NEW ISSUE
BOOK-ENTRY ONLY

RATINGS:
Moody's: Aa1/VMIG 1
Standard & Poor's: AA/A-1+
(See "RATINGS" herein)

In the opinion of Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel, under existing law, interest on the Series 2007C Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2007C Bonds. This opinion is based on certain certifications, covenants and representations of the Corporation and is conditioned on continuing compliance therewith. In the opinion of Bond Counsel, under existing law, interest on the Series 2007C Bonds is exempt from income taxation in the State of Indiana for all purposes except the Indiana financial institutions tax. See "TAX MATTERS" and APPENDIX C herein.

$61,725,000
THE TRUSTEES OF PURDUE UNIVERSITY
Purdue University Student Facilities System Revenue Bonds, Series 2007C (Adjustable Demand)
CUSIP 746189 LE7

Dated: Date of Delivery **Due: July 1, 2032**

The Trustees of Purdue University (the "Corporation") will issue its Purdue University Student Facilities System Revenue Bonds, Series 2007C (Adjustable Demand) (the "Series 2007C Bonds"), in the original aggregate principal amount of $61,725,000, pursuant to resolutions adopted by the Board of Trustees of the Corporation and an Indenture of Trust dated as of January 1, 2003, as supplemented and amended to date and as supplemented and amended by the Tenth Supplemental and Amendatory Indenture dated as of October 1, 2007, by and between the Corporation and The Bank of New York Trust Company, N.A. (the ultimate successor in interest to Bank One Trust Company, National Association), as trustee (the "Trustee") (such Indenture of Trust, as so supplemented and amended, the "Indenture"), for the purposes of (i) paying or reimbursing a portion of the costs of the acquisition, construction, renovation, equipping and furnishing of certain student housing facilities of the Corporation and (ii) paying or reimbursing certain costs of issuing the Series 2007C Bonds, all as described in this Official Statement. See "PROJECT."

The Series 2007C Bonds are issuable only as fully registered bonds, and will be issued in denominations of $100,000 or any integral multiple of $5,000 in excess thereof. The Series 2007C Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Series 2007C Bonds will be made in book-entry only form, and purchasers of beneficial interests in the Series 2007C Bonds will not receive physical delivery of the certificates representing their interests in the Series 2007C Bonds. The principal of and interest on the Series 2007C Bonds will be paid to DTC or its nominee as the registered owner of the Series 2007C Bonds. Disbursement of such payments to owners of beneficial interests in the Series 2007C Bonds will be the responsibility of DTC and its participants and indirect participants. See "DESCRIPTION OF SERIES 2007C BONDS—Book Entry System."

The Series 2007C Bonds may bear interest at a Daily Rate, a Weekly Rate, a Monthly Rate, a Quarterly Rate, a Semiannual Rate or a Term Rate (each, an "Adjustable Rate"), or a Fixed Rate, as determined in accordance with the Indenture. The Series 2007C Bonds will initially bear interest at a Weekly Rate to be determined by the Remarketing Agent. Merrill Lynch, Pierce, Fenner & Smith Incorporated has been appointed as the initial Remarketing Agent for the Series 2007C Bonds. Interest on the Series 2007C Bonds is payable on the first Wednesday of each month while the Series 2007C bonds bear interest at a Weekly Rate unless and until the Series 2007C Bonds are converted to a different interest rate determination method. Information regarding subsequent interest rates and Rate Periods may be obtained from the Remarketing Agent. Upon a change in interest rate determination methods under the circumstances described herein, the Series 2007C Bonds will become subject to mandatory tender for purchase and remarketing in accordance with the Indenture. See "DESCRIPTION OF SERIES 2007C BONDS."

The Series 2007C Bonds are subject to optional and mandatory sinking fund redemption and to optional and mandatory tender for purchase prior to maturity, as described herein. See "DESCRIPTION OF SERIES 2007C BONDS—Optional Tender for Purchase," "—Mandatory Tender for Purchase" and "—Redemption." Funds to pay the purchase price of any Series 2007C Bonds tendered for purchase will be paid by the Trustee solely from (i) first, proceeds of the remarketing of such Series 2007C Bonds, and (ii) second, any other monies furnished by the Corporation for the purchase of Series 2007C Bonds. See "DESCRIPTION OF SERIES 2007C BONDS—Purchase of Tendered Series 2007C Bonds."

This Official Statement, in general, describes the Series 2007C Bonds only during the Weekly Rate Period, which is the period beginning on the date of delivery of the Series 2007C Bonds and ending on the date on which interest is changed to another Adjustable Rate or converted to a Fixed Rate.

The Series 2007C Bonds are special and limited obligations of the Corporation, secured exclusively by the Pledged Revenues and payable solely from the Pledged Revenues and the other Available Funds, all as defined in this Official Statement. The Series 2007C Bonds are not a general obligation, debt or liability of the Corporation or the State of Indiana, and no recourse may be had for the payment of the principal of or interest on the Series 2007C Bonds against the State of Indiana or the Corporation, or against the property or funds of the State of Indiana or the Corporation, except to the extent of the Pledged Revenues. The Corporation has no taxing power. See "SECURITY AND SOURCES OF PAYMENT FOR BONDS."

The Series 2007C Bonds are offered when, as and if issued by the Corporation and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel. Certain legal matters will be passed on for the Corporation by its counsel, Stuart & Branigin, Lafayette, Indiana. John S. Vincent & Company is serving as financial advisor to the Corporation. It is anticipated that the Series 2007C Bonds will be available for delivery to DTC in New York, New York, on or about October 3, 2007.

MERRILL LYNCH & CO.

September 25, 2007

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

Bond Counsel
Barnes & Thornburg LLP
Indianapolis, Indiana

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

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

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL NOR THE SOLICITATION OF AN OFFER TO BUY THE SERIES 2007C BONDS IN ANY JURISDICTION IN WHICH OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE.

THE SERIES 2007C BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED IN ANY STATE AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR ANY OTHER GOVERNMENTAL ENTITY OR AGENCY WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT NOR APPROVED THE SERIES 2007C BONDS FOR SALE.

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

TABLE OF CONTENTS

SUMMARY STATEMENT

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

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

The main campus of Purdue University is located in West Lafayette, about 60 miles northwest of Indianapolis; regional campuses are maintained in the Cities of Hammond and Westville, and two regional campuses are operated jointly with Indiana University in Fort Wayne and Indianapolis. The West Lafayette campus is organized academically into ten colleges. Undergraduate and masters degrees are awarded in all colleges with the doctorate degree awarded in all colleges except the College of Technology. Purdue University's 2007 fall semester headcount enrollment for all campuses is approximately 69,000.

PURPOSES OF ISSUE. The Corporation's Purdue University Student Facilities System Revenue Bonds, Series 2007C (Adjustable Demand) (the "Series 2007C Bonds"), are being issued to (i) finance the acquisition, construction, renovation, equipping and furnishing of certain student housing facilities on the Purdue University West Lafayette campus and (ii) pay certain costs of issuing the Series 2007C Bonds.

SECURITY. The Series 2007C Bonds are being issued under the Indenture of Trust by and between the Corporation and The Bank of New York Trust Company, N.A. (the ultimate successor in interest to Bank One Trust Company, National Association), as trustee (the "Trustee"), dated as of January 1, 2003, as supplemented and amended to date and as supplemented and amended by the Tenth Supplemental and Amendatory Indenture by and between the Corporation and the Trustee, dated as of October 1, 2007 (such Indenture of Trust, as so supplemented and amended, the "Indenture"). The Series 2007C Bonds and any other obligations of the Corporation secured by a first lien on the Pledged Revenues under the Indenture, including (i) the Corporation's Purdue University Student Facilities System Revenue Bonds, Series 2003A (the "Series 2003A Bonds"), $31,890,000 aggregate principal amount of which remain outstanding, (ii) the Corporation's Purdue University Student Facilities System Revenue Bonds, Series 2003B (the "Series 2003B Bonds"), $5,905,000 aggregate principal amount of which remain outstanding, (iii) the Corporation's Purdue University Student Facilities System Revenue Bonds, Series 2004A (the "Series 2004A Bonds"), $28,100,000 aggregate principal amount of which remain outstanding, (iv) the Corporation's Purdue University Student Facilities System Revenue Bonds, Series 2005A (the "Series 2005A Bonds"), $22,275,000 aggregate principal amount of which remain outstanding, (v) the Corporation's Purdue University Student Facilities System Revenue Bonds, Series 2007A (the "Series 2007A Bonds"), $61,865,000 aggregate principal amount of which remain outstanding, and (vi) the Corporation's Purdue University Student Facilities System Revenue Bonds, Series 2007B (the "Series 2007B Bonds"), $27,065,000 aggregate principal amount of which remain outstanding (the Series 2007C Bonds and such other obligations, including the Series 2003A Bonds, the Series 2003B Bonds, the Series 2004A Bonds, the Series 2005A Bonds, the Series 2007A Bonds and the Series 2007B Bonds, the "First Lien Bonds"), are special and limited obligations of the Corporation, payable solely from the Pledged Revenues and the other Available Funds and secured exclusively by a pledge of and first lien on the Pledged Revenues. The Series 2007C Bonds and other Bonds are not a general obligation, debt or liability of the Corporation or the State of Indiana, and no recourse may be had for the payment of the principal of or interest on the Series 2007C Bonds or other Bonds against the Corporation or the State of Indiana, or against the property or funds of the Corporation or the State of Indiana, except to the extent of the Pledged Revenues. The Corporation has no taxing power. See "SECURITY AND SOURCES OF PAYMENT FOR BONDS."

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

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

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

BOOK-ENTRY SYSTEM. The Series 2007C Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, and all payments of principal and interest will be made to Cede & Co. which will in turn remit such payments to DTC Participants and DTC Indirect Participants for subsequent disbursement to the Beneficial Owners of the Series 2007C Bonds. Purchases of the Series 2007C Bonds by investors will be made in book-entry form only and individual purchasers will not receive physical delivery of Series 2007C Bond certificates.

DEBT SERVICE COVERAGE. The following projected debt service coverage summary is based solely on Net Income for the Fiscal Years ended June 30, 2006, and June 30, 2005 (excluding any other Available Funds), and the projected average of the annual debt service on the Series 2003A Bonds, the Series 2003B Bonds, the Series 2004A Bonds, the Series 2005A Bonds, the Series 2007A Bonds, the Series 2007B and the Series 2007C Bonds (which are the only First Lien Bonds that will be outstanding upon issuance of the Series 2007C Bonds).

	Fiscal Year Ended June 30	
	2006	2005
Net Income	$22,029,190	$21,348,917
Projected coverage(1)	1.53	1.48
Projected annual debt service: $14,377,609(1)		

(1) Projected average of annual debt service, assuming that the Series 2004A Bonds, the Series 2005A Bonds and the Series 2007C Bonds bear interest at 3.5% per annum.

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

NO RESERVE FUND. No Reserve Fund Requirement exists for the Series 2007C Bonds, and the Series 2007C Bonds will not have access to any Reserve Fund.

ADDITIONAL OBLIGATIONS. The Corporation may issue: (a) First Lien Bonds on a parity with the Series 2007C Bonds and all other outstanding First Lien Bonds; or (b) obligations payable out of any of the Pledged Revenues (but only after making payment of principal of and interest on the First Lien Bonds then due), any lien on any of the Pledged Revenues securing which obligations is junior and subordinate to the lien on the Pledged

Revenues securing any First Lien Bonds (any obligations described in (a) or (b) issued under the Indenture, "Bonds"). First Lien Bonds may be issued if the Net Income during the immediately preceding Fiscal Year (including certain adjustments thereto) is not less than 100% of the Average Annual Debt Service to become due in all succeeding Fiscal Years for the payment of principal of and interest on the Bonds then outstanding and on such First Lien Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR BONDS—Issuance of First Lien Bonds."

CONTINUING DISCLOSURE. Pursuant to the continuing disclosure requirements promulgated by the Securities and Exchange Commission in SEC Rule 15c2-12, as amended (the "Rule"), the Corporation entered into a Continuing Disclosure Undertaking Agreement dated as of July 1, 1996, as heretofore supplemented, to be further supplemented by a Twentieth Supplement to Continuing Disclosure Undertaking Agreement to be dated the date of issuance of the Series 2007C Bonds, with The Bank of New York Trust Company, N.A., as counterparty (collectively, the "Undertaking Agreement"), pursuant to which the Corporation will agree to provide (i) on an annual basis to each nationally recognized municipal securities information repository (a "NRMSIR") then in existence and to the Indiana state information depository then in existence, if any (the "SID"), certain annual financial information, and (ii) notice to each NRMSIR or to the Municipal Securities Rulemaking Board, and to the SID, upon the occurrence of certain material events more fully described herein. See "APPENDIX D: SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING AGREEMENT." The Corporation is in compliance with undertakings previously entered into by it pursuant to the Rule.

OFFICIAL STATEMENT

$61,725,000
The Trustees of Purdue University
Purdue University Student Facilities System Revenue Bonds, Series 2007C (Adjustable Demand)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the appendices, is to set forth information concerning the issuance and sale by The Trustees of Purdue University (the "Corporation") of $61,725,000 aggregate principal amount of its Purdue University Student Facilities System Revenue Bonds, Series 2007C (Adjustable Demand) (the "Series 2007C Bonds").

The Series 2007C Bonds are being issued under Indiana Code 21-32-1, 21-32-2, 21-35-1, 21-35-3 and 21-35-5, as amended (the "Act"), and pursuant to resolutions adopted by the Board of Trustees of the Corporation (the "Board") and in accordance with the provisions of an Indenture of Trust by and between the Corporation and The Bank of New York Trust Company, N.A. (the ultimate successor in interest to Bank One Trust Company, National Association), as trustee (the "Trustee"), dated as of January 1, 2003 (the "Original Indenture"), as supplemented and amended to date and as supplemented and amended by the Tenth Supplemental and Amendatory Indenture by and between the Corporation and the Trustee, dated as of October 1, 2007 (the "Tenth Supplemental and Amendatory Indenture") (the Original Indenture, as supplemented and amended to date and as supplemented by the Tenth Supplemental and Amendatory Indenture, the "Indenture").

The Indenture permits the Corporation to issue: (a) First Lien Bonds on a parity with the Series 2007C Bonds and all other outstanding First Lien Bonds or (b) obligations payable out of any of the Pledged Revenues (but only after making payment of principal of and interest on the First Lien Bonds then due), any lien on any of the Pledged Revenues securing which obligations is junior and subordinate to the lien on the Pledged Revenues securing any First Lien Bonds (any obligations described in (a) or (b) issued under the Indenture, "Bonds"). Certain terms of the Indenture, including provisions for the issuance of additional First Lien Bonds, are described in this Official Statement in the section entitled "SECURITY AND SOURCES OF PAYMENT FOR BONDS."

The Series 2007C Bonds and any other obligations of the Corporation secured by a first lien on the Pledged Revenues under the Indenture, including (i) the Corporation's Purdue University Student Facilities System Revenue Bonds, Series 2003A (the "Series 2003A Bonds"), $31,890,000 aggregate principal amount of which remain outstanding, (ii) the Corporation's Purdue University Student Facilities System Revenue Bonds, Series 2003B (the "Series 2003B Bonds"), $5,905,000 aggregate principal amount of which remain outstanding, (iii) the Corporation's Purdue University Student Facilities System Revenue Bonds, Series 2004A (the "Series 2004A Bonds"), $28,100,000 aggregate principal amount of which remain outstanding, (iv) the Corporation's Purdue University Student Facilities System Revenue Bonds, Series 2005A (the "Series 2005A Bonds"), $22,275,000 aggregate principal amount of which remain outstanding, (v) the Corporation's Purdue University Student Facilities System Revenue Bonds, Series 2007A (the "Series 2007A Bonds"), $61,865,000 aggregate principal amount of which remain outstanding, and (vi) the Corporation's Purdue University Student Facilities System Revenue Bonds, Series 2007B (the "Series 2007B Bonds"), $27,065,000 aggregate principal amount of which remain outstanding (the Series 2007C Bonds and such other obligations, including the Series 2003A Bonds, the Series 2003B Bonds, the Series 2004A Bonds, the Series 2005A Bonds, the Series 2007A Bonds and the Series 2007B Bonds, the "First Lien Bonds"), are special and limited obligations of the Corporation, payable solely from the Pledged Revenues and the other Available Funds and secured exclusively by a pledge of and a first lien on the Pledged Revenues. The Series 2007C Bonds and other Bonds are not a general obligation, debt or liability of the Corporation or the State of Indiana, and no recourse may be had for the payment of the principal of or interest on the Series 2007C Bonds or other Bonds against the Corporation or the State of Indiana, or against the property or funds of the Corporation or the State of Indiana, except to the extent of the Pledged Revenues. The Corporation has no taxing power. See "SECURITY AND SOURCES OF PAYMENT FOR BONDS."

The Corporation has covenanted and agreed in the Indenture to pay Net Income to the Trustee on or before each principal or interest payment date (see "SUMMARY OF CERTAIN PROVISIONS OF INDENTURE – Flow of Funds--Sinking Fund") in an amount sufficient to pay the principal of and interest on the Series 2007C Bonds and all other First Lien Bonds due on such date. Such amounts will be deposited in the Sinking Fund.

The Corporation has entered into the Undertaking Agreement for the benefit of the beneficial owners of the Series 2007C Bonds, obligating itself to provide certain continuing disclosure as described in "APPENDIX D: SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING AGREEMENT."

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

PURPOSE OF SERIES 2007C BONDS

The Series 2007C Bonds are being issued for the purpose of paying or reimbursing a portion of the costs of the acquisition, construction, renovation, equipping and furnishing of certain student housing facilities on the Purdue University West Lafayette campus (the "Project"), as described under the caption "PROJECT." A portion of the proceeds of the Series 2007C Bonds will be used to pay for the costs of issuance of the Series 2007C Bonds.

DESCRIPTION OF SERIES 2007C BONDS

General

The Series 2007C Bonds will be issued in the aggregate principal amount of $61,725,000 and will be dated and bear interest from their date of delivery, initially at a Weekly Rate. Interest on the Series 2007C Bonds will be payable on each Interest Payment Date, which for Series 2007C Bonds bearing interest at a Weekly Rate will be the first Wednesday of each month (or, if such day is not a Business Day, the next succeeding Business Day). The Series 2007C Bonds will mature on July 1, 2032, and will bear interest at the rates described in this Official Statement. The Series 2007C Bonds or designated portions thereof may be converted to bear interest at another Adjustable Rate or Rates (as described herein), or at a Fixed Rate to maturity, as hereinafter described under "Alternative Interest Rate Modes." The Corporation may direct a change to the interest rate mode, which change requires notice by the Trustee to be given to the owners of the Series 2007C Bonds and satisfaction of the conditions therefor set forth in the Indenture. Upon any conversion of the interest on the Series 2007C Bonds from the Weekly Rate to another Adjustable Rate or Rates or a Fixed Rate, the Series 2007C Bonds so affected will be subject to mandatory tender for purchase as hereinafter described. See "Alternative Interest Rate Modes."

The Series 2007C Bonds initially will be issued as one fully registered bond and will be delivered to and registered in the name of Cede & Co., as registered owner and nominee for DTC. The principal and purchase price of and interest on the Series 2007C Bonds will be paid by The Bank of New York Trust Company, N.A. (the ultimate successor in interest to Bank One Trust Company, National Association), as paying agent (the "Paying Agent"). As long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2007C Bonds, such payments will be made directly to Cede & Co. See "Book Entry System."

Interest

Commencing on the original date of issuance of the Series 2007C Bonds and until another interest rate determination method is determined, the Series 2007C Bonds will bear interest at a Weekly Rate. With respect to any Weekly Rate Period, the Remarketing Agent (initially, Merrill Lynch, Pierce, Fenner & Smith Incorporated) will set a Weekly Rate by 4:00 p.m., New York City time, on each Determination Date (which, for any Calculation Period with respect to the Weekly Rate, is the Business Day immediately preceding the first Business Day occurring during such Calculation Period). The Calculation Period during any Weekly Rate Period is the period from and including each Wednesday to and including the following Tuesday. Each Weekly Rate will be the minimum rate of interest per annum which, in the opinion of the Remarketing Agent, would be necessary on and as of such day to remarket the Series 2007C Bonds in a secondary market transaction at a price equal to 100% of the principal amount thereof.

During any period in which the Remarketing Agent fails for any reason to determine the interest rate for any Calculation Period with respect to Series 2007C Bonds operating in a Weekly Rate Period, the last interest rate so determined will remain in effect for up to two successive Calculation Periods and, with respect to subsequent Calculation Periods for which the Weekly Rate is not so determined, the Weekly Rate will be a rate per annum equal to 100% of the Municipal Swap Index rate most recently published by The Bond Market Association on or before the applicable Determination Date (or, if the Municipal Swap Index rate is not then published by The Bond Market Association, such other publicly available rate selected by the Corporation as it deems most nearly equivalent thereto).

The determination of any rate of interest by the Remarketing Agent in accordance with the Indenture will be conclusive and binding upon the Corporation, the Trustee and the registered or beneficial owners of the Series 2007C Bonds. Failure of the Remarketing Agent, the Trustee or DTC or any DTC participant to give any of the notices described in the Indenture, or any defect therein, will not affect the interest rate to be borne by any of the Series 2007C Bonds, nor in any way change the rights of the registered owners of the Series 2007C Bonds to tender their Series 2007C Bonds for purchase or to have them redeemed in accordance with the Indenture.

Interest on the Series 2007C Bonds bearing interest at a Weekly Rate will be payable on the first Wednesday of each month (or, if such day is not a Business Day, the next succeeding Business Day), in an amount equal to the interest accrued on such Series 2007C Bonds for the period through and including the last day of the month immediately preceding such Interest Payment Date. The first Interest Payment Date for the Series 2007C Bonds will be November 7, 2007.

While Series 2007C Bonds bear interest at a Weekly Rate, interest will be computed on the basis of a 365 or 366-day year, as applicable, for the actual number of days elapsed.

While Series 2007C Bonds bear interest at a Weekly Rate, the owners of the Series 2007C Bonds will have the right to require purchase of their Series 2007C Bonds on any Business Day as provided in the Indenture. See "Optional Tender for Purchase." Funds to pay the purchase price of any Series 2007C Bonds tendered for purchase will be paid by the Trustee solely from (i) first, proceeds of the remarketing of such Series 2007C Bonds, and (ii) second, any other monies furnished by the Corporation for the purchase of Series 2007C Bonds. See "Purchase of Tendered Series 2007C Bonds."

While Series 2007C Bonds bear interest at a rate other than at a Weekly Rate, interest will be paid on such Series 2007C Bonds at the times and in the manner specified in the Indenture.

Optional Tender for Purchase

A Series 2007C Bond or a portion thereof in an authorized denomination is required to be purchased upon the demand of the owner thereof, at a purchase price equal to 100% of the principal amount thereof plus interest accrued, if any, to the date of purchase, while such Series 2007C Bond bears interest at a Weekly Rate, as described below. Under the terms of the Indenture, the Trustee is not required to purchase Series 2007C Bonds other than from proceeds of the remarketing of such Series 2007C Bonds and other funds made available for that purpose by the Corporation. Payment will be made by the close of business on the date specified for purchase. Delivery of such Series 2007C Bonds as described below is required in order for the owner to exercise the tender for purchase option. If the Series 2007C Bonds are no longer held in book-entry form, each such Series 2007C Bond must also be accompanied by an instrument of transfer satisfactory to the Trustee executed in blank, and the Trustee may refuse to accept delivery of any Series 2007C Bond for which a proper instrument of transfer has not been provided. During any rate period when the Series 2007C Bonds are held by DTC, DTC and the Trustee may agree as to procedures in lieu of such physical delivery. Owners of Series 2007C Bonds should contact the Remarketing Agent as to what procedures should be followed to effect delivery of Series 2007C Bonds to the Trustee.

While interest on the Series 2007C Bonds is payable at a Weekly Rate, the owner of a Series 2007C Bond will have the right to tender any Series 2007C Bond (or portion thereof in an authorized denomination) to the Trustee for purchase on any Business Day prior to the Fixed Rate Conversion Date upon delivery to the Trustee and the Remarketing Agent at their respective principal offices, by the close of business on any Business Day, of a Notice of Election to Tender in substantially the form attached to the Indenture, provided that the substance of such Notice of Election to Tender must also be given telephonically to the Remarketing Agent prior to or simultaneously with delivery of such written Notice of Election to Tender to the Remarketing Agent. The date on which such Series 2007C Bond bearing interest at a Weekly Rate will be purchased must be a Business Day at least seven days after the date of delivery of the Notice of Election to Tender.

Any Notice of Election to Tender is irrevocable. If a Holder fails to deliver the Series 2007C Bonds referred to in such notice to the Trustee, such Series 2007C Bonds will nevertheless be deemed to have been purchased on the date established for the purchase thereof, and, to the extent that there is on deposit in the Series 2007C Bond Purchase Account on such date an amount sufficient to pay the principal amount thereof, plus accrued interest, if any, no interest will accrue on such Series 2007C Bonds from and after the date of purchase and such Holder will have no rights under the Indenture thereafter as the owner of such Series 2007C Bonds except the right to receive the purchase price of such Series 2007C Bonds.

If the ownership of the Series 2007C Bonds is no longer maintained in book-entry form by DTC, the payment of the Series 2007C Bonds bearing interest at the Weekly Rate upon the election of the holder will be subject to delivery of such Series 2007C Bonds duly endorsed in blank for transfer or accompanied by an instrument of transfer thereof in form satisfactory to the Trustee executed in blank for transfer at the designated corporate trust office of the Trustee at or prior to 11:30 a.m., New York City time, on the purchase date.

In order for the Bondholder to receive payment for Series 2007C Bonds held in book-entry form and subject to optional tender for purchase, the operational requirements followed by DTC with respect to variable rate demand obligations such as the Series 2007C Bonds must be complied with in order to process the Series 2007C Bonds through DTC. Beneficial owners of Series 2007C Bonds are advised to contact the Remarketing Agent for the appropriate procedure by which to effectuate the tender of their Series 2007C Bonds held in book-entry form.

When Series 2007C Bonds bear interest at a rate other than a Weekly Rate, the rights of an owner to demand the purchase of such Series 2007C Bonds are as described in the Indenture.

Alternative Interest Rate Modes

The Corporation may direct a change in the type of interest rate borne by the Series 2007C Bonds (a "Change in the Interest Rate Mode"), in whole or in part, at any time from the Weekly Rate to a rate determined pursuant to one of six additional interest rate modes: a Daily Rate, a Monthly Rate, a Quarterly Rate, a Semiannual Rate or a Term Rate (each, as defined in the Indenture, an "Adjustable Rate"), or a Fixed Rate, in accordance with the procedures provided in the Indenture. However, if the Series 2007C Bonds are converted, in whole or in part, to a Fixed Rate, the interest rate on Series 2007C Bonds so converted may not be subsequently changed to an Adjustable Rate.

If the interest rate on less than all of the Series 2007C Bonds is to be converted to another Adjustable Rate or to a Fixed Rate from the existing Adjustable Rate, the particular Series 2007C Bonds or portions thereof, the interest rate on which is to be converted, will be selected by the Trustee in such manner as the Trustee in its discretion may deem proper.

Change to Another Adjustable Rate or Fixed Rate

Upon at least 30 days' written notice by the Corporation to the Trustee and the other parties specified in the Indenture, the Adjustable Rate on all or a portion of the Series 2007C Bonds may be changed to a different Adjustable Rate or Rates or to a Fixed Rate. Such notice will be effective only if it is accompanied by notice that Bond Counsel expects to be able to give its opinion on the effective date of the Change in the Interest Rate Mode or on the Fixed Rate Conversion Date, as the case may be, to the effect that the proposed Change in Interest Rate Mode or conversion to a Fixed Rate is authorized by the Indenture, is permitted by the Act and will not have an adverse effect on the exclusion of interest on the Series 2007C Bonds from gross income for federal income tax purposes, and subject to the other requirements contained in the Indenture.

A Change in the Interest Rate Mode from a Weekly Rate to a different Adjustable Rate or to a Fixed Rate may only be effected on an Interest Payment Date. Any Change in the Interest Rate Mode to a different Adjustable Rate or the conversion to a Fixed Rate, as the case may be, is subject to the condition, in addition to the other requirements of the Indenture, that the Trustee, the Remarketing Agent and the other parties specified in the Indenture receive, on the effective date of such Change in the Interest Rate Mode or the Fixed Rate Conversion Date, as the case may be, (i) an Opinion of Bond Counsel to the effect that the proposed Change in Interest Rate Mode or conversion to a Fixed Rate is authorized by the Indenture, is permitted by the Act and will not have an adverse effect on the exclusion of interest on the Series 2007C Bonds from gross income for federal income tax purposes, and (ii) a certificate of the Corporation that all of the Series 2007C Bonds tendered or deemed tendered have been purchased with funds provided from the remarketing of such Series 2007C Bonds and from funds deposited by the Corporation with the Trustee.

If any of the conditions described above are not met with respect to any Change in the Interest Rate Mode or a conversion to a Fixed Rate, as the case may be, from the current Adjustable Rate, the Series 2007C Bonds will continue to bear interest at the Current Adjustable Rate (unless, in connection with a proposed Change in the Interest Rate Mode, the Current Adjustable Rate is a Quarterly Rate, a Semiannual Rate or a Term Rate, in which case the Series 2007C Bonds will be automatically converted to the Monthly Rate), and the Series 2007C Bonds will be subject to the provisions of the Indenture applicable thereto.

It is a further condition to any Change in the Interest Rate Mode on any Series 2007C Bonds from one mode to another mode that the Trustee receives written confirmation from each Rating Service then rating the Series 2007C Bonds that the ratings then assigned by such Rating Service to the Series 2007C Bonds will not be reduced or withdrawn by reason of such change in the Interest Rate Mode. However, for this purpose, a withdrawal of a short-term rating from any Series 2007C Bonds being converted to a Fixed Rate will not be considered to be a withdrawal of a rating if no other ratings applicable to any or all of the Series 2007C Bonds will be reduced or withdrawn.

Notice Regarding Changes in Interest Rate Modes

The Corporation will give the Trustee and the other parties specified in the Indenture at least 30 days' notice of any proposed Change in the Interest Rate Mode or the establishment of the Fixed Rate. The Trustee will mail notice of any proposed Change in the Interest Rate Mode or change to the Fixed Rate to the Bondholders within three Business Days of receipt of the notice thereof from the Corporation.

Mandatory Tender for Purchase

Upon a Change in the Interest Rate Mode, the Series 2007C Bonds bearing interest at a Weekly Rate will be subject to mandatory tender for purchase in accordance with the terms of the Indenture on the effective date of such Change in the Interest Rate Mode, at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, in accordance with the terms of the Indenture. Similarly, the Series 2007C Bonds will be subject to mandatory tender for purchase in accordance with the terms of the Indenture on the effective date of a conversion to a Fixed Rate (the "Fixed Rate Conversion Date"), at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest.

Any notice of mandatory tender for purchase will be given by the Trustee, in the name of the Corporation, by first-class mail to the holders of the Series 2007C Bonds subject to purchase at their addresses shown on the books of registry.

In order for the owner to receive payment for Series 2007C Bonds bearing interest at a Weekly Rate subject to mandatory tender for purchase and not held in book-entry form, physical delivery of such Series 2007C Bonds will be required at the designated corporate trust office of the Trustee by 11:30 a.m. (New York City time) on the purchase date. Each such Series 2007C Bond must also be accompanied by an instrument of transfer satisfactory to the Trustee executed in blank. The Trustee may refuse to accept delivery of any Series 2007C Bonds for which a proper instrument of transfer has not been provided.

In order for a Bondholder to receive payment for Series 2007C Bonds held in book-entry form and subject to mandatory tender for purchase, the operational requirements followed by DTC with respect to variable rate demand obligations such as the Series 2007C Bonds must be complied with in order to process the Series 2007C Bonds through DTC. Beneficial owners of Series 2007C Bonds are advised to contact the Remarketing Agent for the appropriate procedure by which to effectuate the tender of their Series 2007C Bonds held in book-entry form.

Purchase of Tendered Series 2007C Bonds

On each date when any Series 2007C Bonds are subject to optional or mandatory tender and purchase pursuant to the Indenture, there will be purchased (but solely from funds received by the Trustee in accordance with the Indenture) such Series 2007C Bonds (or portions thereof) tendered (or deemed tendered) to the Trustee for purchase in accordance with, and at the purchase price established under, the Indenture. Funds to pay the purchase price of such Series 2007C Bonds (or portions thereof) will be paid by the Trustee solely from the following sources and in the following order of priority:

(i) proceeds of the remarketing of such Series 2007C Bonds (or portions thereof); and

(ii) any other monies furnished by the Corporation for the purchase of Series 2007C Bonds.

Redemption

Optional Redemption. The Series 2007C Bonds, while bearing interest at a Weekly Rate, are subject to redemption at the option of the Corporation on any Business Day, as a whole or in part, at the principal amount thereof, plus accrued interest to the date fixed for redemption.

Any optional redemption is conditioned upon the Trustee's receipt of funds sufficient to pay the redemption price of the Series 2007C Bonds to be redeemed on or prior to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2007C Bonds are subject to mandatory sinking fund redemption by lot prior to maturity on the dates and in amounts set forth below, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption:

July 1	Amount
2009	$ 800,000
2010	1,745,000
2011	1,805,000
2012	1,870,000
2013	1,940,000
2014	2,010,000
2015	2,080,000
2016	2,160,000
2017	2,235,000
2018	2,315,000
2019	2,400,000
2020	2,485,000
2021	2,575,000
2022	2,670,000
2023	2,765,000
2024	2,865,000
2025	2,970,000
2026	3,080,000
2027	3,190,000
2028	3,305,000
2029	3,425,000
2030	3,550,000
2031	3,675,000
2032(1)	3,810,000

(1) Final maturity.

Not less than 45 days prior to the dates set forth above, the Trustee will select the Series 2007C Bonds of the respective maturity to be so redeemed and will promptly give notice of redemption as set forth below, which notice will state that Series 2007C Bonds are being redeemed by mandatory sinking fund redemption.

Selection of Series 2007C Bonds to be Redeemed. If less than all Series 2007C Bonds of the same interest rate mode are to be redeemed, the Series 2007C Bonds to be redeemed will be selected by the Trustee by lot in such manner as determined by the Trustee. However, so long as DTC or its nominee is the only Bondowner, if less than all of the Series 2007C Bonds of the same interest rate mode are to be called for redemption, the particular beneficial ownership interests to be redeemed will be selected by DTC in such manner as DTC may determine.

Notice of Redemption. If any Series 2007C Bonds are called for redemption, the Trustee will mail a copy of a notice of redemption by first-class mail, not more than 45 days nor less than 20 days prior to the redemption date, to the owners of all Series 2007C Bonds which are to be redeemed, at their addresses appearing on the registration books maintained by The Bank of New York Trust Company, N.A. (the ultimate successor in interest to Bank One Trust Company, National Association), as registrar (the "Registrar"). Notice having been given in accordance with the Indenture, failure of a Bondowner to receive any such notice or any defect in a redemption notice will not affect the redemption or the validity of the proceedings for the redemption of any other Series 2007C Bonds with respect to which notice was so mailed or with respect to which no such defect occurred.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2007C Bonds, all notices of redemption will be sent only to Cede & Co., and delivery of notice of redemption to the DTC Participants, if any, is solely the responsibility of DTC. See "Book Entry System."

Effect of Redemption. On the date designated for redemption by notice given as provided in the Indenture, the Series 2007C Bonds so called for redemption will become and be due and payable at the redemption price provided for redemption of such Series 2007C Bonds on such date. If, on the date fixed for redemption, moneys for payment of the redemption price and accrued interest are held by the Trustee or the Paying Agent as provided in the Indenture, interest on such Series 2007C Bonds so called for redemption will cease to accrue, such Series 2007C Bonds will cease to be entitled to any benefit or security under the Indenture except the right to receive payment from the moneys held by the Trustee or the Paying Agent, and the amount of such Series 2007C Bonds so called for redemption will be deemed paid and no longer Outstanding.

Undelivered Series 2007C Bonds

Any Series 2007C Bond (i) to be redeemed, (ii) subject to mandatory tender for purchase for which a Bondholder has failed to make the required delivery of such Series 2007C Bond to the Trustee as described herein or (iii) with respect to which its owner has exercised an election to tender such Series 2007C Bond for purchase under the Indenture but which is not properly delivered to the Trustee, to the extent that there are on deposit with the Trustee, on or before the purchase or redemption date, amounts sufficient to pay the redemption or purchase price, as the case may be, of such Series 2007C Bonds (or portions thereof, as the case may be), will cease to constitute or represent a right to payment of principal or interest thereon and will represent only the right to payment of the redemption price or purchase price payable on such date upon presentation and surrender of such Series 2007C Bonds in the manner provided in the Indenture.

Payment of Principal and Interest on Series 2007C Bonds

For so long as the Series 2007C Bonds are registered in the name of DTC or its nominee, payments of principal and interest will be made to DTC or its nominee by wire transfer, as described under "Book Entry System."

Interest Account. The Trustee will establish and maintain, as long as any Series 2007C Bonds are outstanding, a separate account within the Sinking Fund created by the Indenture known as the Series 2007C Interest Account. On or before each date on which any interest is due on any Series 2007C Bonds, the Trustee will deposit in the Series 2007C Interest Account moneys received from the Corporation in an amount equal to the difference, if any, between (a) the interest on the Series 2007C Bonds due on such date and (b) the amount of moneys then on deposit in the Series 2007C Interest Account available to pay such interest. The Trustee will use moneys on deposit in the Series 2007C Interest Account to pay the interest on the Series 2007C Bonds whenever such interest is due and payable.

Principal Account. The Trustee will establish and maintain, as long as any Series 2007C Bonds are outstanding, a separate account within the Sinking Fund to be known as the Series 2007C Principal Account. On or before each date on which any Series 2007C Bonds mature or are subject to mandatory sinking fund redemption, the Trustee will deposit in the Series 2007C Principal Account moneys received from the Corporation in an amount equal to the difference, if any, between (a) the principal amount of Series 2007C Bonds maturing or subject to mandatory sinking fund redemption on such date and (b) the amount of moneys then on deposit in the Series 2007C Principal Account available to pay such principal. The Trustee will use moneys on deposit in the Series 2007C Principal Account to pay the principal of the Series 2007C Bonds at maturity or upon mandatory sinking fund redemption.

Bond Purchase Account. The Trustee will establish and maintain, as long as any Series 2007C Bonds are outstanding, a separate account within the Sinking Fund to be known as the Series 2007C Bond Purchase Account. The Trustee will deposit to the Series 2007C Bond Purchase Account on or before each tender date the amount, if any, necessary to make the amount on deposit therein equal to the purchase price of any Series 2007C Bonds tendered or deemed tendered for purchase pursuant to any optional tender for purchase (see "Optional Tender for

Purchase") or mandatory tender for purchase (see "Mandatory Tender for Purchase"), net of any amounts available from proceeds of remarketing.

Redemption Account. The Trustee will establish and maintain, as long as any Series 2007C Bonds are outstanding, a separate account within the Redemption Fund to be known as the Series 2007C Account. On or before any day on which any Series 2007C Bonds are subject to optional redemption (see "Redemption—Optional Redemption"), the Trustee will deposit in the Series 2007C Account of the Redemption Fund moneys received from the Corporation in an amount equal to the difference, if any, between (a) the redemption price of the Series 2007C Bonds due on such date and (b) the amount of moneys then on deposit in the Series 2007C Account of the Redemption Fund available to pay such redemption price. The Trustee will use moneys on deposit in the Series 2007C Account of the Redemption Fund to pay the optional redemption price of the Series 2007C Bonds whenever such redemption price is due and payable (see "Redemption—Optional Redemption").

Payments Due on Saturdays, Sundays and Holidays

In the event that the date of maturity of principal of or interest on any Series 2007C Bonds or the date fixed for redemption of any Series 2007C Bonds is a day other than a business day, then payment of interest or principal need not be made on such date, but may be made (without additional interest) on the next succeeding business day with the same force and effect as if made on the date of maturity or date fixed for redemption.

Transfer and Exchange of Series 2007C Bonds

For so long as the Series 2007C Bonds are registered in the name of DTC or its nominee, the transfer and exchange procedures will be as described under "Book Entry System."

Book Entry System

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 2007C Bonds. The Series 2007C Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2007C Bond certificate will be issued for each maturity of the Series 2007C Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2007C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2007C Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2007C Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2007C Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2007C Bonds, except in the event that use of the book-entry system for the Series 2007C Bonds is discontinued.

To facilitate subsequent transfers, all Series 2007C Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2007C Bonds with DTC and their registration in the name of Cede & Co. or other such DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2007C Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2007C Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2007C Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2007C Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2007C Bond documents. For example, Beneficial Owners of Series 2007C Bonds may wish to ascertain that the nominee holding the Series 2007C Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2007C Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2007C Bonds, unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2007C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2007C Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Trustee on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Corporation or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co., (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2007C Bonds purchased or tendered, through its Participant, to the parties specified in the Indenture, and shall effect delivery of such Series 2007C Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2007C Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of Series 2007C Bonds in connection with an optional or mandatory tender will be deemed satisfied when the ownership rights in the Series 2007C Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2007C Bonds to the Remarketing Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Series 2007C Bonds at any time by giving reasonable notice to the Corporation and the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificates for the Series 2007C Bonds are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates for the Series 2007C Bonds will be printed and delivered.

For every transfer and exchange of the Series 2007C Bonds, the Trustee and DTC and the DTC Participants will charge the Beneficial Owner a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

The foregoing information under the caption "Book Entry System" concerning DTC and DTC's book-entry system has been obtained from sources believed to be reliable, but neither the Corporation nor the Underwriter takes any responsibility for the accuracy thereof.

THE CORPORATION AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO THE PARTICIPANTS OR THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2007C BONDS (1) PAYMENTS OF PRINCIPAL OF OR REDEMPTION PRICE OR INTEREST, IF ANY, ON THE SERIES 2007C BONDS, (2) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN SERIES 2007C BONDS OR (3) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2007C BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE CORPORATION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANTS, ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE SERIES 2007C BONDS UNDER OR THROUGH DTC OR ANY PARTICIPANT, OR ANY OTHER PERSON WHO IS NOT SHOWN ON THE REGISTRATION BOOKS OF THE CORPORATION KEPT BY THE REGISTRAR AS BEING A BONDHOLDER. THE CORPORATION, THE TRUSTEE AND THE REGISTRAR WILL HAVE NO RESPONSIBILITY WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC FOR ANY PARTICIPANT OR BY ANY PARTICIPANT WITH RESPECT TO ANY OWNERSHIP INTEREST IN THE SERIES 2007C BONDS, (2) THE PAYMENTS BY DTC TO ANY PARTICIPANT OR BY ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2007C BONDS, (3) THE DELIVERY TO ANY PARTICIPANT OR ANY BENEFICIAL OWNER OF ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE INDENTURE, (4) THE SELECTION BY DTC OR ANY PARTICIPANTS OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2007C BONDS OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

In the event that the book-entry only system is discontinued, principal and redemption price will be payable upon presentation and surrender of the Series 2007C Bonds at the corporate trust office of the Paying Agent and interest will be payable on each Interest Payment Date, by check mailed or, at the option of the Holder of at least $1,000,000 aggregate principal amount of Series 2007C Bonds, by wire or electronic transfer, to the Bondholders as of the close of business on the Record Date.

If the book-entry only system is discontinued and Series 2007C Bond certificates have been delivered as described in the Indenture, the Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the Bondholder. Thereafter, Series 2007C Bonds may be exchanged for an equal aggregate principal amount of Series 2007C Bonds in other authorized denominations, upon surrender thereof at the designated corporate trust operations office of the Registrar. The transfer of any Series 2007C Bond may be registered on the books maintained by the Registrar for such purpose only upon the surrender thereof to the Registrar with a duly executed assignment in form satisfactory to the Registrar. For every exchange, registration or transfer of Series 2007C Bonds, the Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange, registration or transfer of the Series 2007C Bonds. The Registrar will not be required to register the transfer of or exchange any Series 2007C Bond during a Weekly Rate Period (i) after the mailing of notice calling such Series 2007C Bond for redemption or (ii) after a Record Date immediately preceding an Interest Payment Date until such Interest Payment Date.

SECURITY AND SOURCES OF PAYMENT FOR BONDS

The Series 2007C Bonds and all other First Lien Bonds are special and limited obligations of the Corporation, secured exclusively by a pledge of and first lien on the Pledged Revenues, as provided in the Indenture, and payable solely from the Pledged Revenues and the other Available Funds. The Series 2007C Bonds and all other Bonds are not a general obligation, debt or liability, or a charge against any property or fund, of the Corporation or the State of Indiana, and no recourse may be had for the payment of the principal of or interest on the Series 2007C Bonds or any other Bonds against the Corporation or the State of Indiana, except to the extent of the Pledged Revenues. The following sections regarding security for the Bonds summarize certain provisions of the Indenture. For a complete summary of the provisions of the Indenture relating to the security for the Series 2007C Bonds and all other First Lien Bonds, see "SUMMARY OF CERTAIN PROVISIONS OF INDENTURE."

No recourse under or upon any indebtedness, obligation, covenant, agreement or liability contained in the Indenture or any Series 2007C Bonds or other Bonds may be had against any past, present or future officer, trustee, employee, agent or representative of the Corporation. No personal liability whatever will attach to or be incurred by any past, present or future officer, trustee, employee, agent or representative of the Corporation by reason of any of the indebtedness, obligations, covenants, agreements or liabilities contained in the Indenture or any Series 2007C Bonds or other Bonds, or to be implied therefrom.

Pledged Revenues

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

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

(ii) the sum of

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

(B) any financing costs related to any Bonds, including without limitation any amounts which are payable to the United States of America with respect to any

Bonds under Section 148 of the Code (any such amounts, "Rebatable Amounts"), any fees and expenses related to the computation of any Rebatable Amounts, any fees and expenses related to any letter of credit, line of credit, insurance policy, guaranty, surety bond, bond purchase agreement or other instrument providing for the payment of or guaranteeing the payment of any principal of or interest on any Bonds or any purchase price of any Bonds (any such letter of credit, line of credit, insurance policy, guaranty, surety bond, bond purchase agreement or other instrument, a "Credit Facility"), or any fees and expenses related to any other credit facilities or liquidity facilities for any Bonds (any such financing costs related to any Bonds, "Financing Expenses")

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

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

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

Available Funds

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

(a) the Pledged Revenues; and

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

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

No Reserve Fund

The Series 2007C Bonds will have no claim on any reserve fund. However, the Corporation may issue Bonds at some later date which will have a claim on the Reserve Fund established under the Indenture in the manner prescribed in the Indenture, for which a reserve fund requirement may exist. See "SUMMARY OF CERTAIN PROVISIONS OF INDENTURE—Flow of Funds – No Reserve Fund."

Rate Covenant

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

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

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

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

Any Annual Debt Service Requirement or other amount to be calculated under the Indenture may be calculated in accordance with any reasonable assumptions selected and consistently applied by the Corporation, including any assumption that the Annual Debt Service Requirement for any Fiscal Year as described in subparagraph (a) of this paragraph equals the estimate of the Annual Debt Service Requirement for such Fiscal Year as described in clause (ii) of the immediately following paragraph.

The Corporation also covenants to adopt a budget for each Fiscal Year, which budget includes (i) an estimate of the Net Income, including Gross Income, Operation and Maintenance Expenses and Financing Expenses, for such Fiscal Year, and (ii) an estimate of the Annual Debt Service Requirement for such Fiscal Year, the amount, if any, required to be paid into the Reserve Fund or to the provider of any Reserve Fund Credit Instrument in such Fiscal Year, and the sum of any other amounts reasonably required or anticipated to be paid from Net Income in such Fiscal Year in accordance with the Indenture, including without limitation any estimated amounts to be spent on the System in excess of Operation and Maintenance Expenses for major repairs and improvements to the System, which amounts exceed any reserve therefor. Any Annual Debt Service Requirement or other amount to be calculated under the Indenture may be calculated in accordance with any reasonable assumptions selected and consistently applied by the Corporation, including any assumption that, in calculating an estimate of the Annual Debt Service Requirement for any Fiscal Year as described in clause (ii) of this paragraph, the amount of the principal and interest projected to become due in such Fiscal Year on any Variable Rate Bonds excludes the principal component of any Optional Maturity.

Issuance of First Lien Bonds

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

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

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

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

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

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

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

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

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

Any Annual Debt Service Requirement, Average Annual Debt Service or other amount to be calculated under the Indenture may be calculated in accordance with any reasonable assumptions selected and consistently applied by the Corporation, including any assumption that, in calculating the sum of the Annual Debt Service Requirements for all remaining Fiscal Years in which any Bonds will be Outstanding for the purpose of calculating any Average Annual Debt Service as described in the immediately preceding paragraph, any Optional Maturity for which no Credit Facility has been provided need not be taken into account more than one time in calculating the principal and interest projected to become due on any Variable Rate Bonds.

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

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

Issuance of Junior Lien Obligations and Credit Facility Obligations

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

(a) First Lien Bonds;

(b) Credit Facility Obligations; or

(c) Junior Lien Obligations.

DEBT SERVICE COVERAGE

The following projected debt service coverage summary is based solely on Net Income for the Fiscal Years ended June 30, 2006, and June 30, 2005 (excluding any other Available Funds), and the projected average of the annual debt service on the Series 2003A Bonds, the Series 2003B Bonds, the Series 2004A Bonds, the Series 2005A Bonds, the Series 2007A Bonds, the Series 2007B Bonds and the Series 2007C Bonds (which are the only First Lien Bonds that will be outstanding upon issuance of the Series 2007C Bonds).

	Fiscal Year Ended June 30	
	2006	2005
Net Income	$22,029,190	$21,348,917
Projected coverage[1]	1.53	1.48

Projected annual debt service: $14,377,609 [1]

[1] Projected average of annual debt service, assuming that the Series 2004A Bonds, the Series 2005A Bonds and the Series 2007C Bonds bear interest at 3.5% per annum.

ANNUAL DEBT SERVICE REQUIREMENT

The projected annual debt service requirement for the Series 2007C Bonds and other Bonds outstanding on the date hereof is as follows:

Fiscal year Ending June 30	Series 2007C Bonds Principal[1]	Series 2007C Bonds Interest[2]	Other Bonds Principal[1]	Other Bonds Interest[3]	Total Debt Service[1] [2][3]
2008		$1,429,900	$4,810,000	$7,952,024	$14,191,924
2009		2,156,914	5,775,000	8,048,896	15,980,811
2010	$ 800,000	2,134,676	6,095,000	7,768,555	16,798,231
2011	1,745,000	2,076,320	6,415,000	7,469,764	17,706,084
2012	1,805,000	2,016,534	6,870,000	7,153,175	17,844,710
2013	1,870,000	1,944,928	7,530,000	6,797,444	18,142,371
2014	1,940,000	1,880,356	7,925,000	6,423,595	18,168,951
2015	2,010,000	1,810,207	8,220,000	6,034,960	18,075,168
2016	2,080,000	1,740,382	4,980,000	5,732,062	14,532,445
2017	2,160,000	1,659,569	5,240,000	5,499,248	14,558,817
2018	2,235,000	1,584,229	5,610,000	5,255,045	14,684,274
2019	2,315,000	1,503,435	6,190,000	4,982,627	14,991,061
2020	2,400,000	1,421,942	6,320,000	4,698,822	14,840,764
2021	2,485,000	1,330,805	6,725,000	4,390,703	14,931,508
2022	2,575,000	1,243,083	7,070,000	4,066,804	14,954,887
2023	2,670,000	1,149,906	7,535,000	3,723,814	15,078,720
2024	2,765,000	1,055,079	7,915,000	3,363,316	15,098,395
2025	2,865,000	951,880	8,325,000	2,974,566	15,116,446
2026	2,970,000	849,769	8,745,000	2,569,198	15,133,967
2027	3,080,000	742,285	9,205,000	2,140,153	15,167,438
2028	3,190,000	631,948	9,695,000	1,688,094	15,205,041
2029	3,305,000	514,771	10,200,000	1,208,093	15,227,864
2030	3,425,000	396,078	7,245,000	790,288	11,856,366
2031	3,550,000	272,187	3,635,000	576,878	8,034,066
2032	3,675,000	144,136	4,725,000	391,153	8,935,289
2033	3,810,000	10,930	4,810,000	197,127	8,828,057
2034			4,100,000	11,795	4,111,795

(1) Principal matures on the preceding July 1.
(2) Assumes that the Series 2007C Bonds bear interest at 3.5% per annum.
(3) Assumes that the Series 2004A Bonds and the Series 2005A Bonds bear interest at 3.5% per annum.

FACILITIES AND SYSTEM

General

The Student Facilities System (the "System") may include any University facility permitted under the Acts. As of the date of this Official Statement, the facilities consist of certain student residence, dining and other operations located on the University's West Lafayette, Fort Wayne and Calumet campuses.

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

Currently, the System is owned and operated by the Corporation and is comprised of 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 will provide 11,557 spaces for students in 2007-08. There are 8,540 room and board spaces, 896 graduate housing room spaces, 1,300 spaces in single student apartments with food contract options, and 821 spaces in married student apartments. The Fort Wayne and Calumet campuses will provide 756 and 370 spaces, respectively, for students in 2007-08.

Management

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

The student housing facilities on the Fort Wayne campus are managed by American Campus Communities ("ACC"). American Campus Communities combines physical plant and financial management with residence life and student development values, designed so that each community may be a well-maintained, well-operated, academically-oriented living and learning center. Management of the Calumet facility is administered by University management.

West Lafayette Campus Facilities

Single Student Housing. Approximately 8,540 single students can be housed in eleven traditional residence halls, seven of which are co-educational. Eight of these halls are multi-storied facilities containing lounges, recreation rooms, kitchens and post office facilities. An additional facility is an apartment complex located on campus that can house 946 single students. Additional student apartments are also available for single students in the married student housing complex. Optional board service is available through the dining services in any of the other halls. The first phase of a five phase renovation of Windsor Residence Halls is currently underway.

There are five operating dining court locations: Earhart Hall, Hillenbrand Hall, Tarkington Hall, Meredith Hall, and the Fred and Mary Ford Dining Court by Cary Quadrangle. In addition, the System has two mini-mart and two grill operations. A sixth dining court, Wiley Dining Court, is under construction and is expected to be completed by the Fall of 2008. Tarkington Dining Court is scheduled to close in 2008 when the new Wiley Dining Court is completed.

Graduate Housing. Approximately 896 spaces are available in the two graduate housing units for graduate students and undergraduate students. Facilities include laundry, recreation rooms and post office services. The graduate housing contracts are for room only. Food service is available on a contract basis in any of the dining locations. It is anticipated that the remaining two student housing floors of the Ernest C. Young Graduate House will be removed from the System by the Fall 2008, reducing the number of spaces by 106

Married Student Housing Complex. There are 1,175 spaces in apartments within walking distance of the main campus, of which 821 spaces are for married students. The unfurnished apartments are one- and two-bedroom types. Rent includes all utilities, including basic telephone service.

Regional Campuses Facilities

Fort Wayne Student Housing. There are 756 spaces in nine apartment buildings with a freestanding commons building. The housing complex is linked to the main campus by a pedestrian bridge. The furnished apartments are one- and two-bedroom types with shared or private baths. The buildings include a laundry, recreation rooms and a computer learning center.

Calumet Student Housing. There are 370 spaces available in a four-story building with 94 furnished apartments, each with four private bedrooms and two shared baths. The apartment suites have a kitchen/dining room and a living room. The apartment facility was opened to students in the Fall of 2005 and sits on University property in close proximity to the Physical Education and Recreation Building. A second phase is currently in the planning process.

Current System Housing Facilities	**Initial Construction**	**Fall 2007 Total Spaces Available**
Franklin Levering Cary Quadrangle	1927	1,158
Windsor Residence Halls	1934	595
Hilltop Apartments	1944	946
Virginia C. Meredith Residence Hall	1952	620
Richard Owen Residence Hall	1957	706
Married Student Housing Complex	1957	1,175
Newton Booth Tarkington Residence Hall	1958	707
Harvey W. Wiley Residence Hall	1958	750
John T. McCutcheon Residence Hall	1963	747
Amelia Earhart Residence Hall	1964	786
Ernest C. Young Graduate House	1965	106
Benjamin Harrison Residence Hall	1966	812
George A. Hawkins Graduate House	1968	790
Eleanor B. Shreve Residence Hall	1970	859
Hillenbrand Residence Hall	1993	800
Fort Wayne Student Housing Complex, I	2003	568
Fort Wayne Student Housing Complex, II	2007	188
Calumet Student Housing Complex	2004	370
Total		12,683

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

System Occupancy

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

	Year Ended June 30				
	2007-08*	**2006-07**	**2005-06**	**2004-05**	**2003-04**
West Lafayette Student Facilities					
Single Students					
Spaces Available	10,736	10,937	10,675	10,467	10,620
Spaces Occupied	10,478	10,663	10,431	10,263	10,062
Occupancy Percentage	97.6%	97.5%	97.7%	98.1%	94.7%
Married Student Housing Complex					
Apartments Available	821	981	983	1,013	1,014
Apartments Occupied	739	898	873	943	936
Occupancy Percentage	90.0%	91.5%	88.8%	93.1%	92.3%
West Lafayette Occupancy Percentage	97.1%	97.0%	97.0%	97.6%	94.5%
Regional Campus Student Facilities					
Fort Wayne Student Housing Complex					
Spaces Available	756	568	568	563	
Spaces Occupied	756	568	568	495	
Occupancy Percentage	100.0%	100.0%	100.0%	87.9%	
Calumet Student Housing Complex					
Spaces Available	370	370	384		
Spaces Occupied	370	370	283		
Occupancy Percentage	100.0%	100.0%	73.6%		

***Forecast**

Note: Single student space occupancy is based upon average daily during the academic year and married student housing complex space occupancy is based upon average daily over a twelve month period.

Housing Rental Rates

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

	Year Ended June 30				
	2007-08[1]	**2006-07**	**2005-06**	**2004-05**	**2003-04**
West Lafayette:					
Single Room and Board Units[2]					
Minimum Academic Year Rate	$5,818	$5,528	$5,256	$5,022	$4,786
Maximum Academic Year Rate	12,144	11,510	10,894	10,356	9,528
Married Student Housing Complex[2]					
Minimum Monthly Rate	530	520	504	492	478
Maximum Monthly Rate	655	640	639	632	614
Graduate Housing[2]					
Minimum Monthly Rate	335	320	320	320	320
Maximum Monthly Rate	615	585	585	585	585
Fort Wayne Student Housing Complex[2]					
Minimum Monthly 12-Month Rate	422	406	394	379	
Maximum Monthly 12-Month Rate	642	617	599	570	
Calumet Student Housing Complex[2]					
Monthly Rate[3]	427	415	399		

(1) The West Lafayette, Fort Wayne and Calumet housing rates for 2007-08 were approved by the Board of Trustees on December 16, 2006.
(2) Married Student Housing Complex rates are effective July 1, and all others rates are effective with the start of the fall semester in August.
(3) Only one rate assessed; no maximum or minimum.

Food Service Rates

Within the System, the West Lafayette food service operations include traditional food services (5 locations), mini-mart operations (2 locations), and grill operations (2 locations). Currently the food service operations offer the five meal plans outlined below.

	Year Ended June 30				
	2007-08[1]	**2006-07**	**2005-06**	**2004-05**	**2003-04**
20 Meal Plan [2]	$4,714	$4,468	$4,256	$4,080	$3,884
Gold Plan [3]	4,140	3,924	3,738	3,582	
15 Meal Plan [3]	4,140	3,924	3,738	3,582	3,412
Black Plan [3]	3,818	3,618	3,446	3,302	
10 Meal Plan [2]	3,818	3,618	3,446	3,302	3,146

(1) The food service rates for 2007-08 were approved by the Board of Trustees on December 16, 2006.
(2) Includes $250 discretionary dining dollars.
(3) Includes $350 discretionary dining dollars.

The West Lafayette campus began consolidating food service operations in the Fall of 2000 from eleven locations. There will be five locations when the plan is completed in the Fall of 2008.

Financial Information

The following are the Statements of Revenues, Expenses and Changes in Net Assets for the Purdue University Student Facility System as of June 30, 2006, 2005 and 2004. This information should be used in conjunction with the financial statements and the notes to the University's statements contained in Appendix B.

FINANCIAL OPERATIONS OF THE SYSTEM

Statement of Revenues, Expenses and Changes in Net Assets

Fiscal Year Ended June 30 (Unaudited)

	2006	2005	2004
Operating Revenues			
Housing, Net	$42,735,367	$39,244,766	$34,557,906
Food Service	37,729,525	35,897,496	32,938,187
Other Operating Revenues	2,501,858	2,569,208	1,860,551
Total Operating Revenues	$82,966,750	$77,711,470	$69,356,644
Operating Expenses			
Depreciation[1]	$8,318,890	$6,867,390	$4,393,628
Operating Expenses	63,741,015	59,118,495	56,621,255
Total Operating Expenses	$72,059,905	$65,985,885	$61,014,883
Operating Income	$10,906,845	$11,725,585	$8,341,760
Non-operating Revenues (Expenses)			
Investment Income	$2,803,455	$2,755,942	$2,823,795
Interest Expense	(6,889,928)	(6,061,373)	(4,827,352)
Other	31,140	(37,133)	2,795,831)
Total Non-operating Revenues (Expenses), Net	($4,055,333)	($3,342,564)	($4,799,389)
Increase in Net Assets	$6,851,512	$8,383,022	$3,542,371

Numbers may not add due to rounding

(1) Operation and Maintenance Expenses, as defined in the Indenture, exclude depreciation expenses.

Projected Debt Service Coverage

The projected coverage calculation is the division of Net Income by the projected average of the annual debt service ($14,377,609[1]).

	2006	2005	2004
Operating Income	$10,906,845	$11,725,585	$8,341,760
Investment Income	2,803,455	2,755,942	2,823,795
Total Operating Income	$13,710,300	$14,481,527	$11,165,555
Depreciation[2]	8,318,890	6,867,390	4,393,628
Net Income	$22,029,190	$21,348,917	$15,559,183
Projected annual debt service coverage [1]	1.53	1.48	1.08

(1) Projected average of annual debt service, assuming that the Series 2004A Bonds, the Series 2005A Bonds and the Series 2007C Bonds bear interest at 3.5% per annum.
(2) Operation and Maintenance Expenses, as defined in the Indenture, exclude depreciation expenses.

Capital Plans

The System currently has ongoing renovations and new construction projects on the West Lafayette and Fort Wayne campuses.

West Lafayette Campus. A continuing major renovation project began in May 2000 on the West Lafayette campus to consolidate the food service operation from 11 to 5 dining courts and from 7 to 5 mini-marts/grills. The total authorization for this project is $57.9 million. The final phase of this project, Wiley Dining Court, is under construction and is scheduled for completion in August 2008.

A renovation of the Windsor Residence Halls complex was authorized for $53.0 million. A component of this financing will fund the first of a five phase renovation which began in May 2007. In addition, also funded by this financing, a new Replacement Housing residence hall with 365 beds has been authorized for $52.0 million and is under construction. This new hall is expected to open for student use by Fall 2009.

Two long-term projects are currently underway to further enhance the West Lafayette campus. The first project is to improve the fire safety features (e.g., sprinkling and new fire alarm systems) in the student housing facilities with completion expected by the end of 2012. The second project is to add air conditioning to some of the student rooms on campus with completion targeted by the summer of 2011. These projects are included in "*Major Construction Projects"* below and are expected to be financed with internal funds.

University decisions relating to its strategic plan, enrollment management and resident versus non-resident mix will affect the revenue of the System. During fiscal year 2002, the University announced plans to create Discovery Park, an academic research facility that will occupy approximately half the acreage originally used by the System's married students housing complex. A total of 38 buildings are projected to be demolished over a multi-year period to provide for this growth. Since 2002, 16 buildings (256 apartments) have been demolished to clear land for Discovery Park, including 80 apartments which were removed from the System in May of 2007 due to the construction of a new childcare facility and community center.

Regional Campuses. The System includes two housing facilities on the Fort Wayne campus, providing 756 spaces, including a newly constructed facility which opened in August 2007. The 288 furnished apartments are one-, two- and four-bedroom floor plans with shared or private baths.

At the Calumet campus, a 94-unit furnished apartment facility provides 370 spaces. Each unit has four private bedrooms and two shared baths. The apartment suites have a kitchen/dining room and a living room. A second similar facility providing approximately 370 additional spaces was approved in May 2007 for $21.1 million, and construction is expected to begin in the second quarter of 2008. This project is expected to be debt funded.

Major Construction Projects. As of August 2007, the System has $162 million of projects greater than $500,000 in progress, including the projects funded with this financing. Approximately $27 million of these major projects may be internally funded, including, among others, the McCutcheon Drive Parking Garage addition for $16.7 million and the addition of air-conditioning and fire sprinkling in McCutcheon Hall for $8.9 million.

Purdue University's Board of Trustees has authorized $25.5 million in other new projects greater than $500,000 for the System for which construction has not yet to begin. This included a new community center at the Purdue Village and Calumet Student Housing phase two, among other projects. Approximately $4.4 million of the cost of these projects may be internally funded by the System, while the remaining costs may be funded with additional borrowings.

PROJECT

The Series 2007C Bonds are being issued for the purpose of financing a portion of the costs of the acquisition, construction, renovation, equipping and furnishing of the Project, which consists of (i) the Windsor Residence Halls Facility on the Purdue University West Lafayette campus, and any property, real or personal, related thereto (the "Windsor Residence Halls Facility"), and (ii) any replacement student housing facilities on the Purdue University West Lafayette campus, and any property, real or personal, related thereto (the "Replacement Student Housing Facility").

Windsor Residence Halls Facility

To meet contemporary student expectations, this project will renovate the five separate buildings of the Windsor Residence Halls complex. Work will be completed in phases over a period of five years and encompasses upgrading each building to meet current building codes. This work will include fire protection and accessibility; upgrading, restoring or replacing architectural finishes; repairing historical architectural elements such as decorative plaster, woodwork and ceramic tile; replacing all five passenger elevators; increasing privacy in community bathrooms; and replacing existing electrical and mechanical systems in each building as required. In addition, air conditioning will be added to the entire Windsor Residence Halls complex.

A component of this financing will fund approximately $14 million of the first phase of this renovation, Wood Hall, which began in May 2007. Construction is expected to be completed and Wood Hall available for student occupancy for the Fall 2008 semester. Annually, renovations will begin on the next scheduled building in the Windsor Residence Halls complex, completing approximately one year later. The total project is expected to be completed by the Fall semester of 2012. This multi-phase project was approved by the Board of Trustees for $53.0 million and is expected to be debt funded.

Replacement Student Housing

This project will construct approximately 365 on-campus resident rooms for students in 1-bedroom floor plans including accommodations for 9 live-in staff. Each resident living space will be approximately 180 square feet and will house one student and include a private bathroom. Resident rooms will be grouped into clusters of 22 students who will share a living room/gathering space, laundry and kitchenette. The project also includes a central community center consisting of conference rooms, a multi-purpose room, a computer lab, student club rooms, a mail center and administrative offices.

This financing will provide approximately $47 million of a planned $52 million for the construction of this facility. Construction began in June 2007 and is anticipated to be completed for the incoming student class in Fall 2009. Student dining and parking are in the immediate vicinity of the new structure. The facility is on the site of former student housing, demolished several years before in anticipation of the University's planned upgrades and renovations to be provided for student life on campus. Over the next few years of planned construction, including the renovations described above, available housing at the West Lafayette campus is anticipated to provide housing for around 11,400 students.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds related to the issuance of the Series 2007C Bonds are summarized below:

Sources of Funds:	
Principal Amount of Series 2007C Bonds	$61,725,000
Total Sources of Funds	$61,725,000
Uses of Funds:	
Deposit to Series 2007C Windsor Residence Halls Facility Account	$14,500,000
Deposit to Series 2007C Replacement Student Housing Facility Account	47,000,000
Costs of Issuance, Underwriter's Discount and Contingency	225,000
Total Uses of Funds	$61,725,000

SUMMARY OF CERTAIN PROVISIONS OF INDENTURE

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

Definitions

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

"Act" means Indiana Code Sections 21-32-1, 21-32-2, 21-35-1, 21-35-3 and 21-35-5, all as supplemented or amended from time to time, and, after any repeal of any of such statutes, any statutes replacing such statutes, all as supplemented or amended from time to time.

"Adjustable Rate" means any of the following types of interest rates: a Daily Rate, a Weekly Rate, a Monthly Rate, a Quarterly Rate, a Semiannual Rate and a Term Rate.

"Annual Debt Service Requirement" for any Fiscal Year means the sum of (i) an amount equal to the amount of the principal and interest scheduled to become due in such Fiscal Year on any Fixed Rate Bonds (excluding the principal of any balloon maturity and excluding the principal component of any Optional Maturity for which any Credit Facility has been provided), (ii) an amount equal to the amount of the principal and interest projected to become due in such Fiscal Year on any Variable Rate Bonds (excluding the principal of any balloon maturity (less any portion of such principal required to be repaid prior to maturity pursuant to any Credit Facility) and excluding the principal component of any Optional Maturity for which any Credit Facility has been provided), and (iii) an amount equal to the principal of any balloon maturity divided by the number of years to maturity from its date of original issuance or from any later date specified in the Supplemental Indenture authorizing the issuance of such balloon maturity. Any such projection of the interest to become due on any Variable Rate Bonds will be calculated on any date by assuming that such Variable Rate Bonds bear interest at a rate equal to 110% of the greater of (a) the average daily interest rate borne by such Variable Rate Bonds during the twelve-month period immediately preceding such date or (b) the interest rate borne by such Variable Rate Bonds on such date, but, in either event, not exceeding any maximum interest rate which may be borne by such Variable Rate Bonds. Interest which is payable from the proceeds of any Bonds set aside for such purpose (*e.g.*, accrued or capitalized interest) will be excluded in determining the Annual Debt Service Requirement. To the extent that the Corporation has entered into any Derivative Product for any Bonds, any payments to be made or received by the Corporation pursuant to such Derivative Product will be taken into account, by adding the amount of any payments to be made by the Corporation pursuant to such Derivative Product, if any, and subtracting the amount of any payments to be received by the Corporation pursuant to such Derivative Product, if any, from the sum of the amounts described in the first sentence of this definition. For purposes of this definition, "balloon maturity" mean any Bonds of any Series, the amount of the principal of and interest on which Bonds, together with any other Bonds of such Series, due in any twelve-month period, is not less than 30% of the average Annual Debt Service Requirement of all Bonds of such Series (calculated in accordance with clauses (i) and (ii) above); provided, however, that, in calculating the amount of the principal of and interest on any Bonds due in any twelve-month period, the amount of the principal of such Bonds will be reduced to the extent that all or any portion of such amount is required to be amortized prior to such twelve-month period; and provided, further, that the Corporation may elect to waive the provisions of clause (iii) above for any Bonds of any Series at the time of delivery thereof and treat such Bonds as if they were not a balloon maturity for purposes of the application of this definition.

"Authorized Denomination" means, as long as the Series 2007C Bonds bear interest at a Weekly Rate, $100,000 or any integral multiple of $5,000 in excess thereof.

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

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

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

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

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

"Bond Payment Date" means each date on which interest or both principal and interest are payable on any of the Series 2007C Bonds according to their respective terms so long as any Series 2007C Bonds are Outstanding.

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

"Business Day" with respect to the Series 2007C Bonds means, as long as the Series 2007C Bonds bear interest at a Weekly Rate, any day other than a Saturday, Sunday or day on which the New York Stock Exchange or banking institutions are authorized or required by law or executive order to be closed for commercial banking purposes in New York or Indiana, or in any city in which is located the designated corporate trust office of the Trustee.

"Calculation Period" means, during any Weekly Rate Period, the period from and including the Wednesday of each week to and including the following Tuesday and, with respect to a Change in the Interest Rate Mode to a

Weekly Rate, the period from and including the effective date of the Change in the Interest Rate Mode to and including the following Tuesday, and, thereafter, the period from and including Wednesday of each week to and including the following Tuesday.

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

"Change in the Interest Rate Mode" means any change in the type of interest rate borne by the Series 2007C Bonds pursuant to the Indenture.

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

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

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

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

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

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

"Current Adjustable Rate" means the interest rate borne by Series 2007C Bonds immediately prior to a Change in the Interest Rate Mode or the establishment of a Fixed Rate.

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

"Determination Date" means, for any Calculation Period, with respect to the Weekly Rate, the Business Day immediately preceding the first Business Day occurring during such Calculation Period.

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

"Facilities" means any:

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

(b) food service facilities;

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

(d) parking facilities in connection with academic facilities;

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

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

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

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

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

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

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

"Fixed Rate" means, with respect to the Fixed Rate Conversion Date, the rate of interest per annum established and certified to the Trustee (with a copy to the Corporation) by the Remarketing Agent no later than 4:00 p.m. (New York City time) no later than the Business Day immediately preceding the Fixed Rate Conversion Date as the minimum rate of interest per annum which, in the opinion of the Remarketing Agent, would be necessary on and as of such date to remarket the Series 2007C Bonds in a secondary market transaction at a price equal to 100% of the Outstanding principal amount thereof.

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

"Fixed Rate Conversion Date" means the date on which the Fixed Rate takes effect.

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

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

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

"Interest Payment Date" for the Series 2007C Bonds means, as long as the Series 2007C Bonds bear interest at a Weekly Rate: (i) during each Weekly Rate Period, the first Wednesday of each month thereof; (ii) the Fixed Rate Conversion Date; (iii) any day on which Series 2007C Bonds are subject to mandatory tender for purchase pursuant to the Indenture (see "DESCRIPTION OF SERIES 2007C BONDS—Mandatory Tender for Purchase") or optional redemption in whole pursuant to the Indenture (see "DESCRIPTION OF SERIES 2007C BONDS—Redemption—Optional Redemption"); and (iv) the final maturity date of the Series 2007C Bonds. However, so long as the Series 2007C Bonds bear interest at a Weekly Rate, if any such day is not a Business Day, the Interest Payment Date will be the next succeeding day which is a Business Day.

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

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

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

"Notice of Election to Tender" means an irrevocable notice given by a holder of Series 2007C Bonds of such holder's election to tender such Series 2007C Bonds for purchase.

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

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

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

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

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

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

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

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

"Paying Agent" means The Bank of New York Trust Company, N.A., or any successors or assigns.

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

(a) Federal Securities;

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

(c) Any investments permitted by Indiana Code Section 21-29-2-1, as supplemented or amended from time to time. Indiana Code Section 21-29-2-1 permits the Corporation to acquire and retain any investment which persons of prudence, discretion and intelligence would acquire and retain for their own account.

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

"Project" means the acquisition, construction, renovation, equipping and furnishing of the Series 2007C Facilities.

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

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

"Rating Service" means Moody's Investors Service Inc., if the Series 2007C Bonds are then rated by Moody's Investors Service Inc., and Standard & Poor's Rating Services, if the Series 2007C Bonds are then rated by Standard & Poor's Rating Services.

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

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

"Record Date" for the Series 2007C Bonds means, with respect to each Interest Payment Date during a Weekly Rate Period, the last Business Day of the month next preceding such Interest Payment Date.

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

"Registrar" means The Bank of New York Trust Company, N.A., or any successors or assigns.

"Remarketing Agent" means Merrill Lynch, Pierce, Fenner & Smith Incorporated as the initial remarketing agent for the Series 2007C Bonds, and includes as the case may be any other remarketing agent or agents, or any other market agent or market agents with respect to the Series 2007C Bonds appointed pursuant to the Indenture, and its or their successors or assigns.

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

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

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

"Resolutions" means the resolutions adopted by the Corporation's Board of Trustees (or the Finance Committee thereof), authorizing the execution and delivery of the Tenth Supplemental and Amendatory Indenture and the issuance of the Series 2007C Bonds.

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

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

"Series 2007C Bondholder," "Holder of a Series 2007C Bond," "holder of a Series 2007C Bond," "Owner of a Series 2007C Bond," "owner of a Series 2007C Bond" or any similar term means a registered owner of any Series 2007C Bond.

"Series 2007C Bonds" means the Purdue University Student Facilities System Revenue Bonds, Series 2007C (Adjustable Demand), authorized to be issued by the Corporation pursuant to the terms and conditions of the Indenture.

"Series 2007C Facilities" means the Series 2007C Windsor Residence Halls Facility and the Series 2007C Replacement Student Housing Facility.

"Series 2007C Replacement Student Housing Facility" means any replacement student housing facilities on the Purdue University West Lafayette campus, and any property, real or personal, related thereto.

"Series 2007C Windsor Residence Halls Facility" means the Windsor Residence Halls on the Purdue University West Lafayette campus, and any property, real or personal, related thereto.

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

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

"System" means the Facilities described in the Indenture, as the Indenture may be supplemented or amended from time to time.

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

“Tenth Supplemental and Amendatory Indenture” means the Tenth Supplemental and Amendatory Indenture by and between the Corporation and the Trustee, Registrar and Paying Agent, dated as of October 1, 2007.

“Treasurer” means the Treasurer of the Corporation.

“Trustee” means The Bank of New York Trust Company, N.A., or any successors or assigns.

“Variable Rate Bond” means any Bond which is not a Fixed Rate Bond.

“Weekly Rate” means, with respect to the first day of each Calculation Period during a Weekly Rate Period, a rate of interest equal to the rate of interest per annum established and certified to the Trustee (with a copy to the Corporation) by the Remarketing Agent no later than 4:00 p.m. (New York City time) on and as of the Determination Date as the minimum rate of interest per annum which, in the opinion of the Remarketing Agent, would be necessary on and as of such day to remarket Series 2007C Bonds in a secondary market transaction at a price equal to 100% of the principal amount thereof.

“Weekly Rate Period” means any period during which the Series 2007C Bonds bear interest at a Weekly Rate, which period commences on the date of issuance of the Series 2007C Bonds and extends through the day immediately preceding the earlier of (a) the effective date of a Change in the Interest Rate Mode or (b) the Fixed Rate Conversion Date.

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

Flow of Funds

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

There will be created on the books of the Corporation, within the Project Fund, the following accounts: (i) the “Series 2007C Windsor Residence Halls Facility Account” and (ii) the “Series 2007C Replacement Student Housing Facility Account”.

A portion of the proceeds of the Series 2007C Bonds will be deposited in the Series 2007C Windsor Residence Halls Facility Account of the Project Fund. At any time and from time to time, the Corporation may withdraw any money on deposit in the Series 2007C Windsor Residence Halls Facility Account of the Project Fund, without any requisition, voucher or other direction or authorization, for the purpose of paying, or reimbursing the Corporation for the payment of, any costs of acquiring, erecting, constructing, reconstructing, extending, remodeling, improving, completing, equipping, furnishing or financing the Series 2007C Windsor Residence Halls Facility. The Corporation will transfer any money remaining in the Series 2007C Windsor Residence Halls Facility Account of the Project Fund, after acquisition, erection, construction, reconstruction, extension, remodeling, improvement, completion, equipping, furnishing or financing of the Windsor Residence Halls Facility has been completed, to the Series 2007C Replacement Student Housing Facility Account of the Project Fund, the Sinking Fund or the Redemption Fund, for application in accordance with any instructions from the Corporation.

A portion of the proceeds of the Series 2007C Bonds will be deposited in the Series 2007C Replacement Student Housing Facility Account of the Project Fund. At any time and from time to time, the Corporation may withdraw any money on deposit in the Series 2007C Replacement Student Housing Facility Account of the Project Fund, without any requisition, voucher or other direction or authorization, for the purpose of paying, or reimbursing the Corporation for the payment of, any costs of acquiring, erecting, constructing, reconstructing, extending, remodeling, improving, completing, equipping, furnishing or financing the Series 2007C Replacement Student Housing Facility. The Corporation will transfer any money remaining in the Series 2007C Replacement Student Housing Facility Account of the Project Fund, after acquisition, erection, construction, reconstruction, extension, remodeling, improvement, completion, equipping, furnishing or financing of the Series 2007C Replacement Student

Housing Facility has been completed, to the Series 2007C Windsor Residence Halls Facility Account of the Project Fund, the Sinking Fund or the Redemption Fund, for application in accordance with any instructions from the Corporation.

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

There will be created on the books of the Corporation, within the Bond Expense Fund, the "Series 2007C Account".

A portion of the proceeds of the Series 2007C Bonds will be deposited in the Series 2007C Account of the Expense Fund. At any time and from time to time, the Corporation may withdraw any money on deposit in the Series 2007C Account of the Bond Expense Fund, without any requisition, voucher or other direction or authorization, for the purpose of paying, or reimbursing the Corporation for the payment of, any Costs of Issuance of the Series 2007C Bonds. The Corporation will transfer any money in the Series 2007C Account of the Bond Expense Fund remaining after payment of Costs of Issuance to the Project Fund, the Sinking Fund or the Redemption Fund for application in accordance with any instructions from the Corporation.

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

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

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

If at any time the funds in the Revenue Fund are insufficient to permit any transfer to the Trustee to pay any principal of or interest on any First Lien Bonds or any Credit Facility Obligation or Optional Maturity, the Corporation will make or cause to be made to the Trustee a transfer of funds for deposit in the Sinking Fund, in an amount equal to such insufficiency, from any Available Funds.

There will be remitted to the Trustee for deposit in the Sinking Fund all sums received as accrued interest upon the issuance and sale of any Bonds.

No Reserve Fund. The Series 2007C Bonds will have no claim on any reserve fund.

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

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

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

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

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

Additional Covenants of Corporation

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

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

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

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

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

Rates and Charges. The Corporation covenants that it will adopt a budget for each Fiscal Year, which budget includes (i) an estimate of the Net Income, including Gross Income, Operation and Maintenance Expenses and Financing Expenses, for such Fiscal Year, and (ii) an estimate of the Annual Debt Service Requirement for such Fiscal Year, the amount, if any, required to be paid into the Reserve Fund or to the provider of any Reserve Fund Credit Instrument in such Fiscal Year, and the sum of any other amounts reasonably required or anticipated to be paid from Net Income in such Fiscal Year in accordance with the Indenture, including without limitation any estimated amounts to be spent on the System in excess of Operation and Maintenance Expenses for major repairs and improvements to the System, which amounts exceed any reserve therefor. Any Annual Debt Service Requirement or other amount to be calculated under the Indenture may be calculated in accordance with any reasonable assumptions selected and consistently applied by the Corporation, including any assumption that, in calculating an estimate of the Annual Debt Service Requirement for any Fiscal Year as described in clause (ii) of this paragraph, the amount of the principal and interest projected to become due in such Fiscal Year on any Variable Rate Bonds excludes the principal component of any Optional Maturity.

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

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

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

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

Any Annual Debt Service Requirement or other amount to be calculated under the Indenture may be calculated in accordance with any reasonable assumptions selected and consistently applied by the Corporation, including any assumption that the Annual Debt Service Requirement for any Fiscal Year as described in subparagraph (a) of this paragraph equals the estimate of the Annual Debt Service Requirement for such Fiscal Year as described in clause (ii) of the immediately preceding paragraph.

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

Record Keeping. The Corporation covenants that it will, in any manner consistent with any then current document retention policy of the Corporation, keep records for the System.

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

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

Facilities Not Included in System. The Corporation may, without any limitation or restriction whatsoever by virtue of the Indenture:

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

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

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

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

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

Tax Covenants. The Corporation will not permit the Series 2007C Facilities to be used in a manner that would result in the loss of exclusion of interest on the Series 2007C Bonds from gross income for federal tax purposes under Section 103 of the Code, as in effect on the date of issuance of the Series 2007C Bonds; nor will the Corporation act in any other manner that would result in the loss of exclusion of interest on Series 2007C Bonds from gross income for federal income tax purposes under Section 103 of the Code, as in effect on the date of issuance of the Series 2007C Bonds.

The Corporation will not make any investment or do any other act or thing during the period that any Series 2007C Bonds are Outstanding that would cause any Series 2007C Bonds to become or to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code, as in effect on the date of issuance of the Series 2007C Bonds.

It will <u>not</u> be an Event of Default under the Indenture if the interest on any Series 2007C Bonds is not excludable from gross income for federal income tax purposes or is otherwise subject to federal income taxation pursuant to any provision of the Code which is not in effect on the date of issuance of the Series 2007C Bonds.

Defaults and Remedies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Discharge of Indenture

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

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

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

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

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

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

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

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

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

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

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

Supplemental Indentures

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

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

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

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

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

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

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

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

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

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

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

The Corporation, the Trustee, the Registrar and the Paying Agent, without the consent of or notice to any Bondholders, may enter into an indenture or indentures supplemental to the Tenth Supplemental and Amendatory Indenture, for any one or more of the following purposes:

(A) To provide for the addition of any interest rate mode, or to provide for the modification or deletion of any interest rate mode, as long as no Series 2007C Bonds will be operating in the interest rate mode when it is to be so modified or deleted, or to amend, modify or alter the interest rate setting provisions, tender provisions or conversion provisions for any then existing interest rate mode, as long as no Series 2007C Bonds will be operating in the interest rate mode when such provisions are to be so amended, modified or altered; provided that, in each case, there is delivered to the Trustee an Opinion of Bond Counsel stating that any such addition, deletion, amendment, modification or alteration will not adversely affect any exclusion from gross income for purposes of federal income taxation of interest on the Series 2007C Bonds;

(B) To elaborate on any provisions necessary to exercise any conversion options provided in the Tenth Supplemental and Amendatory Indenture, including without limitation better enabling different Series 2007C Bonds to be in different interest rate modes; or

(C) To modify, amend or supplement the Tenth Supplemental and Amendatory Indenture in any manner which the Corporation determines in good faith will not have a material adverse effect on any Series 2007C Bondholders.

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

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

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

TAX MATTERS

In the opinion of Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel, under existing law, interest on the Series 2007C Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and is effective on the date of issuance of the Series 2007C Bonds (the "Code"). This opinion relates only to the exclusion from gross income of interest on the Series 2007C Bonds for federal income tax purposes under Section 103 of the Code. The opinion of Barnes & Thornburg LLP is based on certain certificates, covenants and representations of the Corporation and is conditioned on continuing compliance therewith. In the opinion of Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel, under existing law, interest on the Series 2007C Bonds is exempt from income taxation in the State of Indiana for all purposes except the State financial institutions tax. See APPENDIX C for the form of opinion of Bond Counsel.

The Code imposes certain requirements which must be met subsequent to the issuance of the Series 2007C Bonds as a condition to the exclusion from gross income of interest on the Series 2007C Bonds for federal income tax purposes. Noncompliance with such requirements may cause interest on the Series 2007C Bonds to be included in gross income for federal tax purposes retroactive to the date of issue, regardless of the date on which noncompliance occurs. Should the Series 2007C Bonds bear interest that is not excluded from gross income for federal income tax purposes, the market value of the Series 2007C Bonds would be materially and adversely affected. It is not an event of default if interest on the Series 2007C Bonds is not excludable from gross income for federal tax purposes pursuant to any provision of the Code which is not in effect on the date of issuance of the Series 2007C Bonds.

The interest on the Series 2007C Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, interest on the Series 2007C Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax and the environmental tax under Section 59A of the Code.

By the terms of the Indenture, the interest rate on the Series 2007C Bonds may be converted from a Weekly Rate to another Adjustable Rate or to a Fixed Rate and certain actions may be taken under the circumstances and subject to the terms and conditions set forth therein, upon the delivery of an Opinion of Bond Counsel. No opinion is expressed by Bond Counsel in connection with the issuance of the Series 2007C Bonds as to the effect upon any Series 2007C Bond or the interest thereon resulting from any such conversion or action.

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

Although Bond Counsel will render an opinion that interest on the Series 2007C Bonds is excludable from gross income for federal tax purposes and exempt from State income tax, the accrual or receipt of interest on the Series 2007C Bonds may otherwise affect an owner's federal or State tax liability. The nature and extent of these other tax consequences will depend upon the owner's particular tax status and the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the Series 2007C Bonds should consult their own tax advisors with respect to the other tax consequences of owning the Series 2007C Bonds.

The foregoing does not purport to be a comprehensive description of all of the tax consequences of owning the Series 2007C Bonds. Prospective purchasers of the Series 2007C Bonds should consult their own tax advisors with respect to the foregoing and other tax consequences of owning the Series 2007C Bonds.

LITIGATION

Absence of Litigation Related to Series 2007C Bonds

As of the date of delivery the Series 2007C Bonds, the Corporation will certify that there is no litigation or other proceeding pending or, to the knowledge of the Corporation, threatened in any court, agency or other administrative body restraining or contesting the issuance, sale, execution or delivery of the Series 2007C Bonds or the pledging of the Pledged Revenue, or in any way contesting, questioning or affecting the validity of any provision of the Series 2007C Bonds, the proceedings or the authority of the Corporation taken with respect to the issuance or sale thereof, the resolutions authorizing the Series 2007C Bonds, or the Indenture. Neither the creation, organization or existence of the Corporation nor the title of any of the present Board members or other Corporation officers to their respective offices is being contested.

Other Proceedings

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

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

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's, Ratings Services ("S&P"), have given the Series 2007C Bonds the ratings of Aa1/VMIG 1 and AA/A-1+, respectively. An explanation of the rating by Moody's may be obtained from such agency at 99 Church Street, New York, New York, 10007, and an explanation of the rating by S&P may be obtained from such agency at 55 Water Street, New York, New York, 10041. Any such rating reflects only the view of the respective rating agency and is not a recommendation to buy, sell or hold any of the Series 2007C Bonds. There is no assurance that any rating will continue for any given period of time, and any rating may be revised downward or withdrawn entirely, if, in the judgment of the appropriate rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price or marketability of the Series 2007C Bonds.

CERTAIN LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2007C Bonds are subject to the approval of Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel. Certain legal matters will be subject to the approval of Stuart & Branigin, Lafayette, Indiana, counsel to the Corporation. The form of the approving opinion of Bond Counsel with respect to the Series 2007C Bonds is attached as Appendix C.

LEGAL OPINIONS AND ENFORCEABILITY OF REMEDIES

The various legal opinions to be delivered concurrently with the delivery of the Series 2007C Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

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

The various legal opinions to be delivered concurrently with the delivery of the Series 2007C Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the State of Indiana and the United States of America and bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

These exceptions would encompass any exercise of federal, state or local police powers in a manner consistent with the public health and welfare. Enforceability of the provisions of the Series 2007C Bonds in a situation where such enforcement may adversely affect public health and welfare may be subject to these police powers.

UNDERWRITING

Merrill Lynch & Co. (the "Underwriter") has agreed to purchase the Series 2007C Bonds at a price equal to $61,687,637, representing the principal amount of the Series 2007C Bonds less an underwriter's discount of $37,363, subject to certain conditions precedent. The Underwriter may offer and sell the Series 2007C Bonds to certain dealers (including dealers depositing the Series 2007C Bonds into unit investment trusts) and to others at a price lower than that offered to the public. The initial public offering price may be changed from time to time by the Underwriter.

MISCELLANEOUS

During the initial offering period for the Series 2007C Bonds, a copy of the Indenture will be available for inspection at the Office of the Treasurer of the University, Hovde Hall, West Lafayette, Indiana 47907, and at the offices of Merrill Lynch & Co., 4 World Financial Center-9th Floor, New York, New York 10080.

THE TRUSTEES OF PURDUE UNIVERSITY

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

Dated: September 25, 2007

APPENDIX A

PURDUE UNIVERSITY
AND
THE TRUSTEES OF PURDUE UNIVERSITY

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 138 years of operation, the University has grown from 39 students and six instructors to a population, as of the Fall 2007 semester, of over approximately 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 and 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 completed a five year strategic plan on June 30, 2007 in an effort 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 was derived from many sources, including student fees, sponsored funding, private giving, and internal reallocations. A new strategic plan will be designed by Dr. France Córdova, who began as the eleventh president of the University in July 2007.

As a part of its strategic plan, the University has completed a comprehensive fund-raising effort which generated $1.7 billion. The Campaign for Purdue provided $228 million in student support, $225 million for faculty support, $450 million to support academic programs, $570 million for facilities and equipment, and $236 million for unrestricted purposes. Funding for 43 capital projects, impacting many colleges, schools, departments and programs within the University system, was provided by this campaign. Two other key campaign goals that were accomplished, will provide need and merit-based scholarship and fellowship support for students and funds to hire 300 additional faculty.

Trustees

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

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.

France A. Córdova, *President*
Victor L. Lechtenburg, *Interim 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*
Joseph D. Mikesell, *Interim Vice President for Physical Facilities*
Jesse L. Moore, *Director, Supplier Diversity Development*
William G. McCartney, *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*

Presidential Appointment

Dr. France A. Córdova became the 11th president of Purdue University in July 2007. Dr. Córdova is an internationally recognized astrophysicist and former chancellor of University of California, Riverside. Prior to serving as chancellor at University of California, Riverside, she was vice chancellor for research and a professor of physics for six years at the University of California at Santa Barbara. Before that, she was the first woman and youngest person to hold the position of NASA chief scientist, working on projects that included the Hubble Space Telescope. Dr. Córdova is currently meeting with students, faculty, staff and external constituents to develop a new strategic plan for the University.

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 31,100.

ACADEMIC YEAR	APPLICATIONS RECEIVED	APPLICATIONS ACCEPTED	PERCENT ACCEPTED	STUDENTS ENROLLED	YIELD OVERALL	YIELD IN STATE
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%
2007-08	25,929	20,429	78.8%	6,888	33.7%	58.3%

The freshman applicants at the West Lafayette campus for the fall semesters 2003 through 2007 had an average combined score for the Scholastic Aptitude Test (SAT) verbal and mathematical test of 1150, 1149, 1150, 1142 and 1145 respectively. Fifty-five percent of the Fall 2007 freshman class had a high school grade point average between 3.5 and 4.0 and eighty-eight percent of the Fall 2007 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.

<u>Student Fees, Tuition and Other Fees</u>: The table below sets forth the tuition and general fees applicable to both full-time and part-time students at the West Lafayette campus for the academic years 2003-04 through 2007-08. Approximately 41 percent of the total undergraduate and graduate students at the West Lafayette campus and approximately 4 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
2003-04	[1]	$5,860	$17,640	$210	$585
2004-05	[1]	6,092	18,700	218	621
2005-06	[1]	6,458	19,824	231	658
2006-07	[1, 2]	7,096	21,266	254	706
2007-08	[1, 2]	7,416	22,224	266	738

[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 per semester of $125 in Fall 2006 and $131 in Fall 2007. Students, for purposes of assessing the R&R fee, are defined as those beginning Summer 2006 and thereafter. All students will be assessed the R&R fee effective Fall 2011.

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 2003-04 through 2007-08. 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
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	[1,2,3]	5,466	12,159	5,365	11,206
2007-08	[1,2,4]	5,711	12,706	5,606	11,710

FORT WAYNE

ACADEMIC YEAR		UNDERGRADUATE INDIANA RESIDENT	UNDERGRADUATE NON-RESIDENT	GRADUATE INDIANA RESIDENT	GRADUATE NON-RESIDENT
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	[1,3]	6,041	13,836	5,958	12,865
2007-08	[1,4]	6,312	14,666	6,226	13,637

NORTH CENTRAL

ACADEMIC YEAR		UNDERGRADUATE INDIANA RESIDENT	UNDERGRADUATE NON-RESIDENT	GRADUATE INDIANA RESIDENT	GRADUATE NON-RESIDENT
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	[1,3]	5,567	13,008	5,412	11,953
2007-08	[1,4]	5,817	13,593	5,656	12,491

[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 and Parking Fees per academic year for undergraduates and Maximum Parking Fee per academic year for 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, in Fall 2006. Students, for purposes of assessing the R&R fee, are defined as those beginning Summer 2006 for North Central and Fall 2006 for Calumet and Fort Wayne. All students will be assessed the R&R fee effective Fall 2011.

[4] Includes the Repair & Rehabilitation (R&R) fee of $2.75, $2.55 and $2.10 per credit hour for Calumet, Fort Wayne and North Central, respectively, in Fall 2007. Students, for purposes of assessing the R&R fee, are defined as those beginning Summer 2006 for North Central and Fall 2006 for Calumet and Fort Wayne. All students will be assessed the R&R fee effective Fall 2011.

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 2003-04 through 2007-08.

ACADEMIC YEAR	WEST LAFAYETTE CAMPUS FULL-TIME	WEST LAFAYETTE CAMPUS PART-TIME	WEST LAFAYETTE CAMPUS TOTAL	REGIONAL CAMPUSES* FULL-TIME	REGIONAL CAMPUSES* PART-TIME	REGIONAL CAMPUSES* TOTAL	STATEWIDE TECHNOLOGY	UNIVERSITY TOTAL*
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
2007-08	35,549	3,553	39,102	15,367	10,135	25,502	1,383	65,987

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*
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
2007-08	31,186	7,916	39,102	38,060	60,016

* 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 that comprise 3,618 acres. The University, together with related foundations, also owns 14,517 acres of agricultural land throughout the state.

Libraries: The Purdue University Libraries system is made up of the Hicks Undergraduate Library and 11 departmental and college libraries with over 2,500,000 volumes, more than 260,000 electronic books and other information sources, and over 20,000 serial titles. In addition to books and journals, the Libraries system has over 3,145,000 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 1.3 million 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 will provide 11,557 spaces for students in 2007-08. There are 8,540 room and board spaces, 896 graduate housing room spaces, 1,300 spaces in single student apartments with food contract options and 821 spaces in married student apartments. The Fort Wayne campus will provide 756 spaces and the Calumet campus will provide 370 spaces for students in 2007-08. In August 2007, occupancy on the West Lafayette campus is forecasted at 97.1%. Occupancy of 100% is anticipated for both Regional campuses.

The predominant rates for room and board for students at the West Lafayette campus for the 2007-08 academic year are $7,962 with 20 meals per week, $7,388 with 15 meals per week and $7,066 with 10 meals per week. The housing rates at the Fort Wayne campus for the 2007-08 academic year range from $422 to $642 per month. The housing rate at the Calumet campus for the 2007-08 academic year is $427 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.

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. In addition, Discovery Park provides facilities for interdisciplinary research and education.

Financial Operations of the Corporation

The financial statements of Purdue University have been prepared in accordance with the principles contained in Governmental Accounting Standards Board (GASB) Statement No. 35, "Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities," and with other accounting principles generally accepted in the United States of America, as prescribed by the GASB. The following information has been extracted from the Corporation's audited financial statements for the fiscal years ended June 30, 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 [1]		(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] 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 2007-09 biennium, 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
2007	1	314,468	26,103	8,306	24,831	2,400	376,108
Current							
2008	2	325,309	29,702	9,889	25,671	2,500	393,071
2009	2	340,666	33,100	9,889	28,034	2,500	414,189

[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 its strategic plan, the University has completed a comprehensive fund-raising effort which generated $1.7 billion. The Campaign for Purdue provided $228 million in student support, $225 million for faculty support, $450 million to support academic programs, $570 million for facilities and equipment, and $236 million for unrestricted purposes. Funding for 43 capital projects, impacting many colleges, schools, departments and programs within the University system, was provided by this campaign. Two other key campaign goals that were accomplished, will provide need and merit-based scholarship and fellowship support for students and funds to hire 300 additional faculty.

For the year ended June 30, 2007, the Corporation received approximately $320 million in private support from individuals, corporations, foundations and other sources. Results for the last five years are shown in the following table.

TOTAL GIFT GIVING BY CATEGORY
(dollars in thousands)

	2007*	2006	2005	2004	2003
Cash/Securities	$136,539	$105,299	$120,171	$127,591	$75,328
Real Estate	11,192	9,485	16,324	504	444
Gifts-in-Kind	24,480	26,124	50,268	36,047	130,230
Irrevocable Deferred	7,025	19,273	4,593	14,501	15,103
Pledge Balances	141,168	60,941	50,628	50,429	90,526
Total	**$320,404**	**$221,122**	**$241,983**	**$229,071**	**$311,630**

*Preliminary

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 September 15, 2007, is $556,284,985 and is summarized in the following table.

Title of Indebtedness	Final Maturity	Amount Outstanding as of September 15, 2007	
Bank Note			
Qualified Energy Savings	2011	$1,954,985	(1)
Bonds Outstanding			
Student Fee Bonds, Series H	2015	8,800,000	(2)
Student Fee Bonds, Series K	2020	14,400,000	(2)
Student Fee Bonds, Series L	2020	12,600,000	(2)
Student Fee Bonds, Series N	2014	21,340,000	(2)
Student Fee Bonds, Series O	2019	24,195,000	(2)
Student Fee Bonds, Series P	2017	38,760,000	(2)
Student Fee Bonds, Series Q	2010	6,060,000	(2)
Student Fee Bonds, Series R	2023	15,215,000	(2)
Student Fee Bonds, Series S	2026	12,975,000	(2)
Student Fee Bonds, Series T	2027	14,500,000	(2)
Student Fee Bonds, Series U	2022	35,000,000	(2)
Student Fee Bonds, Series V	2027	60,415,000	(2)
Student Fee Bonds Series W	2026	41,045,000	(2)
Student Facilities System Revenue Bonds, Series 2003A	2028	31,890,000	(3)(4)
Student Facilities System Revenue Bonds, Series 2003B	2029	5,905,000	(3)(4)
Student Facilities System Revenue Bonds, Series 2004A	2033	28,100,000	(3)(4)
Student Facilities System Revenue Bonds, Series 2005A	2029	22,275,000	(3)(4)
Student Facilities System Revenue Bonds, Series 2007A	2029	61,865,000	(3)(4)
Student Facilities System Revenue Bonds, Series 2007B	2032	27,065,000	(3)(4)
Leasehold Indebtedness			
Parking Facilities (COPS 1998)	2015	6,100,000	(4)
Parking Facilities and Ross-Ade Stadium Renovation (COPS 2006)	2027	65,825,000	(4)
Total Outstanding Indebtedness		**$556,284,985**	
Refunded Indebtedness-Escrowed to Maturity or Call Date			
Building Facilities Fee Bonds	2009	$2,260,000	(5)
Dormitory Facilities Revenue Bonds, Series A - L	2008	455,000	(5)
Student Fee Bonds, Series Q	2010	34,955,000	(5)
Ross-Ade Stadium Renovation (COPS 2001A)	2011	58,815,000	(5)
Student Facilities System Revenue Bonds, Series 2003A & 2003B	2013/2013	66,295,000	(5)
Total Refunded Bonds		**$162,780,000**	

(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) 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 18,726 acres of land and 454 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 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 procures insurance for liability brought by third parties arising out of accidents on University premises and in connection with its operations off-premises. Except for the airport (covered by a separate $25,000,000 liability policy) and the aircraft (covered by a separate $25,000,000 policy), the Corporation's primary liability policy is in the amount of $25,000,000 per occurrence/wrongful act/annual aggregate over a $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 McCutcheon Drive parking garage addition, the strategic infrastructure improvement project, the Wiley Dining facility, the Replacement Student Housing project and the Windsor Halls phase one renovation. Recently completed construction projects include the Neil Armstrong Millennium Engineering building, the music building and student housing phase II on the Indiana University Purdue University Fort Wayne campus. Construction of the Richard and Patricia Lawson Computer Sciences building and the Weldon Biomedical Engineering building were completed during 2006 as well as renovations to the Cary Quadrangle residence hall. The Board of Trustees has approved the construction of a $53 million boiler #6, a $30 million biosafety lab, a $21.1 million phase II student housing project on the Calumet campus, a $33 million mechanical engineering building addition and the $30 million Hockmeyer Hall of Structural Biology. These projects will be funded by capital reserves, gifts, state appropriations and bond financing.

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. Construction of four major buildings, including 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), is complete.

The University has received legislative authority to issue bonds in an amount up to $60 million to address various repair and rehabilitation needs of the University. The University plans to issue bonds to fund a portion of these projects during fiscal 2008.

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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

FINANCIAL REPORT

[This Page Intentionally Left Blank]

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.

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

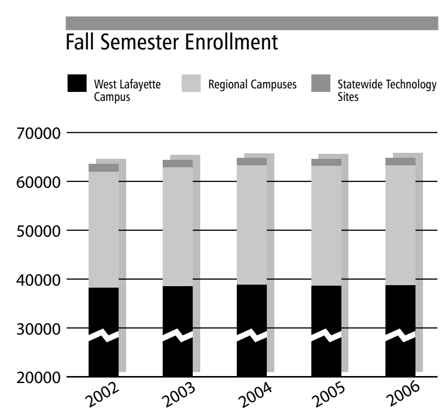
Operating revenues were $987.1 million, compared to $946.1 million in the prior year — an increase of 4.3%. This increase is due primarily to increases in net student fee revenue ($31.8 million) and grants and contracts ($7.9 million).

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.

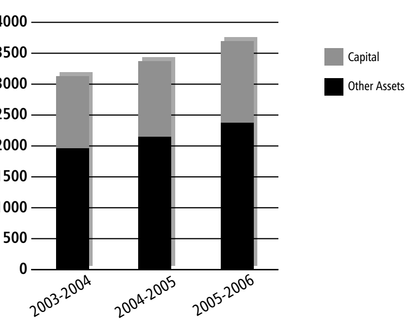
Statement of Net Assets

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.

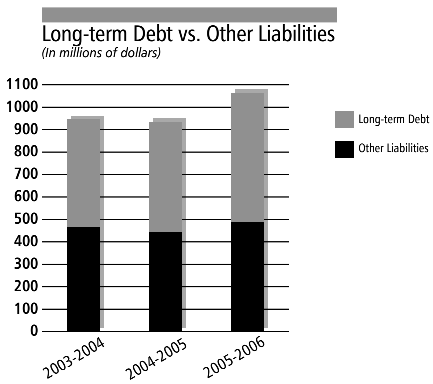
Figure 2

Capital vs. Other Assets
(In millions of dollars)



Current liabilities are expected to become due and payable over the course of the following fiscal year. These include accounts payable, the current portion of long-term debt, liability for securities lending activity, and salaries and wages payable. Noncurrent liabilities include bonds, notes, and leases payable. Total liabilities were $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.

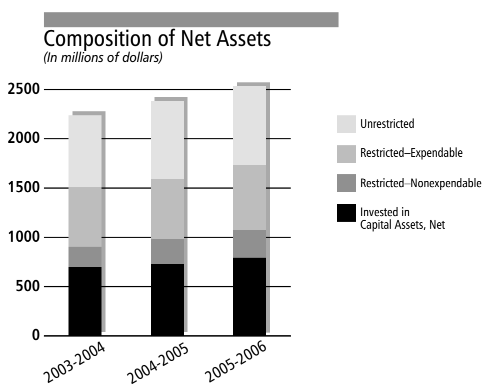
Figure 3



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

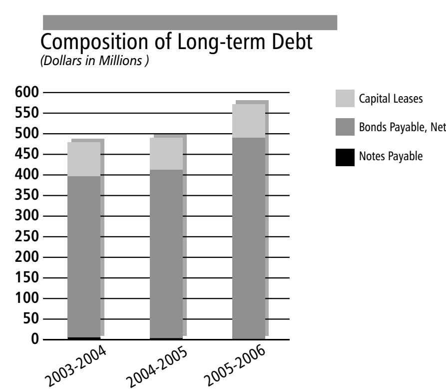
	Project Budget (Dollars in Thousands)
Beck Agricultural Center	$ 4,100
Child Care Center	3,000
Discovery Learning Center	10,000
High Voltage Improvement, Phase II	25,100
PMU Market Renovation	6,160
Printing Services Facility	3,700
Purdue Village Community Center	3,820
Replacement Student Apartments	60,000
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.

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.

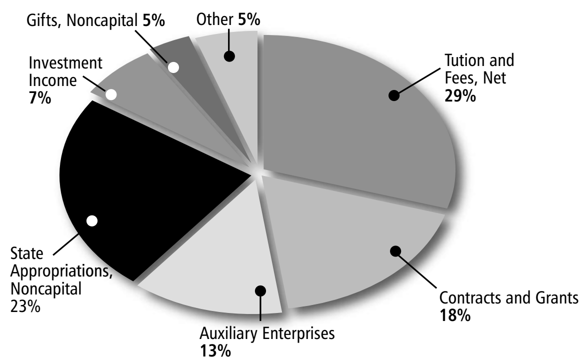
Figure 5



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

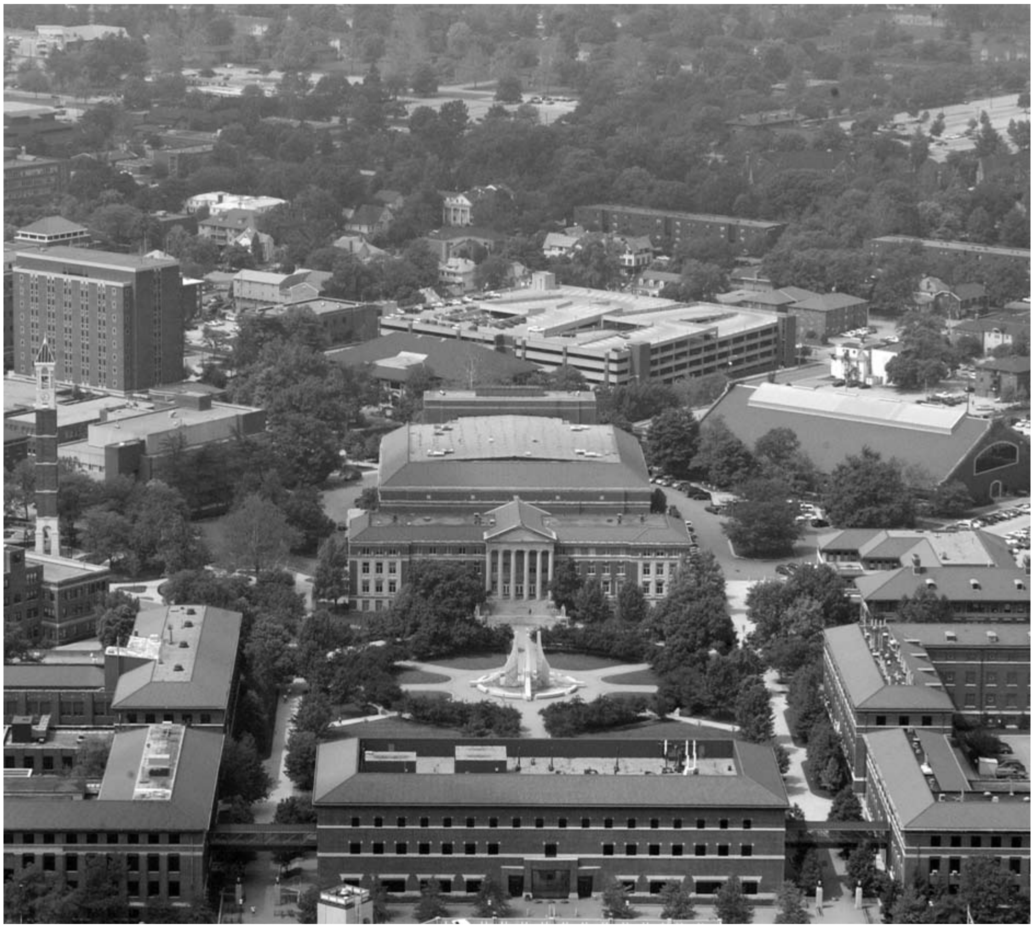
For the 2006–2007 fiscal year, the University received increases in operating appropriations from the state of Indiana for each campus — West Lafayette (0.9%), Calumet (1.7%), North Central (2.7%), and Fort Wayne (3.1%). Tuition rate increases were set for two fiscal years (2005–2006 and 2006–2007), 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**

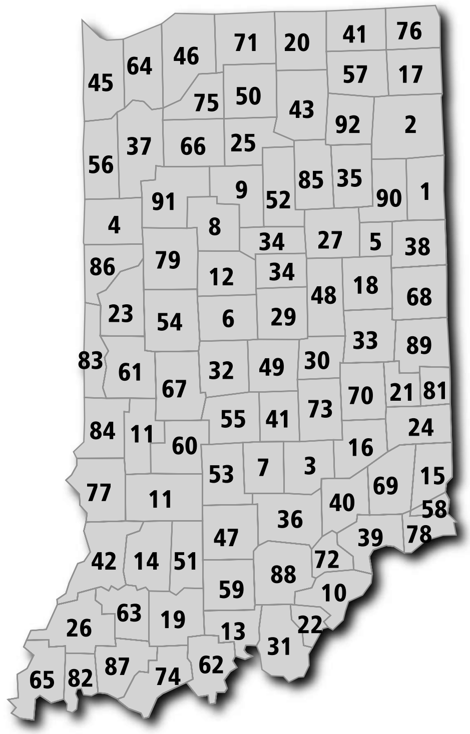
Operating Expenses by Function for the Year Ending June 30, 2005

	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.

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

JOHN R. SHIPLEY — *University Comptroller*

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

CHARLIE J. KLUMPP — *Unrestricted Funds Accountant*

SUSAN D. KOTTERMAN — *Gift Funds Accountant*

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

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

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

NEIL A. SMITH — *System and Reconciliation Administrator*

STACY L. SMITH — *Research Analyst*

KATHERINE L. VANDERWALL — *Endowment and Investment Accountant*

MATTHEW D. WESTHUIS — *Data Analyst*

KENNETH J. WILSON — *Assistant Comptroller*

FINANCIAL REPORT 2006

PURDUE UNIVERSITY

An equal access/equal opportunity university

Produced by Purdue Marketing Communications 1201906a

APPENDIX C

FORM OF APPROVING OPINION
OF BOND COUNSEL

[THIS PAGE INTENTIONALLY LEFT BLANK]

FORM OF APPROVING OPINION OF BOND COUNSEL

Upon delivery of the Series 2007C Bonds in definitive form, Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel, proposes to render the following opinion with respect to the Series 2007C Bonds substantially in the form set forth below.

____________, 2007

The Trustees of Purdue University
West Lafayette, Indiana

Re: The Trustees of Purdue University
Purdue University Student Facilities System Revenue Bonds, Series 2007C (Adjustable Demand)

Ladies and Gentlemen:

We have acted as bond counsel to The Trustees of Purdue University (the "Issuer") in connection with the issuance by the Issuer of $61,725,000 aggregate principal amount of its Purdue University Student Facilities System Revenue Bonds, Series 2007C (Adjustable Demand), dated ____________, 2007 (the "Bonds"), pursuant to Indiana Code 21-32-1, 21-32-2, 21-35-1, 21-35-3 and 21-35-5, each as amended to date, certain resolutions adopted by the Board of Trustees of the Issuer on February 11, 2005, November 4, 2005, and February 16, 2007 (the "Resolutions"), and an Indenture of Trust between the Issuer and The Bank of New York Trust Company, N.A. (the ultimate successor in interest to Bank One Trust Company, National Association), as trustee (the "Trustee"), dated as of January 1, 2003, as supplemented and amended to date and as supplemented and amended by a Tenth Supplemental and Amendatory Indenture between the Issuer and the Trustee, dated as of October 1, 2007 (such Indenture of Trust, as so supplemented and amended and as supplemented and amended by such Tenth Supplemental and Amendatory Indenture, the "Indenture"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

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

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

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

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

3. Under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on this date (the "Code"), interest on the Bonds is excludable from gross income for federal income tax purposes. The opinion set forth in this paragraph is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted or represented that it will comply with such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

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

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

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement dated September 25, 2007, or any other offering material relating to the Bonds, and we express no opinion relating thereto.

We express no opinion regarding any tax consequences arising with respect to the Bonds, other than as expressly set forth herein.

Under the Indenture, the interest rate on the Bonds may, under certain circumstances, be converted from one interest rate mode to another interest rate mode. We express no opinion regarding the effect of any such conversion on the exclusion of interest on the Bonds from gross income for federal income tax purposes.

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

This opinion is given only as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

APPENDIX D

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

Pursuant to continuing disclosure requirements promulgated by the Securities and Exchange Commission in SEC Rule 15c2-12, as amended (the "Rule"), the Corporation entered into a Continuing Disclosure Undertaking Agreement, dated as of July 1, 1996, as previously supplemented, to be further supplemented by a Twentieth Supplement to Continuing Disclosure Undertaking Agreement, dated as of the date of issuance of the Series 2007C Bonds (collectively, the "Undertaking"), with The Bank of New York Trust Company, N.A. (the ultimate successor in interest to Bank One Trust Company, National Association), as counterparty (the "Counterparty"). Pursuant to the terms of the Undertaking, the Corporation will agree to provide the following information while any of the Series 2007C Bonds are Outstanding:

- Audited Financial Statements. To each nationally recognized municipal securities information repository (a "NRMSIR") then in existence and to the Indiana state information depository then in existence, if any (the "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 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 of the Corporation for such fiscal year, other than the audited financial statements described above, including (i) unaudited financial statements of the Corporation if audited financial statements are not available and (ii) operating data (excluding any demographic information or forecasts) of the general type provided under the following headings in this Official Statement and Appendix A hereto (collectively, the "Annual Information"); provided, however, that the updating information may be provided in such format as the Corporation deems appropriate:

ANNUAL DEBT SERVICE REQUIREMENT

(Total Debt Service Column Only)

FACILITIES AND SYSTEM

APPENDIX A

— Student Admissions
— Tuition and Fees
— Student Enrollment
— 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 (the "MSRB"), and to the SID, notice of the occurrence of any of the following events with respect to the Series 2007C Bonds, if material (which determination of materiality will 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 2007C Bonds;
— modifications to the rights of owners of the Series 2007C Bonds;
— Series 2007C Bond calls;
— defeasances;
— release, substitution or sale of property securing repayment of the Series 2007C Bonds; and
— rating changes

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

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

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

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

Remedy. The sole remedy against the Corporation for any failure to carry out any provision of the Undertaking will be for specific performance of the Corporation's disclosure obligations under the Undertaking and not for money damages of any kind or in any amount or for any other remedy. The Corporation's failure to honor its covenants thereunder will not constitute a breach or default of the Series 2007C Bonds, the Indenture or any other agreement to which the Corporation is a party.

In the event the Corporation fails to provide any information required of it by the terms of the Undertaking, any holder or beneficial owner of Series 2007C Bonds may pursue the remedy set forth above in any court of competent jurisdiction in the State of Indiana. Any challenge to the adequacy of the information provided by the Corporation by the terms of the Undertaking may be pursued only by holders or beneficial owners of not less than 25% in principal amount of Series 2007C Bonds then Outstanding in any court of competent jurisdiction in the State of Indiana. An affidavit to the effect that such persons are holders or beneficial owners of Series 2007C Bonds supported by reasonable documentation of such claim will 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 2007C Bonds, may also pursue the remedy of specific performance set forth above in any court of competent jurisdiction in the State of Indiana. The Counterparty will have no obligation to pursue any remedial action in the absence of a valid demand from holders or beneficial owners of Series 2007C Bonds and satisfactory indemnification.

Prior to pursuing any remedy for any breach of any obligation under the Undertaking, a holder or beneficial owner of Series 2007C Bonds must give notice to the Corporation, by registered or certified mail, of such breach and its intent to pursue such remedy. Thirty days after the receipt of such notice, or upon earlier response from the Corporation to the notice indicating continued noncompliance, such remedy may be pursued under the Undertaking if and to the extent the Corporation has failed to cure such breach.

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 2007C Bonds if either (a)(i) such amendment or modification is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Corporation, or type of business conducted, (ii) the Undertaking, as so amended or modified, would have complied with the requirements of the Rule on the date thereof, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (iii) such amendment or modification does not materially impair the interests of the holders of the Series 2007C Bonds, as determined either by (A) any person selected by the Corporation that is unaffiliated with the Corporation (including the Counterparty or the trustee under the Indenture, or nationally recognized bond counsel) or (B) an approving vote of the holders of a majority of Outstanding Series 2007C Bonds as required under the Indenture at the time of such amendment or modification; or (b) such amendment or modification (including an amendment or modification which rescinds the Undertaking) is permitted by the Rule, as then in effect,

Counterparty's Obligation. The Counterparty will have no obligation to take any action whatsoever with respect to information or notices provided or required to be provided by the Corporation under the Undertaking, except any obligations arising from the Counterparty's serving as a Dissemination Agent, and no implied covenants or obligations will be read into the Undertaking against the Counterparty. Further, the Counterparty will have no responsibility to ascertain the truth, completeness, timeliness or accuracy of the information or notices 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]