represent commitments of sponsors, both 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 and eligibility requirements have been met.

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

Gifts. The University receives pledges of financial support from many different sources. Gift income is recognized when received or pledged. In-kind gifts of tangible or intangible property are recognized at fair value on the date of gift and are capitalized, if appropriate, subject to the University's policies on capitalization. For the 2005–2006 fiscal year, revenue from gifts-in-kind of $5,376,808 was recognized. Comparative data for 2004–2005 reflect $5,040,183 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, the former Purdue Alumni Foundation, and affiliates. 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 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 unit reflects their respective PRF Trust interest on the Statement of Financial Position. The fair value of funds held by PRF Trusts for Purdue University was $29,189,351 for 2005–2006 and $30,204,730 for 2004–2005. 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.

NOTE 2 — CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, revolving and change funds, cash in transit, credit card deposits in transit, securities lending cash collateral, and certain investments with maturities three months or less as of the balance sheet date. It is the University's practice to invest operating cash balances and bond proceeds in investments of varying maturity dates. (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, 2006, the bank balance of the University's deposits (demand deposit accounts) was $2,744,686.81, of which $161,724.38 was covered by federal depository insurance. The remaining balance was insured by the state of Indiana's Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investments. Authorization for investment activity is stated in Indiana Code IC 20-12-1-2. Additionally, the Bylaws of the Trustees of Purdue University revised and amended on May 20, 2005, authorize the treasurer of the Board of Trustees to implement investment activity. The investment policy, as approved by the Board of Trustees, outlines parameters for investment activity for the University. As of June 30, 2006, and June 30, 2005, the University had the following investments:

Investment Type	2006 Market Value	2005 Market Value
US Agencies	$100,863,959	$167,044,665
Asset Backed Securities	75,721,107	52,729,834
Corporate Bonds	224,389,923	257,296,654
US Equity	373,240,833	395,596,978
International Equity	157,675,955	97,300,523
International Fixed Income	4,370,912	7,405,806
Marketable Alternatives	104,368,293	94,672,216
Mortgage Backed Securities	166,731,051	154,786,369
Non-marketable Alternatives	46,222,367	13,120,931
Private Real Estate	7,953,107	6,384,237
US Treasuries and Securities	271,088,646	201,891,527
Securities Lending Cash Collateral	250,494,121	215,068,334
Mutual Funds and Cash	233,644,499	230,640,067
Total	**$2,016,764,773**	**$1,893,938,141**

Investment Policies, Interest Rate, and Credit Risks. The University's cash management investment policy outlines the parameters for cash management investment activity for the University. The Board of Trustees approved this policy on February 8, 2002. Authorized investments (exclusive of endowment funds) include obligations of the United States government, its agencies, and its instrumentalities. Also included are commercial paper (rated A1/P1 or better); federally insured bank obligations (rated A or better); tri-party repurchase agreements; asset-backed securities (rated at least AAA or equivalent); corporate notes, bonds, or securities (rated investment grade) with demonstrated liquidity or marketability; pooled funds including mutual funds and common trust funds; and high-yield bonds (minimum credit quality of BB-/BB3). All ratings must be by a nationally recognized rating agency. Portfolios will be invested in securities that result in a weighted average credit quality rating of at least "AA" or better as recognized by a national rating agency. The portfolio will be positioned to maintain sufficient liquidity to meet the operating needs of the University. Funds not required to meet cash needs will be invested over a longer-term horizon.

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

The University's investment policy for endowments outlines the parameters for endowment investments for the University. The Board of Trustees approved this policy on April 7, 2006. For the University's endowment pool, as a partial hedge against prolonged economic contraction, a commitment to intermediate and long-term bonds should be maintained. The Investment Committee has adopted a target allocation of 15% for the Fixed Income fund. Portfolios will be invested in securities that result in a weighted average credit quality rating of at least "AA" or better.

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

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

			(Maturity)		
Sector:	**0 to 1 year**	**1 to 5 years**	**6 to 10 years**	**>10 years**	**Totals**
US Agencies	$35,159	$62,475	$3,225	$5	$100,864
Asset Backed Securities		30,854	9,040	35,827	75,721
Corporate Bonds	25,289	114,377	64,854	19,870	224,390
International Fixed Income	3,093		1,278		4,371
Mortgage Backed Securities	18	13,657	51,697	101,359	166,731
US Treasuries and Securities	9,283	234,018	18,621	9,167	271,089
Securities Lending Cash Collateral	250,494				250,494
Mutual Funds and Cash	84,610	85,770	61,260	2,004	233,644
Total	**$407,946**	**$541,151**	**$209,975**	**$168,232**	**$1,327,304**

The distribution of investment securities by credit ratings is summarized below (dollars in thousands). The Federal National Mortgage Association and Federal Home Loan Mortgage Company debt instruments represent $139.3 million (6.9%) and $91.1 million (4.5%), respectively:

AAA	$637,951	31.6%
AA	56,082	2.8%
A	53,396	2.6%
BAA	68,682	3.4%
BA	21,711	1.1%
B	3,176	0.2%
CAA	341	0.0%
Unrated	1,175,426	58.3%
Total	**$2,016,765**	**100.0%**

Investment Custodial Credit Risk. Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the University will not be able to recover the value of the investments that are in the possession of an outside party. The University does not have a formal policy for custodial credit risk. At June 30, 2006, with the exception of $158.5 million in private placements and investments in limited partnerships, all investments were held in University accounts at the University's custodial banks.

Foreign Currency Risk. Endowment equity managers may invest in common stocks, preferred stocks or fixed income instruments convertible into common stocks, and American Depository Receipts of foreign corporations. The University's endowment fixed income managers may invest in foreign fixed income securities equivalent in quality to permitted domestic securities, but not to exceed 20% of the assets entrusted to the manager. All currency exposures are to be hedged into the U.S. dollar unless otherwise approved by the Investment Committee. Please refer to the Investment Type table on page 26 for the University's exposure to international investments. In addition to those investments, the University estimates $29.8 million of international exposure in its alternative investments.

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, 2006, the University had securities with market value of $260,672,478 involved in loans. These loans were supported by collateral of $265,296,834. Of this collateral amount, $250,494,121 was cash and is included in cash and cash equivalents in the Statement of Net Assets, and $14,802,713 was acceptable noncash collateral. The University does not have the ability to pledge or sell the noncash collateral received except in the case of borrower default. Noncash collateral is not included in the University's Statement of Net Assets. Securities lending of domestic securities is cash collateralized on the contract date at 102%, and foreign securities are cash collateralized at 105%. Credit risk is calculated as the aggregate of the lender's exposures to individual borrowers or on individual loans. At June 30, 2006, 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 ending June 30, 2006, income from its participation in this securities-lending program was $11,480,005, and the expense was $11,016,507. Net income to the University from this program was $463,498. 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 PAYABLES

Accrued liabilities for payments related to construction in progress were $14,096,876 as of June 30, 2006, representing 36.2% of current accounts payable.

NOTE 6 — COMPENSATED ABSENCES

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

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

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

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

NOTE 7 — CAPITAL ASSETS

Capital asset activity for the year ending June 30, 2006, is summarized below.

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

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital Assets, Not Being Depreciated:				
Land	$21,492	$853		$22,345
Construction in Progress	165,940	100,723	$130,779	135,884
Total, Capital Assets, Not Being Depreciated	$187,432	$101,576	$130,779	$158,229
Capital Assets, Being Depreciated:				
Land Improvements	51,130	4,707		55,837
Infrastructure	45,206	3,182		48,388
Buildings	1,417,994	173,349		1,591,343
Equipment	412,593	42,481	20,902	434,172
Operating Software	3,167	1,054	251	3,970
Administrative Software	12,514			12,514
Total, Capital Assets, Being Depreciated	$1,942,604	$224,773	$21,153	$2,146,224
Less Accumulated Depreciation:				
Land Improvements	36,530	2,272		38,802
Infrastructure	8,953	2,846		11,799
Buildings	595,555	51,119		646,674
Equipment	260,185	31,773	18,023	273,935
Software (Operating and Administrative)	6,705	2,315	75	8,945
Total Accumulated Depreciation	$907,928	$90,325	$18,098	$980,155
Total Capital Assets, Net of Accumulated Depreciation	**$1,222,108**	**$236,024**	**$133,834**	**$1,324,298**

NOTE 8 — DEBT RELATED TO CAPITAL ASSETS

Notes Payable. Notes outstanding of $3,883,411 at June 30, 2006, 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, 2006, was $435,000. The interest rate as of June 30, 2006, was 3.57%.

On March 1, 1998, an Energy Savings Loan Agreement was negotiated with Bank One, Indiana, N.A. This agreement authorized a maximum line of credit of $10,000,000 to pay the costs of qualified energy savings projects through December 31, 2001. Projects included both capital and non-capital improvements to the physical plant. Individual notes may have either a fixed or floating interest rate with maturities not extending beyond 2011. The outstanding balance of these notes as of June 30, 2006, was $3,382,711. The interest rate for the notes ranged from 3.10% to 5.04% as of June 30, 2006.

On December 16, 2003, a non-interest bearing note for forestry woodlands was issued for $164,250. The outstanding balance at June 30, 2006, was $65,700.

Bonds Payable. Bonds payable at June 30, 2006, total $505,870,000, consisting of the following issues:

Issue	Issue Date	Interest Rates	Maturity Dates	Outstanding June 30, 2006
Student Facilities System Revenue Bonds:				
Series 2003A	2003	4.0%–5.38%	2004–2028	$87,935,000
Series 2003B	2003	2.0%–5.0%	2005–2029	24,215,000
Series 2004A	2004	Variable	2008–2033	28,100,000
Series 2005A	2004	Variable	2005–2029	23,580,000
Student Fee Bonds:				
Series E	1990	3.0–3.9%	2004–2007	4,300,000
Series H	1993	2.78–5.25%	1998–2015	10,100,000
Series K	1995	2.2–5.63%	1997–2020	16,000,000
Series L	1995	3.0–5.63%	1997–2020	14,000,000
Series N	1998	3.55–5.5%	1998–2014	33,845,000
Series O	1998	2.68–5.63%	2000–2019	27,345,000
Series P	1998	4.0–5.25%	1999–2017	44,965,000
Series Q	2000	2.63–6.0%	2002–2010	9,480,000
Series R	2002	3.0–5.38%	2002–2023	16,440,000
Series S	2004	Variable	2007–2026	13,850,000
Series T	2004	Variable	2008–2027	14,500,000
Series U	2005	3.5–5.25%	2006–2022	35,200,000
Series V	2005	Variable	2008–2027	60,415,000
Series W	2006	4.6–5.0%	2007–2026	41,600,000
Total				**$505,870,000**

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 $449,690,809 for the 2005–2006 fiscal year.

On July 14, 2005, Student Fee Bonds Series U were issued in the amount of $35.2 million. This series was issued to partially refund $34.955 million of Student Fee Bonds Series Q. As a result of the refunding, the University will reduce its aggregate debt service payments by approximately $3,544,000. The refunding resulted in an economic gain of approximately $2,152,000. As of June 30, 2006, the balance outstanding was $35.2 million.

On October 5, 2005, Student Fee Bonds Series V were issued in the amount of $60.415 million. This series was issued to finance a portion of the construction for the Neil Armstrong Hall of Engineering at the West Lafayette campus and also to finance a portion of the construction for the Music Building at the Fort Wayne campus. As of June 30, 2006, the balance outstanding was $60.415 million.

On June 21, 2006, Student Fee Bonds Series W were issued in the amount of $41.6 million. This series was issued to finance strategic infrastructure and utilities improvements on the West Lafayette campus. As of June 30, 2006, the balance outstanding was $41.6 million. These proceeds were received July 6, 2006, thus the related Bonds Proceeds Receivable is reflected on the Statement of Net Assets.

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

Fiscal Year	Principal	Interest	Total
2007	$ 21,915,000	$ 22,703,234	$ 44,618,234
2008	23,610,000	21,635,534	45,245,534
2009	23,190,000	20,542,022	43,732,022
2010	23,840,000	19,396,867	43,236,867
2011	24,890,000	18,182,391	43,072,391
2012–2016	135,775,000	70,614,638	206,389,638
2017–2021	108,525,000	42,187,780	150,712,780
2022–2026	85,880,000	20,312,175	106,192,175
2027–2031	48,145,000	4,547,403	52,692,403
2032–2034	10,100,000	442,400	10,542,400
	$505,870,000	$240,564,444	$746,434,444
Net Unamortized Premiums and Deferred Costs	5,181,189		5,181,189
Total	**$511,051,189**	**$240,564,444**	**$751,615,633**

Capital Leases. At June 30, 2006, long-term debt included amounts relating to properties with a net book value (net of accumulated depreciation) of $95,884,200 leased from a blended component unit. The outstanding balance on these leases at June 30, 2006, was $78,170,000. The debt payments on these properties in the 2005–2006 fiscal year totaled $8,167,407, consisting of $3,960,000 principal and $4,207,407 interest.

On April 9, 2004, the University entered into an $8,195,000 capital lease agreement with the Purdue Research Foundation (PRF), a discrete component unit. The lease took effect upon completion of the Academic Learning Center near the Calumet campus. The outstanding balance on the lease was $8,000,000 as of June 30, 2006 and the facility had a book value (net of accumulated depreciation) of $7,960,857. The debt payments on this property in the 2005–2006 fiscal year totaled $567,240, consisting of $195,000 of principal and $372,240 of interest.

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

Fiscal Year	Principal	Interest	Total
2007	$4,365,000	$4,373,742	$8,738,742
2008	4,585,000	4,149,919	8,734,919
2009	4,815,000	3,925,669	8,740,669
2010	4,620,000	3,687,444	8,307,444
2011	3,480,000	3,458,251	6,938,251
2012–2016	19,200,000	14,528,971	33,728,971
2017–2021	16,885,000	9,775,844	26,660,844
2022–2026	21,670,000	4,993,000	26,663,000
2027–2030	6,550,000	484,500	7,034,500
Total	**$86,170,000**	**$49,377,340**	**$135,547,340**

NOTE 9 — OTHER DEBT INFORMATION

Long Term Liabilities. Long-term liability activity (expressed in thousands of dollars) for the year ending June 30, 2006, is summarized below:

Long-term Liabilities *(Dollars in Thousands)*

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006	Current Portion
Advances from Federal Government	$20,721		$265	$20,456	
Bonds Payable, Net	429,600	$140,864	59,412	511,052	$22,910
Compensated Absences	38,700	21,416	21,686	38,430	21,555
Deferred Revenue	6,569	58	5,789	838	
Funds Held in Trust for Others	6,512	5,226	4,712	7,026	
Leases Payable to Affiliated Foundations	82,130	8,195	4,155	86,170	4,365
Notes Payable	5,685		1,802	3,883	1,598
Total	$589,917	$175,759	$97,821	$667,855	$50,428

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

Description of Bonds	Final Maturity Date	Amount Outstanding June 30, 2006
Building Facilities Fee Bonds	2009	$4,235,000
Dormitory Facilities Revenue Bonds, Series A-L	2008	1,285,000
Student Fee Bonds Series M	2006	44,950,000
Student Fee Bonds Series Q	2010	34,955,000

Direct Financing Lease. In 1998, the University agreed to refinance the construction of the Animal Disease Diagnostic Laboratory (ADDL) Building and lease it to the Indiana Department of Administration on behalf of the Indiana State Board of Animal Health. Lease payments are equal to the University's debt service payments. Nonrecourse bonds for $10,830,000 were issued to the Indiana Bond Bank, secured solely by lease payments from the Indiana Department of Animal Health through annual appropriations for this purpose from the state of Indiana. The University's rights to receive lease payments have been assigned to the Trustees for the Indiana Bond Bank. At June 30, 2006, the outstanding amount of these bonds was $5,015,000. The ADDL Building, the lease receivable, and the bonds payable are not reflected on the University's books.

In addition, the University has entered into various operating leases for buildings and equipment. Net expenses for rent under these leases for the year ending June 30, 2006, were $10,094,758 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 $415,836,882 as of June 30, 2006. Of this amount, 37.4% represents appreciation attributable to donor-restricted (true and term) endowments. The University's endowment policies are subject to the provisions of Indiana Code section IC 30-2-12 (Uniform Management of Institutional Funds). Under this section, the University's Board of Trustees may authorize expenditure — consistent with donors' intent — of net appreciation in the fair value of the assets over the historical cost of the endowment.

NOTE 11 — CONTINGENT LIABILITIES AND COMMITMENTS

Legal Actions. In the normal course of its activities, the University is a party in various legal actions. Although it is involved in a number of claims, the University does not anticipate significant losses or costs. After taking into consideration legal counsel's evaluation of pending actions, the University believes that the outcome thereof will not have a material effect on the financial statements.

Construction Projects. As of June 30, 2006, contractual obligations for capital construction projects were $90,383,957.

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

Limited Partnership Agreements. Under the terms of various limited partnership agreements approved by the University's Board of Trustees, the University is obligated to make periodic payments for commitments to venture capital, private equity, natural resources, and real estate investments over the next several fiscal years. As of June 30, 2006, the University had the following unfunded commitments: $52,730,115 to 25 Private Equity/Venture Capital managers, $11,101,474 to six private real estate managers, $9,138,600 to three natural resource managers, and $2,512,520 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
2006–07	$18,870,677
2007–08	18,870,677
2008–09	18,870,677
2009–10	18,870,678

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 2005–2006 fiscal year, the University's cost was $41,691,471 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 2005–2006 fiscal year, the University made contributions totaling $59,041,643 to this plan. For the fiscal year ending June 30, 2006, there were 5,971 employees participating in TIAA with annual pay equal to $404,156,852.

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 2005–2006 fiscal year, the University made contributions totaling $9,831,639 to this plan. For the fiscal year ending June 30, 2006, there were 4,936 employees participating in PERF with annual pay equal to $130,467,126.

The required employer's contribution was determined as part of the July 1, 2005, 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 32 years. Actuarial information from fiscal year 2002–2003 related to the University's portion of the plan is disclosed later in this note. Information related to fiscal years ending June 30, 2004, and June 30, 2005, are being reviewed.

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 ending June 30, 2006, there were 100 employees participating in Police/Fire with annual pay equal to $4,675,259.

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, 2005. 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, 2005, of $2.5 million, which is being amortized over a 30-year period. The required contribution to the plan for the 2005–2006 fiscal year was $956,479, consisting of $635,904 normal cost, $258,001 amortization of the unfunded liability and $62,574 of interest. Of the required amount, $134,332 represents employee contributions, and $822,147 represents the University's contribution. The actual amount contributed by the University was $824,633. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 7% investment rate of return, (b) projected salary increases of 5% per year, and (c) 3% per year cost-of-living adjustments.

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

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

Plan*	Fiscal Year Ending June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Total Unfunded (Excess) Actuarial Liability	Funded Ratio	Annual Covered Payroll	Liability to Payroll	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Benefit)
PERF†	2003	$142,790	$127,758	$(15,032)	111.8%	$109,468	-13.7%	$5,934	108.4%	$(4,549)
Police/Fire	2003	13,384	16,730	3,346	80.0%	4,298	77.8%	912	100.0%	0
	2004	15,007	17,618	2,611	85.2%	4,538	57.5%	917	103.4%	(27)
	2005	16,209	18,724	2,515	86.6%	4,675	53.8%	822	100.4%	(3)

**Data for 2006 not available from actuaries.*
†University portion only.

Cooperative Extension Service. As of June 30, 2006, there were 63 staff members with federal appointments employed by the Indiana Cooperative Extension Service and covered by the Federal Civil Service Retirement System.

NOTE 13 — RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; accident, health, and other medical benefits provided to employees and their dependents; and long-term disability benefits provided to employees. The University handles these risks of loss through combinations of risk retention and commercial insurance. For buildings and contents, the University's risk retention is $250,000 per occurrence. There is $1 million retention per occurrence or wrongful act for general, automobile, and professional and educators' legal liability coverages. The University retains the entire risk for medical benefits. The maximum liability to the University for job-related illnesses or injuries is $250,000 per incident, with a maximum annual aggregate liability of $7.0 million.

Separate funds have been established to account for these risks. All departments of the University are charged fees based on actuarial estimates of the amounts necessary to pay claims and to establish reserves for catastrophic losses. For 2005–2006 fiscal year, the University reflects $1.98 million of insurance proceeds, of which $1.9 million are accounts receivable, as non-operating income within the Plant Asset Retired line in the Statement of Revenue, Expenses and Changes in Net Assets.

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, 2006, 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 2005–2006 and 2004–2005 fiscal years were as follows:

	Year Ending June 30, 2006	Year Ending June 30, 2005
Beginning Liability	$13,068,689	$14,914,193
Claims Incurred	51,232,338	57,357,438
Claims Payments	(50,681,363)	(59,202,942)
Ending Liability	**$13,619,664**	**$13,068,689**

University Hall at Founders Park

NOTE 14 — OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification (expressed in thousands of dollars) for the fiscal years ending June 30, 2006, and June 30, 2005, are summarized as follows:

Operating Expenses by Function for the Year Ending June 30, 2006

	Compensation and Benefits	Supplies and Services	Depreciation	Scholarships, Fellowships, and Student Awards	Total
Instruction and Departmental Research	$434,086	$ 69,794			$ 503,880
Organized Activities Related to Instruction and Research	8,029	10,775			18,804
Sponsored Research	109,040	51,209			160,249
Other Separately Budgeted Research	36,338	6,377			42,715
Extension and Public Service	69,504	31,344			100,848
Academic Support	16,391	18,813			35,204
Student Services	30,322	7,685			38,007
Physical Plant Operations and Maintenance	57,658	32,873			90,531
General Administration	58,118	19,423			77,541
General Institutional Services	28,176	7,731			35,907
Student Aid	2,319	1,614		$30,021	33,954
Auxiliary Enterprises	77,262	93,172			170,434
Depreciation			$90,325		90,325
Total	**$927,243**	**$350,810**	**$90,325**	**$30,021**	**$1,398,399**

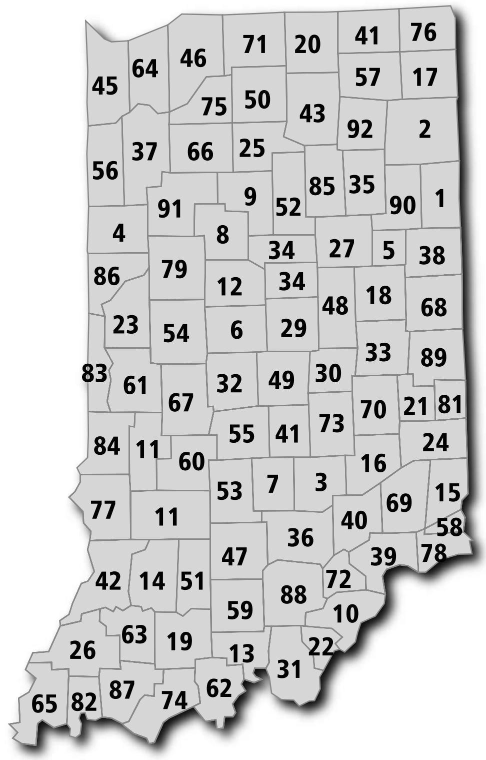
Operating Expenses by Function for the Year Ending June 30, 2005

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

IN-STATE ENROLLMENT (UNAUDITED)

Total In-State Enrollment by County, Fall 2005–2006 Academic Year

The overall (in-state and out-of-state) enrollment at Purdue University was 64,769 students for the 2005–2006 fall semester. The breakdown was: West Lafayette, 38,712; Calumet, 9,302; Fort Wayne, 11,795; North Central, 3,519; and Statewide Technology, 1,441. (The enrollment figures do not include 4,232 Purdue University students at Indiana University-Purdue University Indianapolis.) Although students came to Purdue from all over the world, 73% systemwide came from within Indiana.



	County	West Lafayette	Regional Campuses	Statewide Technology Sites	Total
1	Adams	88	357	1	446
2	Allen	1,116	7,267	6	8,389
3	Bartholomew	252	3	112	367
4	Benton	141	5	8	154
5	Blackford	27	15		42
6	Boone	382	4	1	387
7	Brown	10		6	16
8	Carroll	183	1	13	197
9	Cass	172	22	37	231
10	Clark	137	1	33	171
11	Clay	62	2	1	65
12	Clinton	231	4	21	256
13	Crawford	15	2		17
14	Daviess	51		1	52
15	Dearborn	103	547	1	651
16	Decatur	181	1	4	186
17	DeKalb	129	1	34	164
18	Delaware	163	22	19	204
19	DuBois	163	2		165
20	Elkhart	486	87	44	617
21	Fayette	43	2	30	75
22	Floyd	176	3	46	225
23	Fountain	118		1	119
24	Franklin	79		7	86
25	Fulton	85	31	4	120
26	Gibson	85			85
27	Grant	138	59	16	213
28	Greene	51		1	52
29	Hamilton	1,456	13	25	1,494
30	Hancock	244	2	6	252
31	Harrison	57		19	76
32	Hendricks	555	7	8	570
33	Henry	104	3	19	126
34	Howard	403	11	110	524
35	Huntington	127	416	1	544
36	Jackson	100		25	125
37	Jasper	227	169	1	397
38	Jay	27	23		50
39	Jefferson	85	1	9	95
40	Jennings	37	1	24	62
41	Johnson	352	2	15	369
42	Knox	93	1		94
43	Kosciusko	274	458	4	736
44	LaGrange	67	117	1	185
45	Lake	393	1,614	3	2,010
46	LaPorte	2,078	7,673	1	9,752
47	Lawrence	97	1	2	100
48	Madison	287	4	69	360
49	Marion	2,018	33	41	2,092
50	Marshall	171	39	14	224
51	Martin	13			13
52	Miami	118	25	32	175
53	Monroe	197	7		204
54	Montgomery	231	1	9	241
55	Morgan	161	5	3	169
56	Newton	81	23	3	107
57	Noble	110	467		577
58	Ohio	18		1	19
59	Orange	52		1	53
60	Owen	22	1		23
61	Parke	30	1	5	36
62	Perry	31	2	3	36
63	Pike	19			19
64	Porter	853	2,112	2	2,967
65	Posey	98		1	99
66	Pulaski	117	29	2	148
67	Putnam	110	1		111
68	Randolph	48	2	7	57
69	Ripley	96		24	120
70	Rush	57	1	12	70
71	St. Joseph	23		1	24
72	Scott	133	2	10	145
73	Shelby	80	1	1	82
74	Spencer	996	92	117	1,205
75	Starke	88	126	2	216
76	Steuben	101	234		335
77	Sullivan	26			26
78	Switzerland	19		3	22
79	Tippecanoe	3,053	24	115	3,192
80	Tipton	98	2	12	112
81	Union	7	1	4	12
82	Vanderburgh	356	3	3	362
83	Vermillion	41		9	50
84	Vigo	206		15	221
85	Wabash	109	182	3	294
86	Warren	63		2	65
87	Warrick	187	1		188
88	Washington	27	2	14	43
89	Wayne	161	6	78	245
90	Wells	79	322		401
91	White	277	4	11	292
92	Whitley	86	496		582
	Total	22,797	23,201	1,349	47,347

ACKNOWLEDGEMENTS:

The following staff members of the Department of Accounting Services, Office of the Comptroller, prepared the 2005–2006 Financial Report and the included financial statements.

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FINANCIAL REPORT 2006

PURDUE
UNIVERSITY

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APPENDIX C

SUMMARY OF LEGAL DOCUMENTS:
INDENTURE, 2001 LEASE AND PARKING LEASES

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THE INDENTURE

The following is a brief summary of certain provisions of the Indenture and does not purport to comprehensively describe that document in its entirety.

Definitions

As used in this Appendix the following definitions shall apply:

"1994 Lease" means the Lease-Purchase Agreement dated as of September 1, 1994, by and between the Corporation and the Foundation, as the same may be amended, modified or supplemented by any amendments or modifications thereof and supplements thereto entered into in accordance with the provisions thereof, as designed by the Foundation under the 1998 Indenture.

"1996 Indenture" means the Trust Indenture between the Foundation and the Trustee dated as of November 15, 1996 pursuant to which the Series 1996 Participation Certificates were issued.

"1996 Leases" means the various lease purchase agreements identified in Exhibit D to the 2006 Indenture, as each of the same may be amended, modified or supplemented from time to time.

"1996 Refunding Account" means the 1996 Refunding Account of the Project Fund created pursuant to the 2006 Indenture.

"1998 Indenture" means the Trust Indenture between the Foundation and the Trustee dated as of November 1, 1998, pursuant to which the Series 1998 Participation Certificates were issued.

"2001 Lease" means the Lease-Purchase Agreement regarding the Stadium Project dated as of November 1, 2001, by and between the Corporation and the Foundation, as the same may be amended, modified or supplemented by any amendments or modifications thereof and supplements thereto entered into in accordance with the provisions thereof.

"2001 Refunding Account" means the 2001 Refunding Account of the Project Fund created pursuant to the 2006 Indenture.

"2006 Indenture" means the Trust Indenture dated as of November 15, 2006 between the Foundation and the Trustee which supplements the 1996 Indenture and pursuant to which the Series 2006 Participation Certificates will be issued on a parity basis with the Series 1998 Participation Certificates.

"Additional Participation Certificates" means Participation Certificates issued pursuant to the Indenture including Section 1.09 of the 2006 Indenture.

"Certificate Fund" means the fund created in Section 1.06 the 2006 Indenture.

"Certificate Holder," "holder" or "owner" means the registered owner of any Participation Certificate as the names appear on the registration books maintained by the Trustee.

"Corporation" means The Trustees of Purdue University, a body corporate created by the General Assembly of the State of Indiana, and its lawful successors.

"Eligible Investments" means as to the Certificate Fund and the Project Fund (i) obligations issued or guaranteed by the United States of America or any instrumentality thereof including Federal Farm Credit Banks and Federal Home Loan Banks, (ii) certificates of deposit issued by any savings and loan association, bank or trust company, including the Trustee, organized under the laws of the United States or any state thereof, with a capital and surplus of at least $25,000,000, (iii) repurchase agreements issued by savings and loan associations, banks, trust companies (including the Trustee), or government securities dealers, which repurchase agreements are fully collateralized at market value by obligations of the type specified in (i) above, and (iv) money market funds, mutual funds or trust funds (including those of the Trustee) the assets of which consist of obligations of the type specified in (i), (ii) or (iii) above.

"Escrow Agreement" means the Escrow Deposit Agreement dated concurrently herewith between The Bank of New York Trust Company, N.A. (as trustee for the Refunded Certificates, as Escrow Trustee, as Prior Trustee and as Trustee), and the Foundation.

"Escrow Trustee" means The Bank of New York Trust Company, N.A. and its successors and assigns.

"Extraordinary Services" and "Extraordinary Expenses" means all services rendered and all reasonable expenses properly incurred by the Trustee under the Indenture other than Ordinary Services and Ordinary Expenses.

"Foundation" means Ross-Ade Foundation and its lawful successors and assigns, including any surviving, resulting or transferee corporation.

"Indenture" means the 1996 Indenture, as supplemented by the 1998 Indenture, as further supplemented and amended by the 2006 Indenture and as further supplemented or amended from time to time.

"Leases" means the 2001 Lease together with the 1996 Leases, the 1994 Lease and such other Lease or lease purchase agreement as may be added from time to time to the lien of the Indenture pursuant to Section 1.09 and 2.08 hereof.

"Lessee Representative" means the person designated by the Corporation to act as its representative with respect to the Indenture or the Lease.

"Lessor Representative" means the person designated by the Foundation to act as its representative with respect to the Indenture and the Lease.

"Ordinary Services" and "Ordinary Expenses" means those services normally rendered and those expenses normally incurred by a trustee under instruments similar to the Indenture.

"Original Date" means December 1, 2006.

"Original Purchaser" with respect to the Series 2006 Participation Certificates means, collectively, Lehman Brothers Inc., City Securities Corporation and Cabrera Capital Markets Inc.

"Outstanding Participation Certificates" or "Participation Certificates Outstanding" means all Participation Certificates which have been executed and delivered by the Trustee under the Indenture except:

(a) Participation Certificates canceled on surrender, exchange or transfer or canceled because of payment or redemption;

(b) Participation Certificates for the payment or redemption of which sufficient cash funds shall have been theretofore irrevocably deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Participation Certificates), or which are deemed to have been paid and discharged, pursuant to the provisions of the Indenture; provided that if such Participation Certificates 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) Participation Certificates in lieu of which others have been executed under Section 2.08 of the Indenture.

"Participation Certificates" means the Series 2006 Participation Certificates, the Series 1998 Participation Certificates and any Additional Participation Certificates.

"Person" means natural persons, firms, associations, corporations and public bodies.

"Prior Trustee" means The Bank of New York Trust Company, N.A. as successor trustee for the Series 2001 Participation Certificates.

"Project Fund" means the fund created in Section 1.05 hereof.

"Projects" means the Stadium Project and the parking garages described in Exhibit C of the 2006 Indenture together with other "Projects" (as defined in Section 1.09(a) of the 1996 Indenture as amended) financed or refinanced by indentures supplemented hereto and by the 1996 Indenture.

"Refunded Certificates" means the instruments being refunded by the Series 2006 Participation Certificates including particularly the Outstanding Series 1996 Participation Certificates and the Outstanding Series 2001A Participation Certificates.

"Series 1996 Participation Certificates" means the $25,330,000 in original principal amount of Certificates of Participation, Series 1996 dated as of November 15, 1996, the remaining balance of which are being refunded by the Series 2006 Participation Certificates.

"Series 1998 Participation Certificates" means the $11,380,000 in original principal amount of Certificates of Participation, Series 1998, dated as of November 1, 1998.

"Series 2001 Participation Certificates" means, collectively, the Certificates of Participation, Series 2001A (the "Series 2001A Certificates") and the Certificates of Participation, Series 2001B (Taxable) (the "Series 2001B Certificates") issued to finance the Stadium Project.

"Series 2006 Certificate Expense Account" means the account of the Project Fund created in Section 5.01(a)(i) of the 2006 Indenture.

"Series 2006 Participation Certificates" or "2006 Certificates" means the $70,345,000 Certificates of Participation, Series 2006 evidencing a proportionate interest of the owners thereof in rental payments under the Leases to be made by the Corporation, as Lessee, and identified in Section 1.01 of the Indenture.

"Stadium Project" means the land, buildings, structures, furnishings, equipment and other athletic facilities financed with the 2001 Certificates and leased under the 2001 Lease and any amendments or supplements to the 2001 Lease, together with any subsequent athletic facilities financed pursuant to supplemental indentures hereto, except for those components financed by the Series 2001B Participation Certificates.

"Trustee" means The Bank of New York Trust Company, N.A. and its successors and assigns, including any surviving, resulting or transferee corporation, and any successor trustee at the time serving as successor trustee under the Indenture.

"Undertaking Agreement" means the Continuing Disclosure Undertaking Agreement dated as of July 1, 1996, as previously supplemented, and as further supplemented by a Seventeenth Supplement to Continuing Disclosure Undertaking Agreement dated as of November 15, 2006, by and between the Corporation and The Bank of New York Trust Company, N.A., as successor counterparty, as further supplemented and amended from time to time.

Application of 2006 Certificate Proceeds and Project Fund

The proceeds of the 2006 Certificates shall be deposited (or transferred as the case may be) by the Trustee as follows:

(i) $232,949.64 to (or to the order of) the Foundation for deposit into the Series 2006 Certificate Expense Account of the Project Fund, for payment of costs of issuance; and

(ii) (a) $11,212,903.00 into the 1996 Refunding Account of the Project Fund (which is hereby established) to be immediately transferred to the Escrow Trustee for deposit into the 1996 Escrow Fund established under the Escrow Agreement; and

(b) $63,833,562.32 (plus $513,961 of Corporation funds) into the 2001 Refunding Account of the Project Fund (which is hereby established) to be transferred to the Escrow Trustee for deposit into the 2001 Escrow Fund established under the Escrow Agreement,

all in order to refund the Refunded Certificates or to discharge the 2001 Indenture.

Certificate Fund and Rebate Fund

Under the Indenture the Trustee holds in trust the Certificate Fund and the Rebate Fund.

There shall be deposited into the Certificate Fund, as and when received (a) all proceeds of the Certificates representing accrued interest; (b) all rent payments specified in the Lease; (c) all other moneys received by the Trustee under and pursuant to any of the provisions of the Lease which are to be paid into the Certificate Fund; and (d) any moneys received by the Trustee from the sale or disposition of the Projects.

All moneys deposited in the Certificate Fund shall be invested as provided in the Indenture. Investment earnings derived therefrom shall be available for transfer to the Rebate Fund upon the written direction of the Corporation to satisfy the rebate requirement, if any, to the United States of America and thereafter shall be applied to the payment of the Trustee's fees for Ordinary and Extraordinary Services and Ordinary and Extraordinary Expenses due and payable at such time. All moneys deposited in the Certificate Fund that are not needed to pay the principal of and premium, if any, and interest on the Certificates or to transfer to the Rebate Fund or to pay the Trustee's fees for Ordinary Services and Ordinary Expenses shall be applied by the Trustee as a credit to reduce the next immediately succeeding rent payment to become due under the Leases or, if the final rent payment has been made or provided for, shall be returned to the Corporation.

Except as provided above with respect to investment earnings, moneys in the Certificate Fund shall be used solely for the payment of the principal of and premium, if any, and interest on the Certificates and the payment of the Trustee's fees for its Ordinary Expenses and Ordinary Services (as defined in the Indenture); provided that no Trustee's fees may be paid from a rent payment deposited in the Certificate Fund until after all payments of principal of and premium, if any, and interest on the Certificates due within twenty (20) days of the receipt of such rent payment shall have been made; and provided further, that no part of said moneys in the Certificate Fund (other than any amounts paid into the Certificate Fund under the terms of the Leases for use in the exercise of the Corporation's option to purchase the Projects or designated by the Foundation or the Corporation under the terms of the Indenture for the purpose of redemption in accordance with the terms of the Indenture) shall be used to redeem, prior to maturity, any part of the Certificates Outstanding.

The Rebate Fund shall be used to make any rebate to the United States of America required to prevent the Certificates (other than those intended to be taxable and so designated) from becoming "arbitrage bonds" under the Code. The Foundation shall cause the rebate amount to be calculated in the manner and in the intervals as required by Section 148(f) of the Code. Such calculations shall be provided to the Trustee as soon as practicable after the completion thereof. If a deposit to the Rebate Fund is required, the Foundation shall transfer moneys equal to such amount to the Rebate Fund from moneys on deposit in the Project Fund. If such amounts are not sufficient to make such deposit, then the Trustee shall transfer moneys from the Certificate Fund to make up the deficiency in the required deposit. If the amounts held in such funds are not sufficient to make the required deposit, then the Trustee shall notify the Foundation, which shall request the Corporation to make the additional payment under the Lease. If amounts in excess of that required to be rebated to the United States of America accumulate in the Rebate Fund, the Trustee shall upon direction from the Foundation transfer such amount to the Certificate Fund.

No later than 60 days after November 1, 2006 and every five years thereafter, the Trustee shall, upon written request of the Foundation, pay to the United States of America 90% of the amount required to be on deposit in the Rebate Fund with respect to the Participation Certificates as of such payment date. Not later than 60 days after final retirement of the Certificates, the Trustee shall, upon written request from the Foundation, pay to the United States of America 100% of the balance remaining in the Rebate Fund with respect to the Certificates.

Investment of Funds

The original proceeds of the 2006 Certificates held in the Certificate Expenses Account of the Project Fund shall be invested by the Foundation in Eligible Investments. All moneys in the Certificate Fund shall be invested by the Trustee in Eligible Investments. The type, amount and maturity shall be such so that the moneys invested will be available to make payments from the respective funds in accordance with the provisions of the Leases and the Indenture as applicable. Any such investment may be purchased from the Trustee, and such investments shall be deemed at all times a part of the Project Fund or the Certificate Fund, as appropriate, and the interest accruing thereon, and any profit realized therefrom shall be credited to the respective fund or account and any loss resulting from such investments shall be charged to the respective fund or account. The Trustee shall sell and reduce to cash a sufficient portion of investments in the Certificate Fund whenever the cash balance in the Certificate Fund is insufficient to pay the current interest and principal requirements on the Certificates when due. The Trustee shall not be liable for any losses occurring as a result of any such sales of investments.

All moneys in the Refunding Accounts of the Project Fund shall be transferred to the Escrow Trustee for deposit in the Escrow Fund to effect the defeasance of the Refunded Certificates.

Covenants of Foundation and Trustee

The Foundation and the Trustee covenant in the Indenture, among other things, that:

(a) There will be paid, solely from the source provided in the Indenture, the principal of and premium, if any, and interest on every Certificate on the dates and at the place and in the manner mentioned in the Certificates according to the true intent and meaning thereof.

(b) There will be faithful observation and performance at all times of all agreements, covenants, undertakings, stipulations and provisions contained in the Indenture and in any and every Certificate executed and delivered under the Indenture pertaining to the Certificates or the Lease.

(c) Upon delivery of the Certificates, the Foundation will assign the rentals and other moneys payable by the Corporation under the Leases to the Trustee for the payment of principal of and premium, if any, and interest on the Certificates.

(d) Except as otherwise provided in the Indenture and the Leases, the Trustee and the Foundation will not sell or otherwise dispose of all or any part of the Project or create or suffer to be created any debt, lien or charge thereon, or make any other pledge or assignment of or create any lien or encumbrance upon the rentals, revenues and other income, charges and moneys realized from the lease, sale or other disposition of the Project other than the pledge and assignment thereof under the Indenture.

(e) Pursuant to the provisions of the Leases, the Corporation has agreed to pay all lawful taxes, assessments and charges at any time levied or assessed upon or against the Project, or any part thereof, provided, however, that this shall not require the payment of any such taxes, assessments or charges if the same are not required to be paid under the provisions of the Leases.

(f) Pursuant to the provisions of the Leases, the Corporation has agreed at its own expense to cause the Project to be kept in good repair and good condition, and the Corporation may, at its own expense, from time to time undertake additions, remodeling, modifications and improvements to the Project under the terms and conditions set forth in the Leases.

(g) The Leases and the Indenture (and any amendments or supplements thereto) and all necessary financing statements, amendments thereto, continuation statements and instruments of similar character relating to the pledges made to secure the Certificates, shall be recorded and filed by the Corporation in such manner and in such places as may be required by law in order to fully preserve and protect the security of the Certificate holders and the rights of the Trustee.

(h) The 2001 Lease, a duly executed counterpart of which has been filed with the Trustee, set forth the covenants and obligations of the Corporation, and subsequent to the issuance of the 2006 Certificates and prior to payment of the Certificates in full or provision for payment thereof in accordance with the provisions thereof, the 2001 Lease may not be effectively amended, changed, modified, altered or terminated (other than as provided in the Indenture) without the prior written consent of the Trustee.

(i) The Trustee covenants that it shall do all things on its part necessary to maintain the Leases in effect in accordance with the terms thereof and will take all actions necessary to enforce and protect its rights under the Lease, including actions at law and in equity, as may be appropriate.

(j) The Foundation covenants that it will restrict the use of the proceeds of the Series 2006 Certificates and moneys in the Certificate Fund in such manner and to such extent, if any, as maybe necessary, after taking into account reasonable expectations at the time of the delivery of and payment for the 2006 Certificates, so that they will not constitute arbitrage bonds under Section 148 of the Code and the regulations relating thereto. The Treasurer of the Foundation and any officer of the Trustee having responsibility with respect to the Leases or issuance of the 2006 Certificates is authorized and directed, alone or in conjunction with any other officer, employee, consultant or agent of the Foundation or the Trustee, to give an appropriate certificate for inclusion in the transcript of proceedings, setting forth the reasonable expectations on the date of delivery of and payment for the 2006 Certificates regarding the amount and use of the proceeds of the 2006 Certificates pursuant to said Section 148 and any applicable regulations.

(k) The Foundation covenants that it will not permit the Projects to be used by nongovernmental persons in such a manner as to cause the 2006 Certificates to be or become "private activity bonds" within the meaning of Section 141 of the Code, unless expressly contemplated in the Indenture or in the supplemental indenture pursuant to which a series is issued.

(l) The Foundation covenants that it will not take any action nor fail to take any action that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the 2006 Certificates pursuant to Section 103 of the Code, nor will the Foundation act in any other manner which would adversely affect such exclusion. The foregoing covenant is based solely on existing law in effect and in existence on the date of delivery of the 2006 Certificates.

Representations and Warranties of Foundation

The Foundation represents, warrants and agrees in the Indenture, as follows:

(a) The Foundation is a duly organized and validly existing corporation in good standing under the laws of the State of Indiana and has the full corporate power and authority to own its property and assets and to transact the business in which it is engaged or presently proposes to engage; and has the full corporate power and authority to execute, deliver and carry out the terms and provisions of the Indenture, the Leases and any other documents connected therewith to which it is a party and has taken all necessary corporate action to authorize the execution and delivery of the Indenture, the Leases and any other documents connected therewith to which it is a party and the carrying out by it of the terms and provisions thereof.

(b) No default and no condition, event or act which, with the giving of notice or lapse of time, or both, could become a default exist under the Indenture, the Leases or any other document connected therewith to which the Foundation is a party or by which it is bound.

(c) Neither the construction of the Projects nor the execution and delivery of the Indenture, the Leases or any other documents connected therewith to which the Foundation is a party, nor the consummation of the transactions therein contemplated, nor the compliance with the terms and provisions thereof, will contravene any provision of present law, statute, rule or regulation to which it is subject or any judgment, decree, order, franchise or permit applicable to it, or will conflict or will be inconsistent with, or will result in any breach of, any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, security interest or encumbrance upon any property or assets of it (other than the Projects) pursuant to the terms of any indenture, mortgage, deed of trust, agreement or other instrument to which it is a party or by which it or its property may be subject, or violate any provision of its articles of incorporation or by-laws.

(d) There are no actions, suits or proceedings pending, or to the Foundation's knowledge threatened, against or affecting it or its property before any court or before any governmental or administrative body or agency (domestic or foreign), the outcome of which might have a material adverse effect upon the Foundation's ability to meet and carry out its obligations under the Indenture, the Leases or any other documents connected therewith to which it is a party, or of preventing or interfering with the execution or delivery of, or carrying out the provisions of, the foregoing instruments or agreements.

(e) No consent or approval of, or exemption by, any governmental or public body or authority, which has not now been obtained, is required to authorize, or is required in connection with, the execution, delivery and performance by the Foundation of the Indenture, the Leases or the taking of any action thereby contemplated; nor is any filing, recording, registration, giving of notice or other similar action required or permitted by law, which has not now been performed, to establish, perfect, protect or preserve the rights and titles, interests, remedies, powers or privileges of the Trustee thereunder.

(f) The Foundation is the owner in fee simple of the real estate and improvements as described in the Indenture, subject to the Indenture and the Leases. Neither the Projects, nor any part thereof, are subject to any lien or encumbrance of any character except for (i) easements and restrictions of record, including existing streets and alleys, (ii) current real and personal property taxes and non-delinquent assessments, and (iii) the Leases and the Indenture.

(g) To the best of the Foundation's knowledge, there are no pending or threatened condemnation proceedings affecting the real estate upon which the Projects are or will be located.

Insurance

The Foundation covenants that it will carry or will cause other persons to carry for its benefit, with respect to the Projects, but only after the Completion Date with respect to the Projects, such insurance coverage as the Corporation would customarily maintain with respect to its other properties, including but not limited to that commonly known as fire and extended coverage and comprehensive general liability coverage.

The policies evidencing all such insurance shall contain the customary provisions and such other provisions and endorsements as the Corporation shall reasonably require. Certificates of insurance showing the Trustee as co-loss payee shall be forwarded to the Trustee by the Foundation.

Subordination to Rights of Corporation

The Indenture and the rights and privileges of the Trustee and the Certificate holders thereunder are subject and subordinate to the rights and privileges of the Corporation in the Leases.

Granting of Easements

The Foundation, at the request of the Corporation, may grant or release easements, licenses, rights-of way and other rights or privileges in the nature of easements with respect to the Projects, which the Foundation, acting upon the advice of the Corporation, determines are necessary or desirable for the use of the Projects and which will not result in any reduction of rent payable under the Leases to the Trustee. Any consideration paid for such grant or release shall be prorated between the Corporation and the Foundation as their interests may appear and any such amounts received by the Foundation shall be submitted to the Trustee and deposited in the Certificate Fund.

Events of Default and Remedies

Events of default under the Indenture include:

(a) failure to pay interest on the Certificates as it becomes due and payable; or

(b) failure to pay the principal of, or the redemption premiums, if any, on any of the Certificates; or

(c) failure by the Corporation to insure the Projects as described in the Leases; or

(d) default in the performance or observance of any other of the covenants, agreements or conditions included in the Indenture or in the Certificates which default shall continue unremedied for a period of sixty (60) days after written notice thereof has been sent by the Trustee to the Foundation or a default on the part of the Corporation under the Leases, other than as described in clause (c) above, which default shall continue unremedied for a period of sixty (60) days after written notice thereof has been sent by the Trustee or the Foundation to the Corporation; or

(e) if any representation, warranty or statement made by the Foundation in writing in connection with this financing, or in any certificate or statement signed by an officer of the Foundation and furnished pursuant to any provision of the Indenture, shall be breached or shall prove to be untrue in any material respect on the date as of which made; or

(f) ejection of the Corporation from any material portion of the Projects and the use and occupancy thereof by reason of a defect in title to the Projects; or

(g) default in the performance of any obligation or in the observance of any covenant imposed on the Foundation under the Leases; or

(h) the assignment of any rights under the Indenture or any interest therein by the Foundation or the conveyance or encumbrance in any way of any material portion of the Projects by the Foundation without the written consent of the Trustee; or

(i) occurrence of certain events of bankruptcy or insolvency of the Foundation or the Corporation; or

(j) the refusal of the Foundation to permit the Trustee or its representatives to enter upon and inspect the Projects at all reasonable times, or the failure by the Foundation to comply with any requirement which relates to the Projects of any governmental authority having jurisdiction within sixty (60) days after notice in writing of such requirements has been given to the Foundation; or

(k) the legal documents, evidence of title, title opinion or survey are subject to objections or encumbrances other than those mentioned in the Indenture or are in form not reasonably satisfactory to the Trustee.

Upon the happening and continuance of any event of default, the Trustee may, and upon written request of the holders of twenty-five percent (25%) in principal amount of the Participation Certificates then outstanding and upon being indemnified to its reasonable satisfaction shall, declare the principal amount of and interest accrued on all Outstanding Certificates immediately due and payable; subject, however, to the rights of the holders of 51% in principal amount of all the Outstanding Certificates to annul such declaration if all such events have been cured, all arrears of interest have been paid and all other indebtedness secured by the Indenture (except the principal and interest not then due) has also been paid.

<u>Surrender of Possession of Project; Rights and Duties of Trustee in Possession</u>

Under the terms of the Leases, upon the failure of the Corporation to pay rentals as due or upon the occurrence of a default under the Leases and the continuance of such default for a period of sixty (60) days after written notice to correct such default, the Corporation, upon demand of the Trustee, as lessor, shall surrender the possession of the Projects. Thereafter, it shall be lawful for, and the Trustee agrees to, take possession of all or any part of the Projects, and to hold and manage the same, and from time to time to make all needful repairs and improvements as by the Trustee shall be deemed wise; and the Trustee may lease the Projects or any part thereof in its name and collect, receive and sequester the rentals, revenues and other income, charges and moneys, therefrom, and out of the same and any moneys received from any receiver of any part thereof pay, and/or set up proper reserves for the payment of, all proper costs and expenses of so taking, holding and managing the same, including reasonable compensation to the Trustee, its agents and counsel, and any charges of the Trustee, any taxes, assessments and other charges prior to the lien of the Indenture which the Trustee may deem it wise to pay, and all expenses of such repairs and improvements, and apply the remainder of the moneys so received in accordance with the provisions of the Indenture. Whenever all that is due upon the Certificates shall have been paid and all defaults made good, the Trustee shall surrender possession to the Corporation, its successors or assigns; the same right of entry, however, to exist upon any subsequent event of default.

While in possession of such property the Trustee shall render to the Corporation and also upon their written request to the holders of all Certificates, a summarized statement of income and expenditures in connection therewith.

Any sale made either under the Indenture, to the extent permitted by law, or by judgment or decree in any judicial proceeding for foreclosure shall be conducted as required by the Indenture. The proceeds of any such sale shall be applied to pay the costs and expenses of the sale or judicial proceedings pursuant to the sale, the expenses of the Trustee and the holders of the Participation Certificates (to the extent such expenses are recoverable under the Indenture), with interest at the highest rate of interest on any of the Certificates when sold, and the payment of the installments of interest which are due and unpaid in the order of their maturity, next, if the principal of the Certificates is due, to the payment of the principal thereof and the accrued interest thereon pro rata. No holder of all of the Certificates shall have the right to institute any proceeding in law or in equity for the foreclosure of the Indenture, the appointment of a receiver, or for any other remedy under the Indenture without complying with the provisions of the Indenture.

Other Remedies: Rights of Certificate Holders

Upon the occurrence of an event of default the Trustee may, as an alternative, either after entry or without entry, pursue any available remedy to enforce the payment of the principal of and premium, if any, and interest on the Certificates then outstanding or of compliance with any other obligation or requirement of the Indenture.

If an event of default shall have occurred, and if requested so to do by the holders of at least twenty-five percent in aggregate principal amount of Certificates then outstanding, and indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, shall deem most expedient in the interests of the holders or owners of the Certificates.

No delay or omission to exercise any right or power accruing upon any default or event of default shall impair any such right or power or shall be construed to be a waiver of any such default or event of default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient. No waiver of any default or event of default under the Indenture, whether by the Trustee or by the holders or owners of the Certificates, shall extend or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereon.

Right of Certificate Holders to Direct Proceedings

Anything in the Indenture to the contrary notwithstanding, the holders of a majority in aggregate principal amount of Certificates then outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings thereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Waiver of Events of Default

The Trustee may in its discretion waive any event of default under the Indenture and its consequences arid rescind any declaration of maturity of principal, and shall do so upon the written request of the holders of at least (1) 51% in aggregate principal amount of all the Certificates then outstanding in respect of which default in the payment of principal and/or interest exists, or (2) 51% in principal amount of all Certificates then outstanding in case of any other default; provided, however, that there shall not be waived (a) any event of default in the payment of the principal of any Outstanding Certificates at the date of maturity specified therein or (b) any default in the payment when due of the interest on any such Certificates and there shall be no rescission of a declaration of maturity unless prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Certificates in respect of which such default shall have occurred on overdue installments of interest or all arrears of payments of principal when due, as the case may be, and all expenses of the Trustee, in connection with such default, shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Corporation, the Foundation, the Trustee and the Certificate holders shall be restored to their former positions and rights under the Indenture respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Application of Moneys

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Certificate Fund and all moneys in the Certificate Fund shall be applied as follows:

(a) Unless the principal of all the Certificates shall have become or have been declared due and payable, all such moneys shall be applied:

> First -- To the payment of the persons entitled thereto of all installments of interest then due on the Certificates, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, of the persons entitled thereto, without any discrimination or privilege; and
>
> Second -- To the payment of the persons entitled thereto of the unpaid principal of any of the Certificates which shall have become due (other than Certificates previously called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest on such Certificates from the respective dates upon which they become due and if the amount available shall not be sufficient to pay in full all Certificates due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the person entitled thereto without any discrimination or privilege.

(b) If the principal of all the Certificates shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Certificates, without preference or priority of principal over interest or of interest over principal, or of any installment of interest or of preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Certificate over any other Certificate, ratably, according to the amount due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied as stated above, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any moneys and of the fixing of any such date, and shall not be required to make payment to the holder of any Certificate until such Certificate shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever (i) all Certificates and interest thereon have been paid, (ii) all expenses and charges of the Trustee and paying agents have been paid, and (iii) any rebate owed to the United States of America under Section 148 of the Code has been paid, any balance remaining in the Certificate Fund shall be paid to the Corporation as provided in the Indenture.

Supplemental Indentures

The Foundation and the Trustee, without obtaining the approval of the holders of Certificates, may enter into supplemental indentures to cure any ambiguity or formal defect or omission in the Indenture or to grant to the Trustee for the benefit of such holders any additional rights, remedies, powers, authority or security that may be lawfully granted; or to provide for the issuance of Additional Participation Certificates on a parity to finance or refinance additional athletic or parking facilities. See APPENDIX C: "Additional Participation Certificates."

The holders of not less than 51% in aggregate principal amount of the Certificates then outstanding shall have the right, from time to time except when contrary to the Indenture, to approve the execution by the Foundation and the Trustee of such supplemental indentures, except no supplemental indenture shall permit:

(a) An extension of the maturity of the principal of or interest on any Certificate without the consent of the holder of each Certificate so affected;

(b) A reduction in the principal amount of any Certificate or the redemption premium or the rate of interest without the consent of the holder of each Certificate so affected;

(c) A preference or priority of any Certificate or Certificates over any other Certificate or Certificates without the consent of the holders of all Certificates then outstanding; or

(d) A reduction in the aggregate principal amount of the Certificates required for consent to supplemental indentures without the consent of the holders of all Certificates then outstanding.

Lease Amendments

The Corporation and the Trustee may without the consent of or notice to the Certificate Holders consent to any amendment, change or modification of the Leases or any other documents in connection therewith, as may be required (i) by the provisions of the Leases and the Indenture, (ii) for the purpose of curing any ambiguity, inconsistency or formal defect or omission or (iii) in connection with any other change therein which, in the judgment of the

Trustee, having relied on an opinion of Bond Counsel, is not to the prejudice of the Trustee or the holders of the Certificates.

Except for the amendments, changes, or modifications as provided in the preceding paragraph, the Trustee will not consent to any amendment, change or modification of the Leases which would change the rental payments required to be paid under the terms of the Leases or which would alter, change or amend the obligations of the Foundation under the Indenture or any other documents in connection therewith, without notice to and the written approval or consent of the holders of all of the then outstanding Certificates, or to any other amendment, change or modification of the Leases or any other documents in connection herewith or therewith, without publication of notice and the written approval or consent of the holders of not less than 51% in aggregate principal amount of the Certificates at the time outstanding given and procured.

Possession Until Default, Defeasance, Payment, Release

If, prior to the last maturity date of any Outstanding Certificates or prior to their redemption date (if Certificates have been or are to be called for redemption), the Trustee shall hold sufficient funds as described in the next succeeding paragraph and there shall have been paid all fees and charges of the Trustee due or to become due through the date on which the Certificates are to be retired (whether at maturity or by redemption), then the lien of the Indenture with respect to such Certificates shall thereafter be imposed only on the moneys and direct obligations of the United States of America held by the Trustee and payment of the principal of and premium, if any, and interest on those Outstanding Certificates shall be made solely from said moneys and direct obligations of the United States of America and the holders of those Certificates shall not be entitled to enforce payment of any principal of or premium or interest on those Certificates from any other source.

Within the meaning of the preceding paragraph, sufficient funds are held:

(i) if the Trustee shall hold, in trust for and irrevocably committed to the payment of the principal of and premium, if any, and interest on the Certificates, sufficient moneys, or

(ii) if the Trustee shall hold, in trust for and irrevocably committed to the payment of the principal of and premium, if any, and interest on the Certificates, noncallable direct obligations of the United States of America of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (likewise to be held in trust and committed), be sufficient together with moneys referred to in subsection (i) above,

for the payment, at their maturity or redemption date, of the principal of the Certificates together with the redemption premium, if any, and interest accrued to the date of maturity or redemption, as the case may be, or if default in such payment shall have occurred on such date then to the date of the tender of such payment; provided, that if any Certificates are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been duly made for the giving of such notice. Any income or interest earned by, or increment to, the investments held under this section shall, to the extent not required for the purposes of this section, be transferred to the Certificate Fund.

Release of Indenture and Payment of Certificates

When (a) all of the Certificates shall have matured according to their terms or have been called for redemption and the date set for such redemption has occurred and all Certificates presented have been redeemed, or (b) all of the Certificates appertaining thereto have been paid and discharged or the Trustee holds sufficient moneys together with any amounts held by the Trustee for the payment of any Certificates not surrendered on their maturity date or redemption date, and (c) there shall have been paid all fees and charges of the Trustee due, then the Indenture shall cease, determine and become null and void, and thereupon the Trustee shall release the Indenture including the cancellation and discharge of the lien thereof, and execute and deliver such instruments in writing as shall be requisite to satisfy the lien thereof and to enter on the records such satisfaction and discharge as may be reasonably required, and, if the Corporation has exercised its option to purchase the Project or has fully discharged and performed its obligations under the Leases, the Trustee shall assign and deliver to the Corporation any property at the time subject to the lien of the Indenture which may then be in its possession, except such cash and investments as are held by the Trustee for the payment of principal, interest and premium, if any, on retirement of the Certificates.

Additional Participation Certificates

The Trustee, at the written direction of the Foundation or the Corporation, to the extent permitted by law, shall cause to be issued Additional Participation Certificates from time to time to provide for (i) the refunding of Outstanding Certificates in whole or in part, (ii) refunding of certificates of participation in other leases to the Corporation, (iii) the completion of any athletic or parking project or (iv) the financing or refinancing of additional athletic or parking projects; provided that the issuance of such Additional Participation Certificates shall not result in the interest on the Certificates Outstanding immediately prior to such issuance losing the exclusion from gross income for federal income tax purposes. Before any Additional Certificates are executed there shall be delivered to the Trustee the items required by the Indenture. Any series of Additional Certificates shall have maturities, interest rates, interest payment dates, denominations and other terms as provided in the supplemental indenture entered into in connection with such Additional Certificates, and the proceeds thereof shall be held, invested and paid out as therein provided, provided that such terms and provisions shall not be otherwise inconsistent with the Indenture.

Before any Additional Certificates are issued, there must be filed with the Trustee:

1. A written request from the Foundation to the Trustee for the issuance of the Additional Certificates.

2. An original executed counterpart of the supplemental indenture entered into in connection with the issuance of the Additional Certificates, in which supplemental indenture the Foundation, in order to secure the payment of the principal of and premium, if any, and interest on the Certificates, and to secure the performance and observance of

all covenants and conditions contained in the Certificates and the Indenture, pledges, mortgages and assigns to the Trustee, and grants to the Trustee a security interest in, all right, title and interest of the Foundation in or to the property leased by the Foundation to the Corporation under the Additional Leases described in paragraph 3 below.

3. Executed Additional Leases relating to any additional facilities financed thereby, which Additional Leases require the Corporation to pay rent to the Foundation at times and in amounts sufficient to pay the principal of and premium, if any, and interest on such Additional Certificates and the fees for all Ordinary Services and Extraordinary Services and all Ordinary Expenses and Extraordinary Expenses related thereto.

4. The written opinion of counsel satisfactory to the Trustee, to the effect that the documents submitted to the Trustee in connection with the request then being made comply with the requirements of the Indenture, that all filings required to be made under the Indenture have been made, and that in his opinion all conditions precedent to the delivery of such Additional Certificates have been fulfilled.

5. The written opinion of nationally recognized bond counsel (who may also be the counsel referred to above in paragraph 4) that the Certificates the issuance of which is then applied for, when issued, will be valid and legal special obligations in accordance with their terms and will be secured by the Indenture with all Certificates at the time outstanding under the Indenture.

6. Executed Assignments of any Additional Leases described in paragraph 3 above.

7. The written opinion of nationally recognized bond counsel (who may also be the counsel referred to above in paragraph 4) that the supplemental indenture described in paragraph 2 above, the Additional Leases described in paragraph 3 above and the Assignments of any Additional Leases described in paragraph 6 above have been duly executed and delivered and are valid and binding agreements, enforceable in accordance with their terms.

Trustee's Fees, Charges and Expenses

On or after the date on which the Certificates are first delivered to the original purchaser, the Ordinary Services and Ordinary Expenses of the Trustee to be performed under the Indenture in connection with the authorization, issuance, delivery and payment of such series of Certificates shall be withdrawn by the Trustee from the Certificate Fund in payment of such Ordinary Services and Ordinary Expenses. The Trustee shall be entitled to reasonable fees and charges of the Trustee for necessary Extraordinary Services and Extraordinary Expenses under the Indenture. Amounts equal to the necessary Extraordinary Services and Extraordinary Expenses of the Trustee under the Indenture shall be withdrawn by the Trustee from the Certificate Fund in payment of such Extraordinary Services and Extraordinary Expenses; provided, however, that in the event the amount of money in the Certificate Fund is insufficient to satisfy in full the amount due with respect to such Extraordinary Services and Extraordinary Expenses, then the amount unsatisfied shall be cumulated and paid in succeeding years from the balance remaining in the Certificate Fund after first having paid all principal of and premium, if any, and interest on the Certificates which is then next due and payable and its annual fee for its Ordinary Services and Ordinary Expenses then due at the time payment is sought by the Trustee.

Appointment of Successor Trustee

In case the Trustee shall resign or be removed, or be dissolved, or otherwise become incapable of acting under the Indenture, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor shall be appointed by the Foundation; provided that if a successor Trustee is not so appointed within ten days after the notice of resignation is mailed or instrument of removal is delivered, respectively, or the Trustee is dissolved, taken under control or otherwise incapable of action as above provided, then the holders of a majority in aggregate principal amount of Certificates then outstanding, by an instrument or concurrent instruments in writing signed by or on behalf of such holders, may designate a successor Trustee. Every such successor Trustee appointed shall be a trust company or bank in good standing, duly authorized to exercise trust powers within the State of Indiana, having a reported capital and surplus of not less than $50,000,000 and willing to accept the trusteeship under the terms and conditions of the Indenture.

THE 2001 LEASE

The following is a brief summary of certain provisions of the 2001 Lease, and does not purport to comprehensively describe the documents in its entirety.

Leasing

In the 2001 Lease, the Foundation leases to the Corporation the Leased Property, consisting of Ross-Ade Stadium and certain adjoining facilities, utilities and appurtenances located on the Purdue University Campus at West Lafayette, Indiana, for a term of 40 years, beginning on the date of issuance of the 2001 Certificates and ending on the day prior to such date 40 years thereafter, unless expressly extended in writing by the parties or earlier terminated as described below. See “Option to Purchase Leased Property by the Corporation” and “Condemnation.”

Source of Rental Payments

Rental Payments. The Corporation will pay rental under the 2001 Lease during its term in yearly amounts equal to the Foundation’s debt service on the Certificates, plus fees for the Trustee, coordinated in installments in time and amount to match and enable the Foundation to meet and comply with the periodic debt service payment dates as established under the Certificates. The Corporation shall receive credit toward rentals for earnings or other amounts available to the Foundation, related to proceeds from its financing of the costs related to the Leased Property and amounts in sinking or reserve funds, if any. All rentals payable under the terms of the 2001 Lease shall be paid by the Corporation to the Trustee, or to such other bank or trust company as may from time to time succeed such bank as Trustee. All payments made by the Corporation to the Trustee shall be considered as payment to the Foundation of the rentals payable thereunder.

Corporation's Obligations Payable From and Subject to Available Funds

The Corporation has covenanted and agreed that it will use and apply any available funds, to the extent necessary, for the purpose of satisfying its obligations under the 2001 Lease; provided, however, that (i) mandatory student fees (which include all academic fees, however denominated, assessed by the Corporation against students attending Purdue University) and (ii) appropriations from the State of Indiana, shall not be considered available for the payment of such obligations. Notwithstanding any other provisions of the 2001 Lease, the obligations imposed upon the Corporation by the Lease for the payment of rent or making of other expenditures of money shall be and remain subject to the availability of funds which may lawfully be used by the Corporation for such purposes. No obligation imposed on the Corporation under the 2001 Lease shall be or become an obligation, indebtedness or liability of the State of Indiana.

Additional Rental Payments and Other Charges

Additional Rental Payments. The Corporation shall pay as further rental for the Leased Property all real property taxes and assessments levied against the Leased Property, payable during the term of the 2001 Lease. Any and all such payments shall be made and satisfactory evidence of such payments in the form of receipts shall be furnished to the Foundation by the Corporation, at least three (3) days before the last day upon which the same must be paid to avoid delinquency. In case the Corporation shall in good faith desire to contest the validity of any such tax or assessment, and shall so notify the Foundation, and shall famish bond with surety to the approval of the Foundation conditioned upon the payment of the charges so desired to be contested and all damages or losses resulting to the Foundation from the nonpayment thereof when due, the Corporation shall not be obligated to pay the same until such contests shall have been determined.

Public Utility Charges. The Corporation shall pay all charges for gas, electricity, water, light, heat or power, telephone or other communications services, sewage treatment or disposal, or other utility equipment or services used on or in connection with the Leased Property and to indemnify, to the extent permitted by law, the Foundation and save it harmless against any liability or damages on such account.

Repairs and Maintenance

The Corporation covenants throughout the term of the 2001 Lease, at its sole cost and expense, to maintain the Leased Property (including any roadways, sidewalks, parking lots and curbs thereon or adjacent thereto) and to keep the same in good order and condition, excepting reasonable wear and tear, and promptly at the Corporation's own cost or expense to make all necessary repairs, interior and exterior, structural and nonstructural, ordinary as well as extraordinary, foreseen as well as unforeseen, to the Leased Property as may be required to satisfy this covenant. The term "repairs" shall include replacements or renewals when necessary.

All items of equipment and personal property initially furnished by the Foundation shall remain the property of the Foundation during the term of the 2001 Lease, but shall be maintained and kept in repair by the Corporation. When, in the judgment of the Corporation, any such item is no longer useful or usable, it shall be retired, and may be disposed of by the Corporation which shall no longer be responsible for its maintenance. The Corporation may replace any such retired items, and all replacements shall be owned by the Corporation. Any original items of equipment or other personal property remaining upon termination of the 2001 Lease (other than by reason of default by the Corporation) shall thereupon become the property of Corporation.

Damage or Destruction

The Corporation covenants and agrees that, in the case of damage to, or destruction of, any improvements located on or constituting a part of the Leased Property, the Corporation will promptly, at its sole cost and expense, repair or replace the same as nearly as possible to their condition immediately prior to such damage or destruction, to the extent necessary to restore the value and utility of such improvements. The Corporation's obligation to make payment of the rent and all other charges on the part of the Corporation to be paid, and to perform all other covenants or agreements on the part of the Corporation to be performed, shall not be affected by any such damage or destruction, regardless of the cause thereof.

Insurance

During the term of the 2001 Lease, the Corporation shall at its expense procure and at all times keep and maintain in force for the benefit of the Foundation and the Corporation such insurance coverage with respect to the Leased Property as the Corporation would customarily maintain with respect to its other properties, including but not limited to fire and extended risk coverage and comprehensive general liability coverage. The policies evidencing all such insurance shall contain customary provisions, and such other provisions and endorsements as the Foundation may reasonably require. All such policies shall be issued in amounts and by companies satisfactory to the Foundation. The proceeds of such policies (other than liability policies) shall be first applied, to the extent necessary, to satisfy the Corporation's obligations described under the caption "Damage or Destruction," and, if any excess proceeds remain, such excess shall become the sole property of the Corporation.

Corporation's Use, Occupancy. Management and Control

The Corporation covenants and agrees that it will use, occupy, manage and control the Leased Property in the exercise of its responsibilities for the management and operation of the Purdue University Campus at West Lafayette, Indiana, for the educational and other purposes of Purdue University, in a manner consistent with the desired tax status of the 2001 Certificates, and in the discharge of its statutory responsibilities, and for the management, operation and servicing of said institution. All revenues derived by the Corporation from the operation of the Leased Property shall belong to the Corporation and all expenses incurred in connection with said operation shall be paid by the Corporation.

General Covenants

The Corporation shall not assign the Lease or sublet any part of the Leased Property without the prior consent of the Foundation nor, in any event, in such manner as to adversely affect the tax-exempt status of the rents.

Option to Purchase Leased Property by the Corporation

The Foundation has granted to the Corporation the right and option, upon sixty (60) days' written notice to the Foundation and the Trustee, to terminate the 2001 Lease and purchase the Leased Property at a price equal to either (i) the sum of the then unpaid principal, premium, if any, and accrued interest to the date of redemption of the Certificates, plus any other amounts due and payable by the Corporation under the 2001 Lease, or (ii) the amount sufficient to defease the Certificates under the terms of the Indenture, including all costs and expenses incurred in connection therewith, plus all other amounts due and payable by the Corporation under the 2001 Lease. Upon the exercise of the option to purchase granted in the 2001 Lease, the Foundation will, upon payment of the option price, convey the Leased Property to the Corporation, subject only to existing streets and utility or other easements, if any. Thereupon, the 2001 Lease will terminate. All expenses incurred by the Foundation in connection with such transfer of title shall be paid or reimbursed by the Corporation.

If the Corporation does not exercise its option to purchase the Leased Property described in the preceding paragraph, then upon the expiration of the 2001 Lease and the full discharge and performance by the Corporation of its obligations under the 2001 Lease, the Leased Property will be transferred to the Corporation.

Defaults

If the Corporation shall default (a) in the payment of any rentals or other sums payable to the Foundation under the 2001 Lease, or in the payment of any other sum in the 2001 Lease required to be paid for the Foundation; or (b) in the observance of any other covenant, agreement or condition in the 2001 Lease, and such default shall continue for sixty (60) days after written notice to correct the same; then, in any or either of such events, the Foundation may proceed to protect and enforce its rights by suit or suits in equity or at law in any court of competent jurisdiction, whether for specific performance of any covenant or agreement contained in the 2001 Lease, or for the enforcement of any other appropriate legal or equitable remedy; or the Foundation, at its option, without further notice, may terminate the 2001 Lease and take possession of the Leased Property, and the Corporation covenants to surrender the same forthwith upon demand. The Foundation's option to terminate the 2001 Lease and take possession of the Leased Property shall be equally applicable as the remedy in the event the Corporation is unable to meet its rental obligations under the 2001 Lease as a result of a lack of available funds, as described under the caption "Corporation's Obligations Payable From and Subject to Available Funds."

In the event of such termination, the Corporation and the Foundation shall mutually endeavor to reach a satisfactory settlement of the Foundation's claims against the Corporation, as the basis for the transfer of ownership and possession of the Leased Property to the Corporation, in the manner which, absent such default, would have occurred upon expiration of the 2001 Lease, as described above.

The exercise by the Foundation of the above right to terminate the 2001 Lease shall not release the Corporation from the performance of any obligation under the 2001 Lease maturing prior to the Foundation's actual entry into possession. No waiver by the Foundation of any right to terminate the 2001 Lease upon any default shall operate to waive such right upon the same or other default subsequently occurring'.

Condemnation

If the entire Leased Property should be taken by any governmental body having the power of eminent domain, the 2001 Lease shall terminate effective on the date when the Corporation is deprived of possession of the Leased Property. In such event the Corporation shall have no further obligations as to rentals or other payments to the Foundation, and each party shall look to the condemning authority for compensation for any and all damage, loss and injury it may have incurred by reason of such taking and condemnation. In the event part but less than all of the Leased Property should be so taken, the 2001 Lease shall not terminate, but the Corporation's obligations thereunder as to payment of rentals and other amounts shall be decreased by the amount of compensation payable to the Foundation by the condemning authority.

PARKING LEASES

The following is a brief summary of certain provisions of the Lease Agreements for parking facilities, and does not purport to comprehensively describe the documents in their entirety.

Source of Rental Payments

Rental Payments. The Corporation will pay rental under the Lease Agreements during the respective terms of the Lease Agreements in yearly amounts equal to the Foundation's debt service on the Participation Certificates, plus fees for the Trustee, coordinated in installments in time and amount to match and enable the Foundation to meet and comply with the periodic debt service payment dates as established under the Participation Certificates. The Corporation shall receive credit toward rentals for earnings or other amounts available to the Foundation, related to proceeds from its financing of the costs related to the Projects. All rentals payable under the terms of the Lease Agreements shall be paid by the Corporation to the Trustee, or to such other bank or trust company as may from time to time succeed such bank as Trustee. All payments made by the Corporation to the Trustee shall be considered as payment to the Foundation of the rentals payable thereunder.

Corporation's Obligations Subject to Available Funds

The Corporation has covenanted and agreed that it will use and apply any available funds, to the extent necessary, for the purpose of satisfying its obligations under the Lease Agreements; provided, however, that (i) mandatory student fees (which include all academic fees, however denominated, assessed by the Corporation against students attending Purdue University) and (ii) appropriations by the State of Indiana, shall not be considered available for the payment of such obligations. Notwithstanding any other provisions of the Lease Agreements, the obligations imposed upon the Corporation by the Lease Agreements for the payment of rent or making of other expenditures of money shall be and remain subject to the availability of funds which may lawfully be used by the Corporation for such purposes. No obligation imposed on the Corporation under the Lease Agreements shall be or become an indebtedness of or liability against the State of Indiana.

Additional Rental Payments and Other Charges

Additional Rental Payments. The Corporation shall pay as further rental for the Projects all taxes and assessments levied against or on account of the Projects. Any and all such payments shall be made and satisfactory evidence of such payments in the form of receipts shall be furnished to the Foundation by the Corporation, at least three (3) days before the last day upon which the same must be paid to avoid delinquency. In case the Corporation shall in good faith desire to contest the validity of any such tax or assessment, and shall so notify the Foundation, and shall furnish bond with surety to the approval of the Foundation conditioned upon the payment of the charges so desired to be contested and all damages or losses resulting to the Foundation from the nonpayment thereof when due, the Corporation shall not be obligated to pay the same until such contests shall have been determined.

Public Utility Charges. The Corporation shall pay all charges for gas, electricity, water, light, heat or power, telephone or other communications services, sewage treatment or disposal, or other utility equipment or services used on or in connection with the Projects and to indemnify to the extent permitted by law, the Foundation and save it harmless against any liability or damages on such account.

Repairs and Maintenance

The Corporation covenants throughout the term of the Lease Agreements, at its sole cost and expense, to take care of the Projects and the sidewalks and curbs thereon or adjacent thereto and to keep the same in good order and condition, excepting reasonable wear and tear, and promptly at the Corporation's own cost or expense to make all necessary repairs, interior and exterior, structural and nonstructural, ordinary as well as extraordinary, foreseen as well as unforeseen. The term repairs shall include replacements or renewals when necessary.

All items of equipment and personal property initially furnished by the Foundation shall remain the property of the Foundation but shall be maintained and kept in repair by the Corporation. When, in the judgment of the Corporation, any such item is no longer useful or usable, it shall be retired, and the Corporation shall no longer be responsible for its maintenance. The Corporation may replace any such retired items and all replacements shall be owned by the Corporation.

General Covenants

The Corporation shall not assign the Lease Agreements or sublet the Projects without the prior consent of the Foundation nor, in any event, in such manner as to adversely affect the tax-exempt status of the rents.

Option to Purchase Leased Property by the Corporation

The Foundation has granted to the Corporation the right and option, upon sixty (60) days' written notice to the Foundation and the Trustee, to purchase any of the Projects at a price equal to an amount sufficient to (i) pay unpaid principal, premium, if any, and accrued interest to the date of redemption of the allocable Outstanding Participation Certificates, plus any other amounts due and payable by the Corporation, or (ii) defease the allocable Participation Certificates in accordance with the terms of the Indenture. Upon the exercise of the option to purchase granted in any Lease Agreement, the Foundation will, upon payment of the option price, convey the Project to the Corporation, subject only to existing streets and utility or other easements, if any. All expenses incurred by the Foundation in connection with such transfer of title shall be paid or reimbursed by the Corporation.

Defaults

If the Corporation shall default (a) in the payment of any rentals or other sums payable to the Foundation under a Lease Agreement, or in the payment of any other sum in such Lease Agreement required to be paid for the Foundation; or (b) in the observance of any other covenant, agreement or condition in such Lease Agreement, and such default shall continue for sixty (60) days after written notice to correct the same; then, in any or either of such events, the Foundation may proceed to protect and enforce its rights by suit or suits in equity or at law in any court of competent jurisdiction, whether for specific performance of any covenant or agreement contained in such Lease Agreement, or for the enforcement of any other appropriate legal or equitable remedy; or the Foundation, at its option, without further notice, may terminate such Lease Agreement and take possession of the Project, and the Corporation covenants to surrender the same forthwith upon demand.

The exercise by the Foundation of the above right to terminate a Lease Agreement shall not release the Corporation from the performance of any obligation under such Lease Agreement maturing prior to the Foundation's actual entry into possession. No waiver by the Foundation of any right to terminate a Lease Agreement upon any default shall operate to waive such right upon the same or other default subsequently occurring.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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December 1, 2006

Lehman Brothers Inc., as representative
of the Underwriters
New York, New York

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

Re: Certificates of Participation, Series 2006 Evidencing a Proportionate Interest of Owners Thereof in Lease Payments to Be Made by The Trustees of Purdue University, as Lessee; Total Issue $70,345,000

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by The Bank of New York Trust Company, N.A. (the "Trustee"), of Certificates of Participation, Series 2006, originally dated the date hereof in the aggregate principal amount of $70,345,000 (the "2006 Certificates"). Each of the 2006 Certificates represents a proportionate interest of the owners thereof in lease payments to be made by The Trustees of Purdue University, as Lessee (the "Corporation") under a Lease-Purchase Agreement dated as of November 1, 2001 (the "2001 Lease") and certain other lease purchase agreements described in the 2006 Indenture (as defined below) (collectively, the "Leases"), to the Corporation from the Ross-Ade Foundation, as Lessor (the "Foundation") of certain property described in the Leases, all as described in the Indenture, dated as of November 15, 2006 (the "2006 Indenture") (which supplements and amends the Trust Indenture dated as of November 15, 1996 and a Trust Indenture dated as of November 1, 1998) (collectively, the "Indenture"), between the Foundation and the Trustee, pursuant to which the 2006 Certificates are issued and secured. The Foundation has assigned its interest in the Leases to the Trustee on the date hereof. We have relied upon a certified transcript of proceedings and other certificates and representations of the Corporation, the Foundation and the Trustee, including the tax covenants and representations of the Corporation, the Foundation and the Trustee (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 2006 Indenture has been duly authorized, executed and delivered by the Foundation, and assuming due authorization, execution and delivery thereof by the Trustee, is a valid and binding agreement of the Foundation, enforceable in accordance with its terms.

2. The 2006 Certificates have been duly authorized, executed and issued and are the valid and binding obligations of the Trustee, enforceable in accordance with their terms.

3. Under existing laws, judicial decisions, regulations, and rulings, the interest on the 2006 Certificates is exempt from income taxes imposed by the State of Indiana.

4. Under existing laws, regulations, rulings and judicial decisions, the interest on the 2006 Certificates paid from that portion of the lease rentals, payments under the leases designated as interest is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). This opinion relates only to the exclusion from gross income of interest on the 2006 Certificates for federal income tax purposes under Section 103 of the Code and is conditioned on continuing compliance by the Corporation, the Foundation and the Trustee with the Tax Covenants. Failure to comply with the Tax Covenants could cause interest on the 2006 Certificates 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 2006 Certificates, the Corporation, the Foundation and the Trustee and the enforceability of the 2006 Certificates, the Indenture and the Leases may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore and hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity. It is to be understood that the rights of the owners of the 2006 Certificates, the Corporation, the Foundation and the Trustee and the enforceability of the 2006 Certificates, the Indenture and the Leases 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 E

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 Seventeenth Supplement to Continuing Disclosure Undertaking Agreement, dated as of November 15, 2006 (collectively, the "Undertaking"), with The Bank of New York Trust Company, N.A. (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 2006 Participation Certificates 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, 2007, 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, 2007, 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 or for Certificates of Participation for parking or athletic facilities); 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 2006 Participation Certificates;
– modifications to the rights of owners of the Series 2006 Participation Certificates;
– Series 2006 Participation Certificate calls;
– defeasances;
– release, substitution or sale of property securing repayment of the Series 2006 Participation Certificates; 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 2006 Participation Certificates, 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 2006 Participation Certificates 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 2006 Participation Certificates 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 2006 Participation Certificates 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 2006 Participation Certificates, 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 2006 Participation Certificates and satisfactory indemnification.

Prior to pursuing any remedy for any breach of any obligation under the Undertaking, a holder or beneficial owner of Series 2006 Participation Certificates 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 2006 Participation Certificates 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 2006 Participation Certificates, 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 2006 Participation Certificates as required under Section 11.02 of the 2006 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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