NEW ISSUE--BOOK-ENTRY ONLY

RATINGS: Moody's: Aaa
Standard & Poor's: AA+
See "RATINGS"

In the opinion of Ice Miller LLP, Bond Counsel, conditioned on continuing compliance with the Tax Covenants (as hereafter defined), under existing laws, judicial decisions, regulations and rulings, the interest on the Series 2013A Certificates is excludable from gross income for purposes of federal income tax pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations. See "TAX MATTERS" herein for more complete discussions. In the opinion of Ice Miller LLP, Bond Counsel, under present laws, judicial decisions, regulations and rulings, interest on the Series 2013A Certificates is exempt from income taxation in the State of Indiana. See "TAX MATTERS."

$22,515,000
THE TRUSTEES OF INDIANA UNIVERSITY
INDIANA UNIVERSITY CERTIFICATES OF PARTICIPATION, SERIES 2013A

Evidencing a Proportionate Interest of Owners Thereof in
Certain Lease Payments to Be Made by
The Trustees of Indiana University, as Lessee

Dated: Date of Delivery **Due:** June 1, as shown on the inside cover hereof

The Certificates of Participation, Series 2013A (the "Series 2013A Certificates"), are issuable only as fully registered certificates and, when issued, will be registered in the name of CEDE & CO., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Series 2013A Certificates will be made in book-entry form in the denomination of $5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Series 2013A Certificates (the "Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Series 2013A Certificates. See "SERIES 2013A CERTIFICATES—Book-Entry Only System."

Interest components of the Series 2013A Certificates, at the rates set forth on the inside cover, are payable on December 1, 2013, and on each June 1 and December 1 thereafter, and such interest, together with the principal of and premium, if any, represented by the Series 2013A Certificates, will be paid directly to DTC by The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), so long as DTC or its nominee is the registered owner of the Series 2013A Certificates. The final disbursements of such payments to the Beneficial Owners of the Series 2013A Certificates will be the responsibility of the DTC Participants and the Indirect Participants, all as defined and more fully described in this Official Statement under the caption "SERIES 2013A CERTIFICATES—Book-Entry Only System."

Certain Series 2013A Certificates are subject to optional redemption prior to maturity as described in this Official Statement. See "SERIES 2013A CERTIFICATES—Redemption."

The Series 2013A Certificates are being issued pursuant to an Amended and Restated Trust Indenture, dated as of June 1, 2009, as supplemented by a Fourth Supplemental Indenture dated as of March 1, 2013 (such Amended and Restated Trust Indenture, as so supplemented, the "Indenture"), between Indiana University Building Corporation ("IUBC"), as assignee of Indiana University Foundation, and the Trustee. The proceeds of the Series 2013A Certificates will be used to (i) pay the cost of the acquisition, construction and equipping of the International Studies Building Project, as described herein, and (ii) pay the costs of issuing the Series 2013A Certificates. See "PLAN OF FINANCE."

The Series 2013A Certificates and all other certificates heretofore or hereafter issued under the Indenture (collectively, the "Certificates") evidence an undivided proportionate interest in certain rental payments (the "Lease Payments") payable by The Trustees of Indiana University (the "Corporation"), as lessee, to the Trustee, as lessor (by assignment from IUBC), pursuant to the Lease Purchase and Sublease Agreement (International Studies Building Project) between IUBC, as lessor, and the Corporation, as lessee, dated as of March 1, 2013 (the "2013A Lease"), and any other lease agreements heretofore or hereafter entered into between the Corporation, as lessee, and IUBC, as lessor, assigned to the Trustee (the 2013A Lease and such other lease agreements, the "Leases"). The Certificates are special and limited obligations, payable solely from and secured exclusively by certain property pledged thereto under the Indenture, including the Lease Payments under the Leases. The Lease Payments under the Leases are payable by the Corporation solely from Available Funds, as defined and described herein. See "SECURITY AND SOURCES OF PAYMENT FOR CERTIFICATES."

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

The Series 2013A Certificates are offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, to approval of certain legal matters by Ice Miller LLP, Indianapolis, Indiana, Bond Counsel, and to certain other conditions. Certain legal matters will be passed on for the Corporation by Jacqueline A. Simmons, Esq., Bloomington, Indiana, Vice President and General Counsel to the Corporation. Certain legal matters will be passed on for IUBC by Ice Miller LLP, Indianapolis, Indiana, as special counsel to IUBC. Certain matters will be passed on for the Underwriters by Barnes & Thornburg LLP, Indianapolis, Indiana, counsel to the Underwriters. It is expected that the Series 2013A Certificates in definitive form will be available for delivery to DTC in New York, New York, on or about March 8, 2013.

Barclays **Cabrera Capital Markets, LLC**

Official Statement dated: February 27, 2013

$22,515,000
The Trustees of Indiana University
Indiana University Certificates of Participation, Series 2013A

June 1	Principal Amount	Interest Rate	Yield	CUSIP
2014	$ 545,000	3.000%	0.300%	455152DQ8
2015	775,000	3.000	0.450	455152DR6
2016	795,000	4.000	0.620	455152DS4
2017	830,000	4.000	0.780	455152DT2
2018	860,000	4.000	1.050	455152DU9
2019	895,000	4.000	1.270	455152DV7
2020	930,000	4.000	1.540	455152DW5
2021	970,000	5.000	1.760	455152DX3
2022	1,020,000	5.000	1.940	455152DY1
2023	1,070,000	5.000	2.120	455152DZ8
2024	1,125,000	5.000	2.240*	455152EA2
2025	1,180,000	5.000	2.350*	455152EB0
2026	1,240,000	5.000	2.440*	455152EC8
2027	1,300,000	5.000	2.520*	455152ED6
2028	1,365,000	5.000	2.590*	455152EE4
2029	1,435,000	3.000	3.160	455152EF1
2030	1,475,000	3.000	3.210	455152EG9
2031	1,520,000	3.125	3.270	455152EH7
2032	1,570,000	3.125	3.300	455152EJ3
2033	1,615,000	3.250	3.350	455152EK0

*Priced to the June 1, 2023, par call.

No dealer, broker, salesman or any other person has been authorized by the Corporation, IUBC or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the Corporation, IUBC or the Underwriters. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. Any information or expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create an implication that there has been no change as to the affairs of the Corporation or IUBC since the date of this Official Statement.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Series 2013A Certificates in any jurisdiction in which or to any person to whom it is unlawful to make such offer, solicitation or sale.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2013A CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

UPON ISSUANCE, THE SERIES 2013A CERTIFICATES WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW OR REGULATION, AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE.

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

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THE TRUSTEES OF INDIANA UNIVERSITY, as Lessee

INTRODUCTION

This Official Statement, including the cover page and the Appendices (the "Official Statement"), is provided to furnish certain information with respect to the sale and delivery of the Certificates of Participation, Series 2013A (the "Series 2013A Certificates"), issued pursuant to Indiana Code Section 21-33-3-5 (the "Act") and the Amended and Restated Trust Indenture, dated as of June 1, 2009 (the "Amended and Restated Indenture"), as supplemented by the Fourth Supplemental Indenture dated as of March 1, 2013 (such Amended and Restated Trust Indenture, as so supplemented, the "Indenture"), each between Indiana University Building Corporation ("IUBC"), as assignee of Indiana University Foundation (the "Foundation"), and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), evidencing an undivided proportionate interest in certain rental payments ("Lease Payments") to be made by The Trustees of Indiana University (the "Corporation"), as lessee, to the Trustee, as lessor (by assignment from IUBC), pursuant to the Lease Purchase and Sublease Agreement (International Studies Building Project) between IUBC, as lessor, and the Corporation, as lessee, dated as of March 1, 2013 (the "2013A Lease"), and any other lease agreements heretofore or hereafter entered into between the Corporation, as lessee, and IUBC, as lessor, assigned to the Trustee (the 2013A Lease and such other lease agreements, the "Leases").

The Corporation will enter into the 2013A Lease to finance the acquisition, construction and equipping of the International Studies Building Project, as described herein (the "2013A Project"). See "PLAN OF FINANCE."

The Corporation is required under the 2013A Lease to pay Lease Payments equal to the principal of and premium, if any, and interest on the Series 2013A Certificates. See "SECURITY AND SOURCES OF PAYMENTS FOR CERTIFICATES—Sources of Payment." The Corporation is also required to pay the Trustee's fees, any taxes and assessments and the cost of maintenance and repair of the leased property. See "SUMMARY OF LEGAL DOCUMENTS: INDENTURE, 2003 LEASE, 2009 LEASES, 2012 LEASE AND 2013A LEASE—The 2013A Lease—Additional Rental Payments and Other Charges" in APPENDIX C.

The Corporation's obligation to make Lease Payments under the Leases is limited to any and all monies of the Corporation which are legally available for the payment of any obligations thereunder, including unrestricted operating fund balances, auxiliary fund balances and certain other fund balances of the Corporation, in each case without any priority among any such fund balances and only to the extent not pledged, restricted or specifically authorized for other purposes, now or in the future, or otherwise restricted by law, but excluding mandatory student fees or state appropriations (except to the extent that such funds are expressly authorized for this purpose by the Indiana General Assembly) (such monies, "Available Funds"). See "SECURITY AND SOURCES OF PAYMENT FOR CERTIFICATES-Sources of Payment."

IUBC will execute an Assignment of 2013A Lease (the "2013A Assignment"), which conveys, transfers and assigns all of IUBC's rights, title and interest in and to the 2013A Lease to the Trustee. However, IUBC will retain its obligation to construct the 2013A Project under the 2013A Lease.

In 2003, the Corporation entered into an Amended and Restated Lease–Purchase Agreement with the Foundation, as predecessor in interest with respect to the Indenture and Leases to IUBC, dated as of February 15, 2003, as amended (the "2003 Lease"), to finance the acquisition, construction and equipping of a Biotechnology

Research and Training Center (the "2003 Project"), under which the Corporation is required to pay Lease Payments equal to the portion, allocable to the 2003 Project, of the principal of and premium, if any, and interest on the Series 2012A Certificates (described below). The Corporation's obligation to make Lease Payments under the 2003 Lease is limited to Available Funds. The Foundation executed an Assignment of the 2003 Lease (the "2003 Assignment"), which conveyed, transferred and assigned all of the Foundation's rights and interests in the 2003 Lease to the Trustee. On June 1, 2009, the Foundation assigned, and IUBC accepted, all of the Foundation's right, title and interest in, and obligations and duties under, the Indenture, the 2003 Lease and the 2003 Project.

In 2009, the Corporation entered into (i) a Lease Purchase and Sublease Agreement – ALF-II between IUBC, as lessor, and the Corporation, as lessee, dated as of November 15, 2009 (the "ALF-II Lease"), (ii) a Lease Purchase and Sublease Agreement – Cinema-Theatre between IUBC, as lessor, and the Corporation, as lessee, dated as of November 15, 2009 (the "Cinema–Theatre Lease"), and (iii) a Lease Purchase and Sublease Agreement – HPER Courtyard Build-Out between IUBC, as lessor, and the Corporation, as lessee, dated as of November 15, 2009 (the "HPER Lease") (the ALF-II Lease, the Cinema-Theatre Lease and the HPER Lease, collectively, the "2009 Leases"), to finance the acquisition, construction and equipping of (i) an addition to the current Auxiliary Library, (ii) the theatre and drama space, and (iii) Health, Physical Education and Recreation Building, respectively (collectively, the "2009 Projects"), under which the Corporation is required to pay Lease Payments equal to the principal of and premium, if any, and interest on (i) the Tax-Exempt Certificates of Participation, Series 2009A (the "Series 2009A Certificates"), issued under the Amended and Restated Indenture, as supplemented by a First Supplemental Indenture dated as of November 15, 2009, evidencing an undivided proportionate interest in such Lease Payments and (ii) the Taxable Certificates of Participation, Series 2009B (Build America Certificates – Direct Pay Option) (the "Series 2009B Certificates") issued under the Amended and Restated Indenture, as supplemented by a Second Supplemental Indenture dated as of November 15, 2009, evidencing an undivided proportionate interest in such Lease Payments (the Series 2009A Certificates and the Series 2009B Certificates, collectively, the "Series 2009 Certificates"). The Series 2009A Certificates were issued in the original principal amount of $3,545,000, of which $925,000 principal amount remains outstanding, and the Series 2009B Certificates were issued in the original principal amount of $18,420,000, of which $18,420,000 principal amount remains outstanding. The Corporation's obligation to make Lease Payments under the 2009 Leases is limited to Available Funds. IUBC executed an Assignment of the 2009 Leases (the "2009 Assignment"), which conveyed, transferred and assigned all of IUBC's rights and interests in the 2009 Leases to the Trustee.

In 2012, the Corporation entered into a Lease Purchase and Sublease Agreement between IUBC, as lessor, and the Corporation, as lessee, dated as of January 1, 2012 (the "2012 Lease"), to finance the acquisition, construction and equipping of the Baseball and Softball Complex (the "2012 Project"), under which the Corporation is required to pay Lease Payments equal to the portion, allocable to the 2012 Project, of the principal of and premium, if any, and interest on the Certificates of Participation, Series 2012A (the "Series 2012A Certificates"), issued under the Amended and Restated Indenture, as supplemented by a Third Supplemental Indenture dated as of January 1, 2012, evidencing an undivided proportionate interest in such Lease Payments and the Lease Payments under the 2003 Lease (as described above). The Series 2012A Certificates were issued in the original principal amount of $23,750,000, of which $22,960,000 principal amount remains outstanding. The Corporation's obligation to make Lease Payments under the 2012 Lease is limited to Available Funds. IUBC executed an Assignment of the 2012 Lease (the "2012 Assignment"), which conveyed, transferred and assigned all of IUBC's rights and interests in the 2012 Lease to the Trustee.

The Series 2009 Certificates, the Series 2012A Certificates, the Series 2013A Certificates and any additional certificates of participation issued under the Indenture (the Series 2009 Certificates, the Series 2012A Certificates, the Series 2013A Certificates and any such additional certificates of participation, the "Certificates") are payable solely from and secured exclusively by the property pledged thereto under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR CERTIFICATES."

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

THE CERTIFICATES ARE NOT A GENERAL OBLIGATION, DEBT OR LIABILITY OF THE CORPORATION, IUBC OR THE STATE OF INDIANA, AND NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE CERTIFICATES AGAINST THE CORPORATION, IUBC OR THE STATE OF INDIANA,

OR AGAINST THE PROPERTY OR FUNDS OF THE CORPORATION, IUBC OR THE STATE OF INDIANA, EXCEPT TO THE EXTENT OF THE LEASE PAYMENTS PLEDGED UNDER THE INDENTURE FOR PAYMENT OF THE CERTIFICATES. See "SECURITY AND SOURCES OF PAYMENT FOR CERTIFICATES—Sources of Payment."

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

This introduction is not a summary of this Official Statement. This introduction is qualified by more complete and detailed information contained in this entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of this entire Official Statement and the documents summarized or described herein. The offering of the Series 2013A Certificates to potential investors from time to time is made only by means of this entire Official Statement and any amendments and supplements hereto.

SERIES 2013A CERTIFICATES

Principal Amount, Date, Interest Rates and Maturities

The Series 2013A Certificates will be issued in the aggregate principal amount of $22,515,000, will be dated the date of delivery thereof and will mature on the dates and in the principal amounts set forth on the inside cover of this Official Statement.

Each Series 2013A Certificate represents an undivided proportionate interest in the principal portion of the Lease Payments under the 2013A Lease due and payable with respect to the maturity date of such Series 2013A Certificate and in the interest portion of the Lease Payments under the 2013A Lease due and payable semiannually, to and including such maturity date (or earlier redemption), at the rate set forth in such Series 2013A Certificate.

Interest on the Series 2013A Certificates will be payable semiannually, commencing on December 1, 2013, and on each June 1 and December 1 thereafter to and including the date of maturity (or earlier redemption) (the "Interest Payment Dates"). The record date for the Series 2013A Certificates is the May 15 or November 15 (each, a "Record Date") immediately preceding the respective Interest Payment Date.

Principal of and premium, if any, on the Series 2013A Certificates will be payable at the corporate trust operations office of the Trustee, presently The Bank of New York Mellon Trust Company, N.A., in East Syracuse, New York, upon the presentation and surrender of the Series 2013A Certificates. Interest on Series 2013A Certificates will be payable by check mailed by the Trustee one business day prior to each Interest Payment Date to the persons in whose name each Series 2013A Certificate is registered at the close of business on the Record Date preceding such Interest Payment Date and to such address as it appears on the registration books. However, payments to DTC for book entry only Series 2013A Certificates will be made in immediately available funds on the payment date.

Each Series 2013A Certificate will bear interest from the Interest Payment Date to which interest has been paid next preceding the date of its authentication, unless it is authenticated between the Record Date preceding an Interest Payment Date and such Interest Payment Date and payment of interest is not in default, in which case it will bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which case it will bear interest from the date of issuance.

Interest with respect to the Series 2013A Certificates will be computed on the basis of a 360-day year, consisting of twelve 30-day months.

In any case where the date of maturity of interest on or principal of any Series 2013A Certificates or the date fixed for redemption of any Series 2013A Certificates is a Saturday, Sunday or a day on which the Trustee is authorized by law to close, then payment of interest or principal (and premium, if any) need not be made on such

date but may be made on the prior business day on which such banking institutions are open for business with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest will accrue for the period after such date.

The Series 2013A Certificates will be issued in fully registered form in the denomination of $5,000 or any integral multiple of that amount.

Redemption

Optional Redemption. The Series 2013A Certificates maturing on or after June 1, 2024, are subject to optional redemption in whole or in part on any date on or after June 1, 2023, in the order of maturity specified by IUBC (as directed by the Corporation), at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption.

If fewer than all of the Series 2013A Certificates are to be optionally redeemed, the Corporation will select the order of maturities and the Trustee will select by lot, within maturities, the particular Series 2013A Certificates or portion of Series 2013A Certificates to be redeemed.

Notice of Redemption. FOR SO LONG AS THE SERIES 2013A CERTIFICATES ARE REGISTERED TO DTC OR ITS NOMINEE, ANY NOTICE OF REDEMPTION WILL BE GIVEN ONLY TO DTC OR ITS NOMINEE, AS DESCRIBED ABOVE UNDER THE HEADING "BOOK-ENTRY ONLY SYSTEM." ANY FAILURE BY DTC TO NOTIFY THE OWNERS DOES NOT AFFECT THE VALIDITY OF THE REDEMPTION PROCEEDINGS FOR THE SERIES 2013A CERTIFICATES.

Notice of redemption of the Series 2013A Certificates will be given by the Trustee by first class mail to the registered owner of each Series 2013A Certificate to be redeemed, not less than 35 days prior to the date fixed for redemption. However, failure to give such notice, or any defect in such notice, with respect to any Series 2013A Certificate will not affect the validity of any proceedings for the redemption of any of the other Series 2013A Certificates.

Interest on the Series 2013A Certificates so called for redemption will cease to accrue on the redemption date specified in said notice if funds are on deposit with the Trustee to redeem the Series 2013A Certificates when presented. Such Series 2013A Certificates will no longer be outstanding under or protected by the Indenture.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2013A Certificates. The Series 2013A Certificates will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2013A Certificate will be issued for each maturity of the Series 2013A Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC

is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2013A Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013A Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2013A Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2013A Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2013A Certificates, except in the event that use of the book entry system for the Series 2013A Certificates is discontinued.

To facilitate subsequent transfers, all Series 2013A Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2013A Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2013A Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2013A Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2013A Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2013A Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Series 2013A Certificate documents. For example, Beneficial Owners of Series 2013A Certificates may wish to ascertain that the nominee holding the Series 2013A Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2013A Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2013A Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2013A Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Series 2013A Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative

of DTC) are the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2013A Certificates at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2013A Certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book entry only transfers through DTC (or a successor securities depository). In that event, Series 2013A Certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book entry system has been obtained from sources that the Corporation and IUBC believe to be reliable, but neither the Corporation, IUBC, nor the Underwriters take any responsibility for the accuracy thereof

Disclaimer

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

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

(i) the accuracy of the records of DTC, its nominee or any Direct Participant or Indirect Participant with respect to any beneficial ownership interest in any Series 2013A Certificates;

(ii) the delivery to any Direct Participant or Indirect Participant or any other person, other than an owner, as shown in the certificate register, of any notice with respect to any Series 2013A Certificate including, without limitation, any notice of redemption;

(iii) the payment to any Direct Participant or Indirect Participant or any other person, other than an owner, as shown in the certificate register, of any amount with respect to the principal of or premium, if any, or interest on any Series 2013A Certificate; or

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

Prior to any discontinuation of the book-entry only system described under this caption, the Corporation, IUBC and the Trustee may treat DTC as, and deem DTC to be, the absolute owner of the Series 2013A Certificates for all purposes whatsoever, including, without limitation:

(i) the payment of the principal of and premium, if any, and interest on the Series 2013A Certificates;

(ii) giving notices of redemption and other matters with respect to the Series 2013A Certificates;

(iii) registering transfers with respect to the Series 2013A Certificates; and

(iv) the selection of Series 2013A Certificates for redemption.

Transfer and Exchange of Series 2013A Certificates

FOR SO LONG AS THE SERIES 2013A CERTIFICATES ARE REGISTERED UNDER A BOOK-ENTRY ONLY SYSTEM, THE TRANSFER AND EXCHANGE PROCEDURES SHALL BE AS DESCRIBED ABOVE UNDER "BOOK-ENTRY ONLY SYSTEM."

In the event that the Series 2013A Certificates are no longer registered under a book-entry only system, pursuant to the Indenture, the Corporation will cause to be kept a certificate register (the "Certificate Register") and, for that purpose, the Trustee has been appointed the certificate registrar (the "Certificate Registrar"). The Certificate Registrar will not be required to transfer or exchange any Series 2013A Certificates during the 15-day period next preceding the mailing of a notice of redemption of any Series 2013A Certificates of the same maturity nor to transfer or exchange any Series 2013A Certificate after notice calling such Series 2013A Certificate or any portion thereof for redemption has been mailed as provided in the Indenture. No service charge or payment will be required to be made by the owner requesting an exchange, registration or transfer of any Series 2013A Certificate, but the Certificate Registrar may require payment of a sum sufficient to cover any tax, fee or other governmental charge required to be paid with respect to such exchange, registration or transfer.

In the event that the Series 2013A Certificates are no longer registered under a book-entry only system, the person in whose name any Series 2013A Certificate is registered on the Certificate Register will be deemed and regarded as the absolute owner thereof for all purposes. Payment of either principal or interest with respect to any Series 2013A Certificate will be made only to or upon the order of the owner thereof or such owner's legal representative. All such payments will be valid and effectual to satisfy and discharge liability upon such Series 2013A Certificate to the extent of the sum or sums so paid. The Corporation, IUBC, the Trustee and any paying agent may deem and treat the registered owner as the absolute owner of such Series 2013A Certificate whether such Series 2013A Certificate is overdue or not, for the purpose of receiving payment thereof and for all other purposes whatsoever, and neither the Corporation, IUBC, the Trustee, the Depository nor any paying agent will be affected by any notice to the contrary.

Revision of Book-Entry Only System; Replacement Series 2013A Certificates

In the event either (i) the Corporation or IUBC receives notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities as a securities depository for the Series 2013A Certificates or (ii) the Corporation or IUBC elects to discontinue its use of DTC as a securities depository for the Series 2013A Certificates, and in either case the Corporation or IUBC does not appoint an alternate securities depository, then IUBC and the Trustee will do or perform or cause to be done or performed all acts or things, not adverse to the rights of the owners of the Series 2013A Certificates, as are necessary or appropriate to discontinue use of DTC as a securities depository for the Series 2013A Certificates and to transfer the ownership of each of the Series 2013A Certificates to such person or persons, including any other securities depository, as the owner of such Series 2013A Certificates may direct in accordance with the Indenture. If ownership of the Series 2013A Certificates is transferred to the owners, the Trustee will execute and deliver fully registered replacement Series 2013A Certificates ("Replacement Certificates"), in the denomination of $5,000 or any integral multiple, to the owners of the Series 2013A Certificates. The expenses of any such transfer, including the printing of certificates for the Replacement Certificates, will be paid by the Corporation or IUBC.

The principal of and premium, if any, on the Replacement Certificates will be payable at the corporate trust operations office of the Trustee as paying agent (the "Paying Agent"), in East Syracuse, New York, upon presentation and surrender thereof. Interest on the Replacement Certificates will be paid by check of the Paying Agent mailed one business day prior to each Interest Payment Date to the registered owners appearing on the registration books maintained by the Certificate Registrar, as of the close of business on the most recent Record Date.

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

SECURITY AND SOURCES OF PAYMENT FOR CERTIFICATES

General

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

PAYMENT OF THE CERTIFICATES WILL BE MADE BY THE TRUSTEE SOLELY FROM AMOUNTS DERIVED UNDER THE TERMS OF THE LEASES, INCLUDING LEASE PAYMENTS, AND AMOUNTS FROM TIME TO TIME ON DEPOSIT WITH THE TRUSTEE UNDER THE INDENTURE. THE CORPORATION'S OBLIGATION TO MAKE LEASE PAYMENTS UNDER THE 2013A LEASE, THE 2012 LEASE, THE 2009 LEASES AND THE 2003 LEASE IS LIMITED TO AVAILABLE FUNDS, CONSISTING OF ANY AND ALL MONIES OF THE CORPORATION WHICH ARE LEGALLY AVAILABLE FOR THE PAYMENT OF ANY OBLIGATIONS THEREUNDER, INCLUDING UNRESTRICTED OPERATING FUND BALANCES, AUXILIARY FUND BALANCES AND CERTAIN OTHER FUND BALANCES OF THE CORPORATION, IN EACH CASE WITHOUT ANY PRIORITY AMONG ANY SUCH FUND BALANCES AND ONLY TO THE EXTENT NOT PLEDGED, RESTRICTED OR SPECIFICALLY AUTHORIZED FOR OTHER PURPOSES, NOW OR IN THE FUTURE, OR OTHERWISE RESTRICTED BY LAW, BUT EXCLUDING MANDATORY STUDENT FEES OR STATE APPROPRIATIONS (EXCEPT TO THE EXTENT THAT SUCH FUNDS ARE EXPRESSLY AUTHORIZED FOR THIS PURPOSE BY THE INDIANA GENERAL ASSEMBLY).

Security

Each Certificate represents an undivided proportionate interest of the registered owners in the Lease Payments required to be paid by the Corporation to the Trustee under the Leases.

In the Indenture, in order to secure the payment of the principal of and premium, if any, and interest on the Certificates, and to secure the performance and observance of all covenants and conditions contained in the Certificates and the Indenture, IUBC pledges, mortgages and assigns to the Trustee, and grants to the Trustee a security interest in, all right, title and interest of IUBC in or to the following (the "Trust Estate"):

(a) its fee simple interest in certain real estate on which the 2003 Project is located and its leasehold interest in certain real estate on which the 2009 Projects, the 2012 Project and the 2013A Project are located;

(b) its fee simple interest in the 2003 Project and any and all other buildings and other improvements located on such real estate and its leasehold interest in the 2009 Projects, the 2012 Project and the 2013A Project and any and all other buildings and other improvements located on such real estate;

(c) the 2003 Assignment, the 2009 Assignment, the 2012 Assignment and the 2013A Assignment;

(d) all moneys and investments in the Certificate Fund under the Indenture, including, without limitation, all rentals and other moneys to be received by or on behalf of the Trustee from the leasing of the 2003 Project, the 2009 Projects, the 2012 Project, the 2013A Project and any subsequent facilities of the Corporation financed under the Indenture (the 2003 Project, the 2009 Projects, the 2012 Project, the 2013A Project and any such subsequent facilities, the "Projects"), and in particular the rentals and other moneys to be received under and pursuant to and subject to the provisions of the Leases, all subject to and in accordance with the Indenture;

(e) all moneys and investments in the Project Fund under the Indenture; and

(f) any real or personal property pledged, mortgaged or assigned by IUBC to the Trustee, or in which IUBC grants to the Trustee a security interest, under any indenture supplemental to the Indenture.

The real estate on which the 2013A Project is located is owned by the Corporation. Upon issuance of the Series 2013A Certificates, the Corporation will lease such real estate to IUBC under a Lease between the Corporation, as lessor, and IUBC, as lessee (such Lease, the "Prime Lease"). Upon issuance of the Series 2013A Certificates, IUBC will sublease such real estate to the Corporation under the 2013A Lease.

Upon issuance of the Series 2013A Certificates, IUBC will have conveyed, transferred and assigned all of its rights and interest in the 2003 Lease, the 2009 Leases, the 2012 Lease and the 2013A Lease to the Trustee. However, IUBC will retain its obligations to construct the 2013A Project under the 2013A Lease. The Indenture constitutes a mortgage of IUBC's interest in the real estate on which the 2003 Project, the 2009 Projects, the 2012 Project and the 2013A Project are located. Each of the 2003 Lease, the 2009 Leases, the 2012 Lease and the 2013A Lease grants to IUBC, upon default and notice, the right to take possession of the leased property. See "SUMMARY OF LEGAL DOCUMENTS: INDENTURE, 2003 LEASE, 2009 LEASES, 2012 LEASE AND 2013A LEASE" in APPENDIX C.

Sources of Payment

The Certificates will be payable by the Trustee solely from the Trust Estate, including Lease Payments required to be made by the Corporation under the Leases.

The Leases are subject to early termination under certain circumstances, including the exercise by the Corporation of its option to purchase the leased property or the condemnation of the leased property. See "SUMMARY OF LEGAL DOCUMENTS: INDENTURE, 2003 LEASE, 2009 LEASES, 2012 LEASE AND 2013A LEASE" in APPENDIX C.

The Corporation is required under the 2003 Lease, 2009 Leases, the 2012 Lease and the 2013A Lease to make Lease Payments in semiannual amounts sufficient to make the principal and interest payments represented by the Series 2009 Certificates, the Series 2012A Certificates and the Series 2013A Certificates, respectively, unless the respective Leases are terminated. See "SUMMARY OF LEGAL DOCUMENTS: INDENTURE, 2003 LEASE, 2009 LEASES, 2012 LEASE AND 2013A LEASE" in APPENDIX C.

The Corporation has also covenanted and agreed in each of the 2003 Lease, the 2009 Leases, the 2012 Lease and the 2013A Lease that it will use and apply any Available Funds, to the extent necessary, for the purpose of satisfying its obligations under each of the 2003 Lease, the 2009 Leases, the 2012 Lease and the 2013A Lease, respectively. Available Funds consist of any and all monies of the Corporation which are legally available for the payment of any obligations under the Leases, including unrestricted operating fund balances, auxiliary fund balances and certain other fund balances of the Corporation, in each case without any priority among any such fund balances and only to the extent not pledged, restricted or specifically authorized for other purposes, now or in the future, or otherwise restricted by law, but excluding mandatory student fees or state appropriations (except to the extent that such funds are expressly authorized for this purpose by the Indiana General Assembly). Notwithstanding any other provisions of the 2003 Lease, the 2009 Leases, the 2012 Lease and the 2013A Lease, the obligations imposed upon the Corporation thereunder for the payment of rent or making of other expenditures of money are and will remain subject to the availability of Available Funds. No obligation imposed on the Corporation is or will constitute an obligation, indebtedness or liability of the State of Indiana. See "SUMMARY OF LEGAL DOCUMENTS: INDENTURE, 2003 LEASE, 2009 LEASES, 2012 LEASE AND 2013A LEASE" in APPENDIX C.

The Corporation is also required under each of the 2003 Lease, the 2009 Leases, the 2012 Lease and the 2013A Lease to pay trustee fees, any taxes and assessments and the cost of maintenance and repair of the leased property. See "SUMMARY OF LEGAL DOCUMENTS: INDENTURE, 2003 LEASE, 2009 LEASES, 2012 LEASE AND 2013A LEASE" in APPENDIX C.

Schedule of Annual Payments to Certificate Owners

The following table sets forth the scheduled payments on the Series 2013A Certificates:

Dates	Principal Portion	Interest Portion	Total Scheduled Payments
December 1, 2013	$ 0	$666,157	$ 666,157
June 1, 2014	545,000	455,925	1,000,925
December 1, 2014	0	447,750	447,750
June 1, 2015	775,000	447,750	1,222,750
December 1, 2015	0	436,125	436,125
June 1, 2016	795,000	436,125	1,231,125
December 1, 2016	0	420,225	420,225
June 1, 2017	830,000	420,225	1,250,225
December 1, 2017	0	403,625	403,625
June 1, 2018	860,000	403,625	1,263,625
December 1, 2018	0	386,425	386,425
June 1, 2019	895,000	386,425	1,281,425
December 1, 2019	0	368,525	368,525
June 1, 2020	930,000	368,525	1,298,525
December 1, 2020	0	349,925	349,925
June 1, 2021	970,000	349,925	1,319,925
December 1, 2021	0	325,675	325,675
June 1, 2022	1,020,000	325,675	1,345,675
December 1, 2022	0	300,175	300,175
June 1, 2023	1,070,000	300,175	1,370,175
December 1, 2023	0	273,425	273,425
June 1, 2024	1,125,000	273,425	1,398,425
December 1, 2024	0	245,300	245,300
June 1, 2025	1,180,000	245,300	1,425,300
December 1, 2025	0	215,800	215,800
June 1, 2026	1,240,000	215,800	1,455,800
December 1, 2026	0	184,800	184,800
June 1, 2027	1,300,000	184,800	1,484,800
December 1, 2027	0	152,300	152,300
June 1, 2028	1,365,000	152,300	1,517,300
December 1, 2028	0	118,175	118,175
June 1, 2029	1,435,000	118,175	1,553,175
December 1, 2029	0	96,650	96,650
June 1, 2030	1,475,000	96,650	1,571,650
December 1, 2030	0	74,525	74,525
June 1, 2031	1,520,000	74,525	1,594,525
December 1, 2031	0	50,775	50,775
June 1, 2032	1,570,000	50,775	1,620,775
December 1, 2032	0	26,244	26,244
June 1, 2033	1,615,000	26,244	1,641,244

Additional Certificates

Additional Certificates may be issued in any amount at any time and from time to time to provide for (i) the refunding of outstanding Certificates in whole or in part, (ii) refunding of certificates of participation in other leases to the Corporation, (iii) the completion of any Projects or (iv) the financing of additional Projects. See "SUMMARY OF LEGAL DOCUMENTS: INDENTURE, 2003 LEASE, 2009 LEASES, 2012 LEASE AND 2013A LEASE-The Trust Indenture-Additional Certificates" in APPENDIX C.

AVAILABLE FUNDS

Available Funds under the 2003 Lease, the 2009 Leases, the 2012 Lease and the 2013A Lease is defined as any and all monies of the Corporation which are legally available for the payment of any obligations thereunder, including unrestricted operating fund balances, auxiliary fund balances and certain other fund balances of the Corporation, in each case without any priority among any such fund balances and only to the extent not pledged, restricted or specifically authorized for other purposes, now or in the future, or otherwise restricted by law, but excluding mandatory student fees or state appropriations, except to the extent that such funds are expressly authorized for this purpose by the Indiana General Assembly. No assurance can be provided as to the availability or adequacy of any Available Funds as of any date. The Corporation retains the right to use Available Funds for the payment of other obligations of the Corporation and to use any or all Available Funds for other lawful corporate purposes of the Corporation. In particular, Available Funds may be used to pay costs of the facilities financed, financing expenses, amounts payable under any credit facility, and amounts payable (such as termination payments, etc.) under any derivative agreement.

The following table presents Available Funds balances (unaudited) as of the end of the fiscal year of the Corporation (June 30), for each of the past five years:

Available Funds [1]
(dollars in thousands)

Fiscal Year Ended June 30	Available Funds [1]
2008	$1,053,259
2009	1,033,364
2010	1,216,227
2011	1,452,927
2012	1,627,575

Source: Financial Management Services from financial report of the Corporation for the fiscal years ended June 30, 2008 through 2012; Indiana University Foundation (unaudited)

[1] Amounts include all unrestricted net assets of the Corporation as of June 30 of each year, including net income of certain facilities for the fiscal year then ended after payment of debt service on the revenue obligations payable from such net income. Amounts also include certain quasi-endowment funds held by the Indiana University Foundation designated for general use by specific schools or departments, that could be used to replace other revenues budgeted for such schools or departments, allowing such budgeted revenues to be applied to debt service on outstanding obligations in the event other Available Funds are not sufficient to pay such debt service.

INDIANA UNIVERSITY BUILDING CORPORATION

The Indiana University Building Corporation ("IUBC") was incorporated in 2008 as a non-profit corporation, separate and distinct from the University. The sole purpose of IUBC is to assist the Corporation in financing the construction of facilities by leasing such facilities to the Corporation.

PLAN OF FINANCE

The proceeds of the Series 2013A Certificates will be used to (i) pay a portion of the cost of construction and equipping of the International Studies Building Project (the "2013A Project") and (ii) pay the costs of issuing the Series 2013A Certificates.

The International Studies Building Project consolidates many of the various international centers, institutes and study programs currently located in different locations throughout the Bloomington campus. It makes available 188,000 gross square feet of classroom, office and teaching/support space for approximately 10 academic departments and 19 research centers/programs focused on the study of global cultural processes and foreign

languages. In addition, and in accordance with the University Master Plan, this new facility will also make possible the renovation of several older buildings to be returned to much improved academic use.

SOURCES AND USES OF FUNDS

The sources and uses of funds necessary to provide for the plan of finance, and the sale and delivery of the Series 2013A Certificates, are estimated as shown below.

Sources of Funds:	
Principal Amount of Series 2013A Certificates	$22,515,000
Prepaid Lease Rentals	28,000,000
Net Original Issue Premium	2,745,248
Total Sources	$53,260,248
Uses of Funds:	
Costs of 2013A Project	$53,000,000
Underwriting Discount	121,947
Costs of Issuance	138,301
Total Uses	$53,260,248

CERTIFICATE HOLDERS' RISKS

The purchase of the Series 2013A Certificates involves certain investment risks, some of which are described in this Official Statement. Accordingly, each prospective purchaser should make an independent evaluation of all of the information presented in this Official Statement in order to make an informed investment decision. Certain of these risks are as follows:

Limited Obligations: Each Series 2013A Certificate represents an undivided proportionate interest in the rights to receive payments made by the Corporation under the 2013A Lease. The obligations of the Corporation to make such payments do not constitute indebtedness of the Corporation and are limited to Available Funds. Mandatory student fees (including all academic fees, however denominated, assessed against students) and appropriations from the State of Indiana are not Available Funds. See "AVAILABLE FUNDS."

Limited Nature of Leased Property: The leased property under the 2013A Lease includes the 2013A Project and related facilities. Due to the limited possible uses of the leased property, it is unlikely that the proceeds of any sale, lease or other disposition of the leased property by the Trustee upon an event of default under any of the 2013A Lease would be sufficient to pay principal of or interest on all or a substantial portion of the Series 2013A Certificates.

TAX MATTERS

In the opinion of Ice Miller LLP, Indianapolis, Indiana, Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Series 2013A Certificates is excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), for federal income tax purposes. This opinion relates only to the exclusion from gross income of interest on the Series 2013A Certificates for federal income tax purposes under Section 103 of the Code and is conditioned on continuing compliance by the Corporation with the Tax Covenants (hereinafter defined). Failure to comply with the Tax Covenants could cause interest on the Series 2013A Certificates to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue. In the opinion of Bond Counsel under existing laws, regulations, judicial decisions and rulings, interest on the Series 2013A Certificates is exempt from income taxation in the State of Indiana. This opinion relates only to the exemption of interest on the Series 2013A Certificates for the State of Indiana income tax purposes. See APPENDIX D for the form of opinion of Bond Counsel.

The Code imposes certain requirements which must be met subsequent to the issuance of the Series 2013A Certificates as a condition to the exclusion from gross income of interest on the Series 2013A Certificates for federal income tax purposes. The Corporation will covenant not to take any action, within its power and control, nor fail to take any action with respect to the Series 2013A Certificates that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Series 2013A Certificates pursuant to Section 103 of the Code and will covenant to adopt and maintain appropriate procedures to accomplish such purpose (collectively, the "Tax Covenants"). The Tax Covenants are based solely on the laws and regulations in effect on the date of delivery of the Series 2013A Certificates. The Indenture and certain certificates and agreements to be delivered on the date of delivery of the Series 2013A Certificates establish procedures under which compliance with the requirements of the Code can be met. It is not an event of default under the Indenture if the interest on the Series 2013A Certificates is not excludable from gross income for federal income tax purposes or otherwise pursuant to any provision of the Code which is not in effect on the issue date of the Series 2013A Certificates.

The interest on the Series 2013A Certificates is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, but is included in adjusted current earnings in calculating corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Series 2013A Certificates are *not* qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Code.

Indiana Code 6-5.5 imposes a franchise tax on certain taxpayers (as defined in Indiana Code 6-5.5) which, in general, includes all corporations which are transacting the business of a financial institution in Indiana. The franchise tax is measured in part by interest excluded from gross income under Section 103 of the Code minus associated expenses disallowed under Section 265 of the Code. Taxpayers should consult their own tax advisors regarding the impact of Indiana Code 6-5.5 on their ownership of the Series 2013A Certificates.

The issue price (the "Issue Price") for each maturity of the Series 2013A Certificates is the price at which a substantial amount of such maturity is first sold to the public. The Issue Price of each maturity of the Series 2013A Certificates may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

The accrual or receipt of interest on the Series 2013A Certificates may affect an owner's federal or state tax liability in other ways. The nature and extent of these other tax consequences will depend upon the owner's particular tax status and the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any other such tax consequences. The foregoing does not purport to be a comprehensive description of all of the tax consequences of owning the Series 2013A Certificates. Prospective purchasers of the Series 2013A Certificates should consult their own tax advisors with respect to the foregoing and other tax consequences of owning the Series 2013A Certificates.

ORIGINAL ISSUE DISCOUNT

The initial public offering prices of the Series 2013A Certificates maturing on June 1, 2029, through and including June 1, 2033 (the "Discount Certificates"), are less than the principal amounts payable at maturity. As a result, the Discount Certificates will be considered to be issued with original issue discount. The difference between the initial public offering price of the Discount Certificates, as set forth on the inside cover page of this Official Statement (assuming it is the first price at which a substantial amount of that maturity is sold) (the "Issue Price" for such maturity), and the amounts payable at maturity of the Discount Certificates will be treated as "original issue discount." A taxpayer who purchases a Discount Certificate in the initial public offering at the Issue Price for such maturity and who holds such Discount Certificate to maturity may treat the full amount of original issue discount as interest which is excludable from the gross income of the owner of that Discount Certificate for federal income tax purposes and will not, under present federal income tax law, realize taxable capital gain upon payment of the Discount Certificate at maturity.

The original issue discount on each of the Discount Certificates is treated as accruing daily over the term of such Discount Certificate on the basis of the yield to maturity determined on the basis of compounding at the end of

each six-month period (or longer period from the date of the original issue) ending on June 1 and December 1 (with straight line interpolation between compounding dates).

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

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

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

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

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

CERTIFICATE PREMIUM

The initial public offering price of the Series 2013A Certificates maturing on June 1, 2014, through and including June 1, 2028 (collectively, the "Premium Certificates"), is greater than the principal amount payable at maturity. As a result, the Premium Certificates will be considered to be issued with amortizable certificate premium (the "Certificate Premium"). An owner who acquires a Premium Certificate in the initial public offering will be required to adjust the owner's basis in the Premium Certificate downward as a result of the amortization of the Certificate Premium, pursuant to Section 1016(a)(5) of the Code. Such adjusted tax basis will be used to determine taxable gain or loss upon the disposition of the Premium Certificates (including sale, redemption or payment at maturity). The amount of amortizable Certificate Premium will be computed on the basis of the taxpayer's yield to maturity, with compounding at the end of each accrual period. Rules for determining (i) the amount of amortizable Certificate Premium and (ii) the amount amortizable in a particular year are set forth at Section 171(b) of the Code. No income tax deduction for the amount of amortizable Certificate Premium will be allowed pursuant to Section 171(a)(2) of the Code, but amortization of Certificate Premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining other tax consequences of owning the Premium Certificates. Owners of Premium Certificates should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Certificate Premium upon the sale or other disposition of such Premium Certificates and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

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

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), have assigned the Series 2013A Certificates the ratings of "Aaa" and "AA+", respectively. No application was made to any other rating service for the purpose of obtaining additional ratings on the Series 2013A Certificates. IUBC and the Corporation have furnished Moody's and S&P with certain information and materials relating to the Series 2013A Certificates and themselves which have not been included in this Official Statement.

Such ratings reflect only the views of such rating agencies. Each such rating and an explanation of its significance may be obtained from the rating agency furnishing such rating. Neither such rating is a recommendation to buy or hold the Series 2013A Certificates and there is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by either such rating agency. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price or marketability of the Series 2013A Certificates.

UNDERWRITING

Under a Certificate Purchase Agreement among IUBC, Trustee and the underwriters listed on the front cover hereof (the "Underwriters"), the Series 2013A Certificates are being purchased at an aggregate discount of $121,947.31 from the initial public offering prices set forth on the inside cover hereof. The Certificate Purchase Agreement provides that the Underwriters will purchase all of the Series 2013A Certificates if any are purchased.

The Underwriters may offer and sell the Series 2013A Certificates to certain dealers (including dealers depositing Series 2013A Certificates into unit investment trusts) and others at prices lower than the initial public offering prices stated on the inside cover hereof. The initial offering prices may be changed from time to time by the Underwriters.

CERTAIN LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2013A Certificates are subject to the approval of Ice Miller LLP, Indianapolis, Indiana, Bond Counsel. The form of approving opinion of Bond Counsel with respect to the Series 2013A Certificates is attached hereto as APPENDIX D. Certain legal matters will be passed on for the Corporation by Jacqueline A. Simmons, Esq., Bloomington, Indiana, Vice President and General Counsel to the Corporation. Certain legal matters will be passed on for IUBC by Ice Miller LLP, Indianapolis, Indiana, as special counsel to IUBC. Certain matters will be passed upon for the Underwriters by Barnes & Thornburg LLP, Indianapolis, Indiana, counsel to the Underwriters.

Bond Counsel has not undertaken independently to verify any information contained in this Official Statement, except that representatives of such firm participating in the issuance of the Series 2013A Certificates have reviewed the information under the headings "INTRODUCTION," "SERIES 2013A CERTIFICATES" (except for the information provided in "Book-Entry Only System"), "SECURITY AND SOURCES OF PAYMENT FOR CERTIFICATES," "TAX MATTERS," "ORIGINAL ISSUE DISCOUNT," "CERTIFICATE PREMIUM" and Appendices C, D, and E and determined that such information conforms in all material respects to the provisions of the documents and other matters set forth therein. Bond Counsel has not undertaken to review the accuracy or completeness of statements under any other heading of this Official Statement, including particularly matters related to the financial condition of the Corporation and other financial data concerning the Corporation, and expresses no opinion thereon or assumes any responsibility therewith.

LEGAL OPINIONS AND ENFORCEABILITY OF REMEDIES

The various legal opinions to be delivered concurrently with the delivery of the Series 2013A Certificates 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 2013A Certificates will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the State of Indiana and the United States of America and bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). These exceptions would encompass any exercise of federal, state or local police powers in a manner consistent with the public health and welfare. Enforceability of the provisions of the Series 2013A Certificates in a situation where such enforcement may adversely affect public health and welfare may be subject to these police powers.

LITIGATION

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

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

MISCELLANEOUS

Copies of the form of each of the Prime Lease, the 2003 Lease, the 2009 Leases, the 2012 Lease, the 2013A Lease, the 2003 Assignment, the 2009 Assignment, the 2012 Assignment, the 2013A Assignment, the Indenture and the Amended and Restated Continuing Disclosure Undertaking Agreement of the Corporation, dated as of March 1, 2011, as supplemented to date, and as supplemented by the Continuing Disclosure Supplement to be dated the date of issuance of the Series 2013A Certificates (collectively, the "Continuing Disclosure Undertaking Agreement") (the Prime Lease, the 2003 Lease, the 2009 Leases, the 2012 Lease, the 2013A Lease, the 2003 Assignment, the 2009 Assignment, the 2012 Assignment, the 2013A Assignment, the Indenture and the Continuing Disclosure Undertaking Agreement, collectively, the "Financing Documents") referred to in this Official Statement may be obtained, until the delivery of the Series 2013A Certificates, from the Underwriters upon request to: Barclays Capital Inc., Attention: Municipal Bond Department, 745 Seventh Avenue, New York, New York 10019, or Cabrera Capital Markets, LLC, 10 S. LaSalle Street, Suite 1050, Chicago, Illinois 60603. After delivery of the Series 2013A Certificates, copies of the Financing Documents may be obtained from the Trustee upon request at: The Bank of New York Mellon Trust Company, N.A., Office of Corporate Trust Administration, 300 North Meridian Street, Suite 910, Indianapolis, Indiana 46204.

The Board of Trustees of the Corporation and the Board of Directors of IUBC have authorized the distribution of this Official Statement.

Any statements in this Official Statement involving matters of opinion, projections or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any such statement will be realized. The agreements of IUBC and the Corporation are fully set forth in the Indenture and the 2013A Lease in accordance with the Act. Neither any advertisement of the Series 2013A Certificates nor this Official Statement is to be construed as constituting a contract or agreement between IUBC or the Corporation and the purchasers or owners of the Series 2013A Certificates.

THE TRUSTEES OF INDIANA UNIVERSITY

By: /s/MaryFrances McCourt
MaryFrances McCourt, Treasurer

INDIANA UNIVERSITY BUILDING CORPORATION

By: /s/MaryFrances McCourt
MaryFrances McCourt, Treasurer

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APPENDIX A

INDIANA UNIVERSITY

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APPENDIX A

INDIANA UNIVERSITY

General

Indiana University (the "University" or "IU") is one of the largest universities in the nation. It was established by the Indiana General Assembly (the "General Assembly") in 1820 as Indiana Seminary and was located in Bloomington. It was designated as Indiana College by the General Assembly in 1828 and became Indiana University in 1838.

The University is composed of eight campuses, with core campuses in Bloomington and Indianapolis and regional campuses serving other areas of Indiana located in Gary ("Northwest"), Fort Wayne (Indiana University Purdue University Fort Wayne) ("Fort Wayne"), Kokomo ("Kokomo"), New Albany ("Southeast"), Richmond ("East"), and South Bend ("South Bend"). The Bloomington campus is the oldest and largest campus in the University system, occupying 1,926 acres, and is the primary residential campus. The Indiana University Purdue University at Indianapolis campus ("IUPUI") is the home of the Indiana University School of Medicine, the School of Dentistry, and the School of Nursing. The eight campuses of the University encompass a total of 3,609 acres. Indiana University and Purdue University ("Purdue") jointly offer academic programs at IUPUI and Fort Wayne. The University has fiscal responsibilities for IUPUI, and Purdue has fiscal responsibilities for Fort Wayne.

Forward Looking Statements

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

Academic Colleges, Schools & Divisions of the University

The University divides the academic year into two academic semesters and an additional summer session varying in length by campus. The University offers courses in the arts, humanities, social, behavioral, physical and life sciences, and professional fields. Additional programs include military science, professional practice, IU Online, and special summer session programs. The major areas and fields of study at the University's campuses are organized into specific schools, colleges and divisions as follows:

Bloomington - College of Arts and Sciences; Henry Radford Hope School of Fine Arts; Hutton Honors College; Jacobs School of Music; Kelley School of Business; Maurer School of Law; School of Education; School of Global and International Studies; School of Informatics and Computing; School of Journalism; School of Library and Information Science; School of Nursing; School of Optometry; School of Public and Environmental Affairs; School of Public Health; School of Social Work; University Division; and University Graduate School.

IUPUI - Graduate School; Herron School of Art and Design; Honors College; IUPU-Columbus; Kelley School of Business; Richard M. Fairbanks School of Public Health; Robert H. McKinney School of Law; School of Dentistry; School of Education; School of Engineering and Technology (Purdue); School of Health and Rehabilitation Sciences; School of Informatics; School of Journalism; School of Liberal Arts; School of Library and Information

Science; School of Medicine; School of Nursing; School of Physical Education and Tourism Management; School of Public and Environmental Affairs; School of Science (Purdue); School of Social Work; and University College.

East - School of Business and Economics; School of Education; School of Humanities and Social Sciences; School of Informatics; School of Natural Science and Mathematics; School of Nursing; School of Social Work; and College of Technology (Purdue).

Kokomo - Division of Allied Health Sciences; School of Business; School of Education; School of Humanities and Social Sciences; School of Nursing; School of Public and Environmental Affairs; School of Sciences; and College of Technology (Purdue).

Northwest - College of Arts and Sciences; College of Health and Human Services; School of Business and Economics; School of Education; School of Nursing; School of Public and Environmental Affairs; and School of Social Work.

South Bend – College of Health Sciences; College of Liberal Arts and Sciences; Ernestine M. Raclin School of the Arts; Judd Leighton School of Business and Economics; School of Education; School of Nursing; School of Social Work; and College of Technology (Purdue).

Southeast - School of Arts and Letters; School of Business; School of Education; School of Natural Sciences; School of Nursing; School of Social Sciences; and College of Technology (Purdue).

Authorized Degree Programs and Degrees Conferred

For the 2012-13 academic year, 776 Indiana University degree programs, including IU Online programs, were authorized and implemented on the University's campuses, excluding Fort Wayne. Four-year programs leading to baccalaureate degrees constitute the largest single category, accounting for 362 programs. Advanced degrees professional (doctoral and research) and master's account for 353 programs. Associate degrees account for 61 programs. Purdue University programs authorized and implemented on the IUPUI campus resulting in Indiana University degrees account for 51 programs, which are reporting in the totals above.

The University's total headcount enrollment for the fall semester of 2012 was 110,393 students. During the academic year ended June 30, 2012, the University awarded a total of 20,761 degrees consisting of 13,716 bachelor's degrees, 4,849 master's degrees, 1,516 professional and doctoral degrees, and 680 associate degrees.

Accreditations and Memberships

The University is fully accredited in all of its departments and divisions by the Higher Learning Commission of the North Central Association of Colleges and Schools. Each professional school holds full accreditation from its respective professional association. The University is a member of the American Council of Education and the Association of American Universities.

The Board of Trustees of the University

The University is governed by a nine-member Board of Trustees, which under Indiana statutes has policy and decision-making authority to carry out the programs and missions of the University. Five of the members of the Board of Trustees are appointed by the Governor for three year terms; three trustees are elected by the alumni of the University for three year terms, with one alumnus trustee being elected each year; and one trustee position must be a full-time student of the University. The student trustee is appointed by the Governor for a two year term. Certain officers of the Board of Trustees are not members.

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The current members and officers of the Board of Trustees are listed below:

BOARD OF TRUSTEE MEMBERS

William R. Cast, M.D., Chair (Allen County)	NoMoreClipboard CEO
Patrick A. Shoulders, Vice Chair (Vanderburgh County)	Ziemer, Stayman, Weitzel & Shoulders Attorney/Partner
MaryEllen Kiley Bishop (Hamilton County)	Cohen, Garelick and Glazier Attorney/Partner
Bruce Cole (Fairfax County, Virginia)	The Ethics and Public Policy Center Senior Fellow Indiana University Distinguished Professor Emeritus
Philip N. Eskew, Jr., M.D. (Kosciusko County)	St. Vincent Hospital Director, Physician and Patient Relations (Retired), and Clinical Professor, Obstetrics & Gynecology, Indiana University School of Medicine
Cora J. Griffin (Cass County)	Indiana University-Purdue University Indianapolis, School of Public and Environmental Affairs and Robert H. McKinney School of Law Student
Thomas E. Reilly Jr. (Marion County)	American Chemistry Council President and CEO (Retired) Reilly Industries, Inc. President and Chairman of the Board (Retired)
Derica W. Rice (Hamilton County)	Eli Lilly and Company Executive Vice President for Global Services and Chief Financial Officer
William H. Strong (Hong Kong)	Morgan Stanley Co-CEO Asia Pacific

BOARD OF TRUSTEE OFFICERS

William R. Cast, M.D., Chair (Allen County)	NoMoreClipboard CEO
Patrick A. Shoulders, Vice Chair (Vanderburgh County)	Ziemer, Stayman, Weitzel & Shoulders Attorney/Partner
MaryFrances McCourt	Treasurer of the Trustees
Stewart T. Cobine	Assistant Treasurer of the Trustees
Robin Roy Gress	Secretary of the Trustees
Jacqueline A. Simmons	Assistant Secretary of the Trustees

Administrative Officers of the University

As the chief executive of the University, the President is appointed by the Board of Trustees (the "Trustees") and is responsible for the operation of the entire University within the framework of policies provided by the Trustees. The President is responsible for accomplishing the objectives of the University, for determining missions and priorities for its various units, and for the effective and efficient planning, use, and management of its resources. The following is a list of the major officers of the University.

Michael A. McRobbie, President

John S. Applegate, Executive Vice President for University Regional Affairs, Planning and Policy

Charles R. Bantz, Executive Vice President and Chancellor, Indiana University-Purdue University Indianapolis

D. Craig Brater, Vice President for University Clinical Affairs (through June 30, 2013)

G. Frederick Glass, Vice President and Director of Intercollegiate Athletics

Jorge V. José, Vice President for Research

Edwin C. Marshall, Vice President for Diversity, Equity and Multicultural Affairs

MaryFrances McCourt, Interim Vice President and Chief Financial Officer and Treasurer

Thomas A. Morrison, Vice President for Capital Planning and Facilities

Lauren Robel, Executive Vice President and Provost, Indiana University Bloomington

Michael M. Sample, Vice President for Public Affairs and Government Relations

Jacqueline A. Simmons, Vice President and General Counsel

William B. Stephan, Vice President for Engagement

Bradley C. Wheeler, Vice President for Information Technology and Chief Information Officer

David Zaret, Vice President for International Affairs

Susan Sciame-Giesecke, Interim Chancellor of Indiana University Kokomo

William J. Lowe, Chancellor of Indiana University Northwest

Sandra R. Patterson-Randles, Chancellor of Indiana University Southeast

Laurence Richards, Interim Chancellor of Indiana University East (through June 30, 2013)

Una Mae Reck, Chancellor of Indiana University South Bend (through June 30, 2013)

Vicky L. Carwein, Chancellor of Indiana University-Purdue University Fort Wayne

Adam W. Herbert, President Emeritus of the University

Thomas Ehrlich, President Emeritus of the University

These are brief biographical sketches of certain officers:

MICHAEL A. MCROBBIE – President. Michael A. McRobbie took office as the 18th president of the University on July 1, 2007. From the beginning of his tenure as president, McRobbie has focused on the University's fundamental missions of excellence in research and teaching to be achieved through a great faculty, responsive and relevant education, an enhanced global presence, expanded infrastructure, a rededication to the arts and humanities, and new economic development and engagement initiatives. McRobbie joined the University in 1997 as Vice President for Information Technology and Chief Information Officer. In 2003, he assumed the additional position of Vice President for Research, and three years later the Trustees appointed him Interim Provost and Vice President for Academic Affairs. McRobbie holds professorships in computer science, informatics, and philosophy, and adjunct professorships in cognitive science and information science at the Bloomington campus. He is also a professor of computer technology at the School of Engineering and Technology (Purdue) at the IUPUI campus. A member of many national and international industrial, governmental, and scientific boards and committees, McRobbie was a co-founder of the high-performance broadband Asia Pacific Advanced Network, which supports the research and education community all across the Asia-Pacific region. A native of Australia who became a U.S. citizen in 2010, he earned a Bachelor of Arts degree from the University of Queensland and a Doctoral degree at the Australian National University. He has also received honorary degrees from the Australian National University, the University of Queensland, and Sungkyunkwan University in Seoul, South Korea. Additionally, he has been elected an honorary member of the Australian Academy of Humanities and appointed as an Officer in the General Division of the Order of Australia, one of that nation's highest honors.

MARYFRANCES MCCOURT – Interim Vice President and Chief Financial Officer and Treasurer. McCourt oversees Financial Management Services, Procurement, Treasury, University Budget Office, and University Human Resources. McCourt began as Treasurer of the University and Treasurer of the Trustees in October 2005 and is responsible for the management of operating funds, debt, the University's banking and treasury operations, risk management, auxiliary accounting, accounts receivable, student loan administration, capital assets and the Bloomington Bursar functions. Before joining the staff of Indiana University, McCourt was Assistant Treasurer for a multi-billion dollar distributor and premier reseller of enterprise computer technology solutions headquartered in Cleveland, Ohio. She has held various positions in strategic planning; financial analysis and treasury management with particular focus on operational efficiency; business planning (including acquisitions, divestitures and new business modeling); customer, vendor and product line profitability analyses; and balance sheet management. McCourt graduated with a B.A. in Economics from Duke University and an M.B.A. from Case Western University.

Facilities

Square Footage There are 859 buildings on all campuses of the University encompassing 34.5 million gross square feet, of which approximately 21.3 million square feet is assignable to operating units.

Libraries The University's Library System serves all campuses with separate collections as well as interlibrary loan programs. As of June 30, 2012, the library system holdings include 12.3 million volumes. The University's libraries are open to residents of the State as well as University faculty and staff.

The Lilly Library on the Bloomington campus houses the University's collections of rare books and manuscripts. Its holdings number more than 400,000 books, over 7,500,000 manuscripts and 140,000 pieces of sheet music.

Information Technology Services University Information Technology Services ("UITS") is responsible for the continued development of a high-performance computing and communications infrastructure and the information technology environment that contains tools and services that support the University's academic, research, and administrative work, including a high-speed campus network with wireless access; central web hosting; tools and support for instruction and research; supercomputers for data analysis and visualization; more than 1,300 virtual servers in the state-of-the-art, disaster-resistant Data Center; and hundreds of public-access, Internet-connected workstations. Interconnecting these resources is a high-speed statewide fiber optic network connecting all University campuses. The network is connected to national and international research and education networks, such as the Internet2. UITS has offices at IU Bloomington, IUPUI, IUPU Columbus, IU East, IU

Kokomo, IU South Bend, and IU Southeast, and employs more than 800 highly trained professionals to support and expand the University's information technology capabilities. UITS is composed of six divisions: Research Technologies; Learning Technologies; Client Services and Support; Enterprise Software; Networks; and Enterprise Infrastructure; all working together to support the University community in its use of information technology. UITS reports to the Office of the Vice President for Information Technology and Chief Information Officer, which provides leadership for the continued development of information technology at IU.

Research As of fall 2011, the University, excluding the Fort Wayne Campus, has approximately 1,190,902 assignable square feet of laboratories and service areas used for research purposes, primarily on the Bloomington and IUPUI campuses. The nature and function of this research space ranges from highly specialized to broad multi-disciplinary uses, with an emphasis on life and medical sciences.

Housing Facilities All undergraduate first-year students on the Bloomington campus are required to live in on–campus housing facilities, which include residence halls, on-campus apartments, and fraternity and sorority houses. As of fall 2012, the Bloomington campus provided residence hall/dormitory housing for 10,876 students and apartment housing for 1,492 students. Occupancy in Bloomington campus residence halls was 98% and in apartment housing was 96%. Living quarters for 439 additional students on the Bloomington campus are currently being constructed and anticipated to be available in the 2013-14 academic year. On the Bloomington campus, as of spring 2012, approximately 6,206 students participated in fraternity/sorority life; as of fall 2012, the community consisted in 41 fraternities and 30 sororities, with 19 fraternities and 19 sororities providing on-campus housing. As of fall 2012, the residence facilities on the IUPUI campus provided living quarters for 1,136 students, through a combination of apartment style housing, traditional co-ed residence halls, and townhouse units. Occupancy in IUPUI campus housing was 100%. Living quarters for 560 additional students on the IUPUI campus are anticipated to be available in the 2013-14 academic year by converting the on-campus hotel and conference center into student housing, residential and campus dining, and additional classroom space. In the summer of 2008, construction was completed on new housing facilities on the South Bend and the Southeast campuses. These facilities can provide living quarters for approximately 400 students on each campus. Housing occupancy on the South Bend and Southeast campuses for the fall of 2012 were 82% and 97%, respectively. Living quarters for 87 additional students on the Southeast campus are currently being constructed and anticipated to be available in the 2013-14 academic year. The housing facilities on the South Bend and Southeast campuses and a portion of the living quarters provided on the Bloomington campus are not included as facilities under the student residence system indenture because they were financed under the Consolidated Revenue Bonds ("CRB") Indenture. Other regional campuses for which the University has fiscal responsibilities have no student residence facilities currently.

Parking Facilities Parking space is provided for faculty, staff, students and visitors on all University campuses. Use of all parking areas and parking facilities is generally limited to paid permit holders, except for those garages and surface lots provided for visitors that are controlled by daily parking rates. Parking is available at sixteen garages on four campuses and at various surface lots on all University campuses.

Other Facilities Some of the University's other facilities include observatories; television, radio and journalism facilities; theatre and performance facilities; fine art studios; extensive science and medical teaching laboratories; museums of art and archaeology; printmaking facilities; and Bradford Woods – a 2,500 acre outdoor educational facility and nature preserve.

Faculty and Staff

The University's full-time academic administrators, faculty and lecturers consisted of 5,101 persons (academic staff who are tenure/tenure track faculty, and non-tenure track faculty and executive/administrators with faculty status), as of the fall semester of 2012. The percentage of faculty at the University's Bloomington and IUPUI campuses that have tenure are 75% and 68%, respectively. Percent of tenured faculty is calculated by dividing the number of full-time faculty and administrators who are tenured by the total number of full-time faculty and administrators who are eligible for tenure. As of the fall semester of 2012, 88% of Bloomington campus faculty (including visiting faculty) and academic administrators with professional rank hold a doctoral or professional degree. This percentage is 90% at IUPUI and 85% at the other campuses.

The number of full-time administrators and staff employed by the University totaled 11,951 as of fall 2012. The University has recognized four employee unions: (1) American Federation of State, County and Municipal Employees (AFSCME) Service Staff, for certain custodian, craft, maintenance and food service personnel; (2) AFSCME Police for certain police officers; (3) Communications Workers of America (CWA) for certain clerical, technical, and support personnel; and (4) International Alliance of Theatrical Stage Employees (IATSE) Stagehands for certain staff and hourly personnel. University administration meets and confers with each union about specific working conditions under the framework of "Conditions for Cooperation," a policy statement adopted by the Board of Trustees, but does not negotiate collective bargaining agreements. As an instrumentality of the state of Indiana, the University and its employees are not subject to the provisions of the National Labor Relations Act, as amended, but are governed by state law, which prohibits strikes by public employees. Each union's status as exclusive representative of certain University employees is conditioned upon their disavowal of the right to strike in accordance with such law and Board of Trustees policy.

Student Admissions

The University attracts students from a variety of backgrounds and geographic locations, with representation from 49 states, Washington D.C., and 166 foreign countries, as of fall 2012. Indiana residents represented 75% of the total enrollment, while 25% were from other states, Washington D.C., or foreign countries.

The table below sets forth the total number of beginning student applications received, applications accepted, percent accepted, and the percent of acceptances for beginning students who enrolled. These numbers are aggregate numbers, combined for all campuses, except for Fort Wayne, which is administered by Purdue University.

Applications and Enrollments [1]

Academic Year	Applications Received	Applicants Accepted	Percent Accepted	Percent of Accepted Enrolled
2008-09	46,816	33,864	72.3	42.2
2009-10	50,243	36,493	72.6	39.6
2010-11	57,438	39,438	68.7	35.0
2011-12	53,772	38,576	71.7	36.8
2012-13	55,091	39,855	72.3	36.3

Source: University Institutional Research and Reporting

[1] Figures reflect all beginning students new to the University, regardless of class, excluding transfers. Beginning students are defined by their matriculation in the fall, or the preceding summer session, as degree-seeking students. Students, who began taking college level coursework while in high school and are enrolled as a traditional beginning student during the fall or the preceding summer session, are also included. This methodology is consistent with external reporting requirements.

In the 2012-13 academic year, for the Bloomington campus, the percentage of beginning students ranking in the upper 50% of their high school class was 95%. During the same period the percentage of beginning students ranking in the upper 25% of their high school class was 70%, and the percentage of beginning students ranking in the upper 10% was 34%.

The following table shows the average composite score on the Scholastic Aptitude Test ("SAT") over the past five years for all beginning students new to the University, regardless of class, and excluding transfer students to the University, as compared to the national average:

Average SAT Scores

Academic Year	Indiana University	National
2008-09	1064	1017
2009-10	1068	1016
2010-11	1067	1017
2011-12	1068	1011
2012-13	1071	1010

Source: University Institutional Research and Reporting

Student Enrollment

The headcount enrollments for Bloomington, IUPUI and regional campuses of the University for the fall semester 2008 through 2012 are shown in the following table. The Fort Wayne (IPFW or Fort Wayne) enrollment numbers indicate the students in Indiana University academic programs on that campus.

Total Actual Headcount Enrollment by Campus Including Fort Wayne

Fall Semester	Bloomington	IUPUI	Regionals Excl. IPFW	Enrollment IU Campuses	IPFW	Total Enrollment
2008	40,354	30,300	24,125	94,779	6,948	101,727
2009	42,347	30,383	26,710	99,440	7,720	107,160
2010	42,464	30,566	28,211	101,241	8,204	109,445
2011	42,731	30,530	28,719	101,980	8,456	110,436
2012	42,133	30,451	29,483	102,067	8,326	110,393

Source: University Institutional Research and Reporting

Projected headcount enrollments for Bloomington, IUPUI and the regional campuses of the University, excluding Fort Wayne, for the fall semester 2013 through 2015 are shown in the following table. The University no longer projects enrollments for the IPFW campus, which is administered by Purdue University.

Projected Headcount Enrollment by Campus Excluding Fort Wayne [1]

Fall Semester	Bloomington	IUPUI	Regionals Excl. IPFW	Enrollment IU Campuses	IPFW	Total Enrollment
2013	42,745	30,469	29,018	102,232	NA	NA
2014	43,256	30,411	28,857	102,524	NA	NA
2015	43,669	30,643	28,334	102,646	NA	NA
2016	43,796	30,498	28,435	102,729	NA	NA

Source: University Institutional Research and Reporting from the Fall 2012 Enrollment Study

[1] The projections presented above were prepared based on fall 2012 actual enrollment. No representation can be made as to the ability of the University to achieve these projections.

The following table sets forth the total actual and projected headcount enrollment of undergraduate and graduate students, including professional programs, combined for all campuses, excluding Fort Wayne, for the fall semester of the years indicated. The table also includes full-time equivalent enrollment and total annual credit hours taken.

Undergraduate and Graduate Enrollment, Full-Time Equivalent Enrollment and Total Annual Credit Hours Taken Excluding Fort Wayne

Fall Semester	Undergraduate	Graduate & Professional	Enrollment IU Campuses	Full-Time Equivalent	Total Annual Credit Hours Taken [1]
Actual					
2008	74,486	20,293	94,779	76,239	2,393,959
2009	78,602	20,838	99,440	80,293	2,512,858
2010	80,356	20,885	101,241	81,842	2,558,999
2011	81,187	20,793	101,980	82,230	2,548,801
2012	81,974	20,093	102,067	81,728	2,545,000 [2]
Projected [3]					
2013	82,166	20,066	102,232	82,226	2,545,000
2014	82,384	20,140	102,524	82,558	2,545,000
2015	82,610	20,036	102,646	82,835	2,545,000
2016	82,657	20,072	102,729	82,858	2,545,000

Source: University Institutional Research and Reporting from the Fall 2012 Enrollment Study

[1] The Total Annual Credit Hours Taken shown for each of fall semesters 2011 and 2012 are for an academic calendar that groups the main semesters (fall and spring) with a trailing summer session. Prior years' numbers include the fall semester noted, the Summer II session that precedes it, and the spring semester and Summer I session of the subsequent year.

[2] Estimated.

[3] The projections presented above were prepared based on fall 2012 actual enrollment. No representation can be made as to the ability of the University to achieve these projections.

Fees

The University operates its programs on a two semester and summer session basis. Tuition, fees and other costs of attending the University vary by campus and curriculum. Educational costs charged by the University include instructional fees (which include other fees allocated to debt retirement), fees associated with specific courses and/or academic programs, and room and board (if the student lives on campus). In addition, individual campuses may charge other mandatory fees to support certain campus-based services, e.g. bus service, computing clusters, etc.

Fee Payment Policy Payment may be made in full by a specified date prior to the first day of classes for a particular term, or the student may pay a partial payment with from one to three subsequent installments over a one- to three-month period depending on the plan offered.

Regular Instructional Fee Rates The Trustees establish fees and charges relating to credit enrollment. On the Bloomington campus, undergraduate students taking between 12 and 17 hours are assessed a flat instructional fee. Graduate students are assessed fees on a credit-hour basis, except for students in the MBA, Law (J.D.) and Optometry (O.D.) programs. On campuses other than Bloomington, fee rates are assessed on a credit-hour basis except for professional students in Medicine and Dentistry.

The tables on the following pages set forth the regular instructional fees for graduate and undergraduate students attending the University for the academic years indicated. Figures are on a per-credit-hour basis unless otherwise indicated.

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Instructional Fees

Academic Year	2008-09	2009-10	2010-11	2011-12	2012-13
Bloomington Campus					
Undergraduate: per semester (12-17 credit hours)					
Resident	$ 3,684.15	$ 3,861.00	$ 4,062.00	$ 4,216.30	$ 4,375.00
Non-Resident	11,952.95	12,634.50	13,392.50	14,224.55	15,100.00
Undergraduate: per semester (<12 or >17 credit hours)					
Resident	230.05	241.10	253.70	263.45	273.40
Non-Resident	747.15	789.80	837.20	889.03	943.75
Graduate and Professional: per credit					
Resident	291.97	291.97	291.97	309.50	321.90
Non-Resident	850.33	850.33	850.33	902.00	938.00
IUPUI Campus					
Undergraduate: per credit hour					
Resident	217.70	230.76	241.84	247.90	254.10
Non-Resident	663.95	727.33	793.25	860.00	936.00
Graduate and Professional: per credit					
Resident	259.35	272.30	283.20	303.00	318.20
Non-Resident	776.90	819.60	852.40	912.10	957.70
Regional Campus: East					
Undergraduate: per credit hour					
Resident	172.60	180.54	189.21	193.94	198.79
Non-Resident	444.80	485.72	530.41	546.76	563.12
Graduate: per credit hour [1]					
Resident	209.60	216.73	225.18	238.06	250.94
Non-Resident	479.50	523.61	571.78	581.49	591.20
Regional Campus: Fort Wayne					
Undergraduate: per credit hour					
Resident	219.85	230.85	242.40	248.45	254.65
Non-Resident	518.15	549.25	582.20	596.75	611.65
Graduate: per credit hour [1]					
Resident	271.05	284.60	298.85	306.30	313.95
Non-Resident	602.25	638.40	676.70	693.60	710.95
Regional Campus: Kokomo					
Undergraduate: per credit hour					
Resident	172.45	180.25	188.75	193.47	198.31
Non-Resident	444.55	469.89	497.61	530.36	563.12
Graduate: per credit hour [1]					
Resident	209.45	216.36	224.58	237.76	250.94
Non-Resident	479.10	497.31	518.69	554.95	591.20

Instructional Fees

Academic Year	2008-09	2009-10	2010-11	2011-12	2012-13
Regional Campus: Northwest					
Undergraduate: per credit hour					
Resident	$174.25	$182.61	$191.74	$196.53	$201.44
Non-Resident	444.75	486.11	531.32	547.22	563.12
Graduate: per credit hour [1]					
Resident	206.65	221.10	236.60	243.77	250.94
Non-Resident	480.90	514.55	550.55	570.88	591.20
Regional Campus: South Bend					
Undergraduate: per credit hour					
Resident	177.45	185.75	194.75	199.62	204.61
Non-Resident	481.35	509.00	539.00	551.06	563.12
Graduate: per credit hour [1]					
Resident	212.30	220.58	230.29	240.62	250.94
Non-Resident	522.55	542.93	566.82	579.01	591.20
Regional Campus: Southeast					
Undergraduate: per credit hour					
Resident	172.80	180.58	189.07	193.80	198.65
Non-Resident	444.80	470.15	497.89	530.50	563.12
Graduate and Professional: per credit					
Resident	214.00	223.00	232.00	241.47	250.94
Non-Resident	486.40	506.00	526.00	558.60	591.20

Source: University Institutional Research and Reporting

[1] This reflects the majority of graduate students not in professional programs. The professional programs have their own rates, which are higher.

Annual Instructional Fee The following table sets forth the annual instructional fees for full-time Bloomington campus students, for the academic years indicated. Undergraduate fee rates assume a load of 30 credit hours per year.

Annual Instructional Fees for Full-Time Bloomington Campus Students

Academic Year	2008-09	2009-10	2010-11	2011-12	2012-13
Undergraduate, Resident	$ 7,368	$ 7,722	$ 8,124	$ 8,433	$ 8,750
Undergraduate, Non-resident	23,906	25,269	26,785	28,449	30,200

Source: University Institutional Research and Reporting

Mandatory Fees

During the 2012-13 academic year, new and returning undergraduate students at the Bloomington campus who enrolled in more than 6.0 credit hours will pay mandatory fees per year as follows: Student Activity Fee of $185.48, Student Health Fee of $220.44, Technology Fee of $394.56, Transportation Fee of $122.72, and a temporary fee for repair and rehabilitation of facilities ("Temporary R&R Fee") of $360.00. During the 2012-13 academic year, fulltime students at IUPUI will pay a mandatory General Fee of $662.20 and a Temporary R&R Fee of $319.92. Rates for part-time students are based on the number of credit hours taken. Full-time students at regional campuses will pay a Temporary R&R Fee of $120.00, and a Student Activity Fee and Technology Fee that vary based on the campus and the number of credit hours taken.

Student Budget The following student budget is being used by the University's Bloomington Office of Student Financial Assistance and represents an estimate of standard per-student costs for undergraduate first-year students at the Bloomington campus for the academic year shown.

Estimated Student Budget for the 2012-13 Academic Year for an Undergraduate First-Year Student

Cost of Attendance	Resident	Non-Resident
Instructional Fees	$8,750	$30,200
Mandatory Fees	1,283	1,283
Tuition and Fees Subtotal	$10,033	$31,483
Room/Board [1]	$ 8,853	$ 8,853
Books/Supplies	848	848
Miscellaneous	2,522	2,522
Transportation	860	860
Other Costs Subtotal	$13,083	$13,083
Estimated Budget Total	$23,116	$44,566

Source: University Institutional Research and Reporting

[1] All undergraduate first-year students on the Bloomington campus are required to live on campus, currently defined as residence halls, on-campus apartments, and fraternity and sorority houses.

Student Fee Revenues The total amount and composition of student fee revenues of the University, including instructional fees and other fees charged, for each of the fiscal years shown are as follows:

Student Fee Revenues
(dollars in thousands)

Fiscal Year Ended June 30	2008	2009	2010	2011	2012
Student Fees Per Indenture					
Gross Student Fees	$878,229	$985,888	$1,088,373	$1,145,260	$1,210,085
Less Certain Dedicated Fees [1]	(452)	(441)	(0)	(0)	(0)
Student Fees Per Indenture [2]	$877,777	$985,447	$1,088,373	$1,145,26	$1,210,085
Student Fees Per Financial Report [3]					
Gross Student Fees	$878,229	$985,888	$1,088,373	$1,145,26	$1,210,085
Less Scholarship Allowance	(114,154)	(133,054)	(170,091)	(189,079)	(198,207)
Student Fees Net of Scholarship Allowance [2]	$764,075	$852,834	$ 918,282	$ 956,181	$1,011,878

Source: Financial Management Services (student fees and scholarship allowances are from the financial reports of the University for fiscal years ended June 30, 2008 through 2012); University Budget Office (dedicated fees)

[1] The University issued bonds prior to 1985 to finance the construction of certain facilities, which bonds are secured by certain dedicated fees. Such dedicated fees are excluded from the definition of "Student Fees" under the applicable indenture.

[2] The presentation of information in this table has been expanded to reflect the distinction between the calculation of student fees that are subject to the lien of the indenture securing the University's Student Fee Bonds and the required financial reporting presentation of student fees net of scholarship allowances.

[3] See "Financial Operations of the University - Statement of Revenues, Expenses and Changes in Net Assets".

Student Financial Aid

Excluding the Fort Wayne Campus, approximately 67% of the students at the University receive financial aid that is processed through the University. The following table summarizes the financial aid, including parent loans, provided to the University's students for the five fiscal years ending June 30, 2012. A substantial portion of the funds provided are derived from sources outside the University, including federal, State, and private sources. Historically, federal loans, grants and other programs have provided a large portion of student financial assistance. All programs furnished by the federal and State governments are subject to appropriation and funding by the respective legislatures. There can be no assurance that the current amounts of federal and State financial aid for

students will be available in the future at the same levels and under the same terms and conditions as currently apply.

Student Financial Aid [1]
(dollars in thousands)

Fiscal Year Ended June 30	2008	2009	2010	2011	2012
Gifts and Grants	$322,515	$371,747	$ 442,993	$ 487,494	$ 498,748
Loans	497,311	559,674	624,888	650,105	652,010
Work Study	4,857	4,976	5,516	5,764	4,929
Total Financial Assistance	$824,683	$936,397	$1,073,397	$1,143,363	$1,155,687

Source: University Institutional Research and Reporting
[1] Excludes Fort Wayne Campus.

Financial Operations of the University

As a component unit of the State, the University presents its financial statements in accordance with 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 established by GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and with accounting principles generally accepted in the United States of America, as prescribed by GASB. The University reports on a consolidated basis, with a comprehensive, entity-wide presentation of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

The accompanying financial statements have been prepared by the University operating as a special-purpose government entity engaged in business-type activities. Accordingly, these financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Eliminations have been made to minimize the "double-counting" of internal activities.

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

The Statement of Revenues, Expenses and Changes in Net Assets of the University, in table format for the fiscal years shown, is on the following page.

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Statement of Revenues, Expenses and Changes in Net Assets
(dollars in thousands)

Fiscal Year Ended June 30	2008	2009	2010	2011	2012
Operating revenues					
Student fees	$ 878,229	$ 985,888	$1,088,373	$1,145,260	$1,210,085
Less scholarship allowance	(114,154)	(133,054)	(170,091)	(189,079)	(198,207)
Federal grants and contracts	290,929	295,737	318,646	344,642	325,208
State and local grants and contracts	21,100	28,860	23,830	17,074	21,881
Nongovernmental grants and contracts	107,146	127,049	102,839	103,439	101,957
Sales and services of educational units	48,929	61,498	64,475	60,869	62,975
Other revenue	171,284	175,506	181,640	190,661	227,540
Auxiliary enterprises [1]	319,153	332,586	323,571	330,550	314,479
Total operating revenues	**1,722,616**	**1,874,070**	**1,933,283**	**2,003,416**	**2,065,918**
Operating expenses					
Compensation and benefits	1,535,335	1,632,926	1,684,964	1,731,042	1,744,609
Student financial aid	109,566	125,830	150,779	165,299	163,565
Energy and utilities	57,773	65,447	64,031	68,534	71,561
Travel	39,481	40,397	36,930	40,219	47,449
Supplies and general expense	428,521	449,435	430,712	443,499	478,461
Depreciation and amortization expense	116,683	120,819	125,715	130,538	133,482
Total operating expenses	**2,287,359**	**2,434,854**	**2,493,131**	**2,579,131**	**2,639,127**
Total operating loss	**(564,743)**	**(560,784)**	**(559,848)**	**(575,715)**	**(573,209)**
Nonoperating revenues (expenses)					
State appropriations	558,022	572,578	549,755	549,917	515,421
Grants, contracts, and other	51,317	63,304	99,613	120,035	116,257
Investment income	30,721	(17,607)	103,265	89,644	74,637
Gifts	77,272	76,181	78,049	104,814	105,235
Interest expense	(29,112)[2]	(31,829)	(32,401)	(33,155)	(31,100)
Net nonoperating revenues	**688,220**	**662,627**	**798,281**	**831,255**	**780,450**
Income before other revenues, expenses, gains, or losses	**123,477**	**101,843**	**238,433**	**255,540**	**207,241**
Capital appropriations	12,601	10,248	3,005	11,984	14,157
Capital gifts and grants	10,217	19,980	17,323	14,565	19,775
Additions to permanent endowments	264	0	545	45	500
Total other revenues	**23,082**	**30,228**	**20,873**	**26,594**	**34,432**
Increase in net assets	**146,559**	**132,071**	**259,306**	**282,134**	**241,673**
Net assets, beginning of year	2,138,931[2]	2,285,490	2,417,561	2,676,867	2,959,001
Net assets, end of year	**$2,285,490**	**$2,417,561**	**$2,676,867**	**$2,959,001**	**$3,200,674**

Source: Financial Management Services from financial reports of the University for fiscal years ended June 30, 2008 through 2012; See accompanying financial statements.

[1] Net of scholarship allowance of $13,796; $15,850; $18,750; $21,151 and $22,411 (in thousands) for 2008 through 2012

[2] As restated

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Operating Budget and Related Procedures

The University adopts an operating budget for each fiscal year based on detailed budgets submitted by each of the University's departments. These budgets are reviewed by the President and senior administrative officers before final approval by the Trustees. In conjunction with its budgeting process, the University submits a biennial appropriation request to the State Budget Agency, the Indiana Commission for Higher Education and the General Assembly. The State appropriation includes various components for operations, fee replacement (a form of reimbursement of debt service from the State for debt associated with certain educational facilities), maintenance, research, public service and other special functions. For more information, see "State Appropriations to the University" below. The Trustees takes into consideration the specific amounts of State appropriations authorized by the General Assembly, along with the University's budget requirements and other revenue sources when establishing student fees and other fees for each academic year.

The University has adopted a balanced operating budget for the fiscal year ending June 30, 2013. Total budgeted revenues and expenditures for campuses for which the University has fiscal responsibility are shown in the table below.

Operating Budget for Unrestricted, Restricted and Auxiliary Enterprise Funds [1,2]
(dollars in thousands)

Revenues by Category	**2013**
Student Fees	$1,169,019
State Appropriation	499,907
Grants and Contracts	441,600
Sales and Services	91,945
Auxiliary Enterprises	386,893
Designated and Other Restricted	222,375
Investment	12,357
Gifts	4,041
Other	183,458
Total	$3,011,595
Expenditures by Fund Group [3]	
General	$1,960,727
Designated and Other Restricted	222,375
Subtotal	$2,183,102
Grants and Contracts	441,600 [4]
Auxiliary Enterprises	386,893
Total	$3,011,595
General and Other Restricted Expenditures by Function	
Instruction	$998,337
Research and Public Service	50,235
Academic and Student Support	428,864
Physical Plant	180,750
Student Financial Aid	297,645
Institutional Support	227,271
Total	$2,183,102

Source: University Budget Office
[1] Excludes Fort Wayne campus.
[2] Excludes capital projects, some sources of investment income and most gifts, and scholarship allowance.
[3] Net of internal transfers.
[4] Includes research, service and instruction expenditures.

State Appropriations to the University

The University has historically received, and continues to expect to receive, appropriations from the General Assembly. Annual operating appropriations are disbursed on a monthly basis. Other types of appropriations are generally disbursed on a quarterly or semi-annual basis. These appropriations are applied to the educational and general expenditures of the University, as well as for certain capital construction activities of the University.

The General Assembly has historically appropriated to the University an amount equal to the annual debt service requirements due on previously approved and outstanding Student Fee Bonds (the "Fee Replacement" appropriations). This appropriation is renewed on a biennial basis because the Constitution of the State prohibits a sitting General Assembly from binding subsequent General Assemblies to the continuation of any funds, including Fee Replacement appropriations. Even so, in over 39 years of making Fee Replacement appropriations, the State has never failed to fully fund a Fee Replacement obligation established by a prior General Assembly. The University expects that the policy of Fee Replacement appropriations will be continued in future years.

Total State operating appropriations for the University were cut by two percent for the 2011-13 biennium. The University has taken measures designed to result in an operating budget for 2012-13 that is balanced to the reduced levels of support. In addition, general maintenance, repair and rehabilitation appropriations for the 2011-13 biennium were eliminated. The Trustees approved a temporary repair and rehabilitation fee to help cover the cost of necessary repair work and ongoing maintenance costs for buildings and associated infrastructure, beginning academic year 2011-12 and continuing in academic year 2012-13. See "Mandatory Fees".

The table below presents the various State appropriations as appropriated to the University for each of the fiscal years shown below, including the unrestricted general operating appropriation, Fee Replacement appropriations, special restricted appropriations for specific purposes, and general maintenance, repair and rehabilitation and capital appropriations.

State Appropriations as Appropriated
(dollars in thousands)

Fiscal Year Ended June 30	**2009**	**2010**	**2011**	**2012**	**2013**
Unrestricted General Operating & Restricted Special	$507,211	$504,332	$504,332	$463,932 [3]	$463,932
Fee Replacement	73,526 [1]	69,702	70,852 [2]	51,638 [4]	48,296 [4]
General Maintenance, R&R and Capital	12,601	12,601	12,601	0 [5]	0
Total Appropriated	$593,338	$586,635	$587,785	$515,570	$512,228

Source: University Budget Office
See combined footnotes under the "State Appropriations as Received" table directly below.

State Appropriations as Received
(dollars in thousands)

Fiscal Year Ended June 30	**2009**	**2010**	**2011**	**2012**	**2013** [6]
Unrestricted General Operating & Restricted Special	$502,822	$481,145	$473,858	$464,423 [3]	$463,932
Fee Replacement	69,802 [1]	69,702	72,553 [2]	51,441 [4]	47,126 [4]
General Maintenance, R&R and Capital	12,172	1,092	6,062	24,356 [5]	0
Total Received	$584,796	$551,939	$552,473	$540,220	$511,058

Source: Office of the Treasurer

[1] The variance in "As appropriated" and "As received" Fee Replacement for fiscal year 2009 resulted from (i) some projects eligible for fee replacement beginning in fiscal year 2009 not yet having been financed and (ii) some projects financed in 2008 having been financed at a lower interest rate than the Indiana Commission for Higher Education budget guideline.

[2] The "As Appropriated" Fee Replacement for fiscal year 2011 reflects the appropriation per the budget bill. Subsequent to the bill, the University issued Student Fee Bonds Series T for projects which received General Assembly authorizations within

2007-2009 and 2009-2011 and had all the requisite approvals. The "As Received" Fee Replacement which exceeds the "As Appropriated" came from the State Budget Agency Fee Replacement Appropriation Allocation for fiscal year 2011.

[3] The "As Received" Unrestricted General Operating & Restricted Special for fiscal year 2012 reflects a claim for The Indiana Higher Education Telecommunications System (IHETS) that was not appropriated to the University, but for which it acts as fiscal agent.

[4] The variances in "As Appropriated" and "As Received" Fee Replacement for fiscal years 2012 and 2013 reflect the fiscal year debt service savings from Student Fee Bonds Series U.

[5] For fiscal year 2012, the "As Received" Repair & Rehabilitation (R&R) funds were American Recovery and Reinvestment Act (ARRA) appropriations which previously had been cancelled by the state.

[6] For fiscal year 2013 "As Received" is based on the budget bill, and assumes all fiscal year 2013 appropriations will be received.

Indiana University Foundation

The Indiana University Foundation (the "Foundation") was incorporated in 1936 as a non-profit corporation, separate and distinct from the University, and is empowered to perform a wide range of services and conduct a variety of activities that support the University as it carries out its missions of teaching, research and public service. The Foundation conducts general and special purpose fund raising programs; receives and acknowledges gifts for the benefit of the University; administers those gifts to ensure that they are used as specified by the donor; invests those gifts intended for endowment purposes; serves as trustee for certain types of planned gift arrangements; and provides other services for the benefit of the University as requested from time to time.

The Foundation is governed by a Board of Directors, three members of which must be current members of the Trustees and one member of which must be the President of the University. The assets and income of the Foundation are held and accounted for separately from the funds of the University. As of June 30, 2012, the assets of the Foundation and the assets of the University managed by the Foundation had a market value of approximately $2,105,534,000, the majority of which consisted of funds restricted for University purposes. Distributions from endowment earnings received by the University in fiscal year 2012 totaled approximately $66.6 million, which represented approximately 2% of estimated total University revenues during fiscal year 2012.

Assets, net assets, and annual income of the Foundation and the annual distributions to the University for the fiscal years ended June 30, 2008 through 2012 are set forth below.

Indiana University Foundation Financial Summary
(dollars in thousands)

Fiscal Year Ended June 30	Assets [1]	Net Assets	Total Revenue and Support [2]	Distributions to the University [3]
2008	$2,111,129	$1,633,177	$192,803	$145,815 [4]
2009	1,642,126	1,318,118	(156,489)	109,090 [4]
2010	1,767,561	1,486,267	352,992	145,704 [4]
2011	2,054,875	1,741,608	379,646	102,174
2012	2,105,534	1,730,081	128,517	107,057 [4]

Source: Indiana University Foundation The Foundation financial statements as of June 30, 2012 may be obtained at: http://iufoundation.iu.edu/about/financial.html.

[1] Assets that the Foundation held for the University and for University affiliates had corresponding liabilities reported on the Foundation's Statement of Financial Position for each of the fiscal years shown above. The portion of those assets held for the University and for University affiliates, which represent endowment funds managed by the Foundation, total $197,897,213; $151,304,670; $168,220,929; $207,860,506; and $208,809,374 for the fiscal years ended June 30, 2008 through 2012, respectively. Additional information with respect to University endowment funds is contained within the Endowments section below.

[2] See the Foundation's Statement of Activities for each of the fiscal years shown above.

[3] These disbursements include transfers to the University as well as program and departmental support. See Indiana University Foundation Notes to the Financial Statements, June 30, 2008 – Note 10 and June 30, 2009 through June 30, 2012 – Note 11, Unrestricted University Program Expenditures. June 30, 2011 and 2012 are contained within the accompanying financial report.

[4] Lilly Endowment, Inc. has provided $109,100,000 in contributions through the Foundation for University support and faculty research during fiscal years ended June 30, 2008 through 2012.

Annual Fund Raising

The Foundation, for the benefit of the University, conducts ongoing annual fund raising campaigns, as well as major gift and special development programs, to raise funds for endowments, research, student support, scholarships, awards, capital projects and special programs.

The following table summarizes the annual contributions through the Foundation for each of the fiscal years indicated:

Private Contributions to the Indiana University Foundation

Fiscal Year Ended June 30	Number of Donors	Receipts [1] (dollars in thousands)
2008	110,461	$251,385
2009	101,341	114,648
2010	123,652	166,806
2011	123,016	146,886
2012	117,813	154,035

Source: Indiana University Foundation

[1] Include one-time contributions of $69,000,000 in 2008, $15,000,000 in 2009, $18,500,000 in 2010, and $6,600,000 in 2012 from Lilly Endowment, Inc.

Endowments

Endowments are funds in which donors or other outside agencies have stipulated, as a condition of the gift, that the principal be maintained in perpetuity. Funds functioning as endowments are internally designated funds that have not been externally restricted, and for which the principal may be expended.

The market value of endowments and funds functioning as endowments held by the University in each of the fiscal years ended June 30, 2008 through 2012 are indicated below.

Endowments and Funds Functioning as Endowments [1]
(dollars in thousands)

Fiscal Year Ended June 30	Fair Value
2008	$197,861
2009	153,533
2010	172,592
2011	207,594
2012	206,712 [2]

Source: Financial Management Services from financial reports of the University for fiscal years ended June 30, 2008 through 2009; Office of the Treasurer for fiscal years 2010 through 2012 (unaudited)

[1] In addition to funds currently held by the Foundation, these figures include other University endowments, with real estate valued at fair value.

[2] The fair value as of December 31, 2012 is $212,881,957 (unaudited).

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Physical Plant

As of fall 2011, the various campuses of the University covered a total of 3,609 acres. There are 859 buildings on all campuses of the University encompassing 34.5 million gross square feet, of which 21.3 million square feet is assignable to operating units. Not included in the assignable square feet are service, building and parking garage circulation and construction areas, restrooms, hallways, and wall thicknesses. Academic and administrative activities are assigned 11.6 million square feet; auxiliary enterprise services are assigned 9.7 million square feet.

The following table sets forth the University's net capital assets, for each of the fiscal years shown.

Capital Assets, Net [1]
(dollars in thousands)

Fiscal Year Ended June 30	Capital Assets, Net [1]
2008	$2,048,204
2009	2,197,123
2010	2,316,762
2011	2,422,233
2012	2,533,362

Source: Financial Management Services from financial reports of the University for fiscal years ended June 30, 2008 through 2012
[1] Net of accumulated depreciation.

Capital Program

The University has an ongoing capital improvement program consisting of new construction and the renovation of existing facilities. Capital improvement projects have historically been funded from a variety of sources, including but not limited to State appropriations, debt financing, gifts, and University funds.

In each biennium, the University prepares and updates its ten-year capital improvement plan. This provides the basis for a capital appropriation request which the University submits each biennium to the State Budget Agency, the Indiana Commission for Higher Education, and the General Assembly. The request identifies the projects and their respective purposes, priorities, amounts and funding sources. The General Assembly will approve or decline the various projects submitted by the University, and may include projects which were not on the initial capital plan request. For projects that receive General Assembly approval, specific funding sources for each project will be stipulated. Not all projects require General Assembly approval.

The following tables summarize capital projects that are currently included in the University's near-term financing plan.

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Planned Capital Projects to be Financed with Student Fee Bonds [1]
(dollars in thousands)

Project Name	Campus	Borrowing Amount
Tamarack Hall & Ivy Tech Community College [2]	Northwest	$45,000
Education Technology Building [2]	Southeast	22,000
Total		$67,000

Source: Office of the Treasurer
[1] Secured by a pledge of student fees.
[2] Projects have been approved by the General Assembly but no fee replacement was appropriated for the 2011-13 biennium for these projects. Timing of the borrowing for these projects is uncertain.

Planned Capital Projects to be Financed with Consolidated Revenue Bonds [1]
(dollars in thousands)

Project Name	Campus	Borrowing Amount
Glick Eye Institute Build-Out [2,3]	IUPUI	$2,800
Total		$2,800

Source: Office of the Treasurer
[1] Payable from certain legally available funds of the University.
[2] Timing of the borrowing for this project is uncertain.
[3] Requisite State approvals have been received.

Planned Capital Projects to be Financed with Certificates of Participation [1]
(dollars in thousands)

Project Name	Campus	Borrowing Amount
International Studies Building [2,3]	Bloomington	$25,000
Total		$25,000

Source: Office of the Treasurer
[1] Payable from certain legally available funds of the University.
[2] To be financed with COPS 2013A.
[3] Requisite State approvals have been received.

Planned Capital Projects to be Financed with Qualified Energy Savings Debt
(dollars in thousands)

Project Name	Campus	Borrowing Amount
Qualified Energy Savings Project [1,2]	East	$ 1,350
Qualified Energy Savings Project [1,2]	Bloomington	15,000
Total		$16,350

Source: Office of the Treasurer
[1] Timing of the borrowing for these projects is uncertain.
[2] The University expects to request approval from the State to borrow for these projects in 2013.

The University has used its tax-exempt commercial paper ("TECP") programs to provide interim financing for certain capital projects and may do so in the future. As of December 31, 2012, no TECP is outstanding.

Indebtedness of the University

The University is authorized by various acts of the General Assembly to issue bonds for the purposes of financing the construction of academic and administrative facilities, student housing facilities, student union buildings, athletic facilities, and parking facilities on all campuses and research facilities on the Bloomington and IUPUI campuses.

The University has never failed to pay punctually, and in full, all amounts due for principal of and interest on any indebtedness. All debt instruments outstanding as of December 31, 2012 are fixed-rate instruments. No variable rate debt, auction rate debt or swaps were outstanding as of December 31, 2012. The total outstanding bonded indebtedness (unaudited) as of December 31, 2012 is summarized in the table that follows.

Facilities Indebtedness as of December 31, 2012 [1]
(dollars in thousands)

Type of Issuance	Original Amount	Principal Amount Outstanding
Student Fee Bonds [2]	$ 883,682	$ 448,521 [3]
Student Residence System Bonds (Housing) [4,5]	20,620	1,335
Facility Revenue Bonds (Parking) [4,5]	24,310	5,845
Consolidated Revenue Bonds [5]	451,885	418,215
Certificates of Participation [5]	45,715	42,305
Total	$ 1,426,212	$ 916,221

Source: Office of the Treasurer
[1] This table does not reflect unamortized bond premium or deferred charges.
[2] Secured by a pledge of Student Fees.
[3] This number is net of the accreted value of outstanding capital appreciation bonds ("CABs"). Subsequent to the most recent debt service payment as of August 1, 2012, the principal amount outstanding as of December 31, 2012 for Student Fee Bonds, including the accreted value of the CABs through August 1, 2012, is $461,862,438.
[4] Secured by a pledge of net income of the designated auxiliary enterprises and also payable from certain other legally available funds of the University.
[5] Payable from certain legally available funds of the University.

Sources of Payment for Bonds

Available Funds

Available Funds are defined as (a) the Net Income of the Facilities, and (b) any and all other funds of the University legally available for transfer to the sinking fund. Available Funds include, but are not limited to, unrestricted operating fund balances, auxiliary fund balances, and certain other fund balances of the University and selected related entities, in each case without any priority among any such fund balances and only to the extent not pledged, restricted, or specifically authorized for other purposes, now or in the future, or otherwise restricted by law. Available Funds do not include (i) student fees pledged for other purposes or otherwise restricted by law; (ii) certain prior encumbered revenues to the extent of such encumbrance; (iii) other specifically identified revenues or funds pledged or otherwise dedicated or restricted for other purposes; or (iv) moneys appropriated by the Indiana General Assembly and specifically authorized for other purposes or otherwise restricted by law. No assurance can be provided as to the availability or adequacy of any Available Funds as of any particular date. The University retains the right to use Available Funds for the payment of other obligations of the University and to use any or all Available Funds for other lawful corporate purposes of the University. In particular, Net Income of the Facilities and other Available Funds may be used to pay costs of facilities, financing expenses, other amounts payable under any credit facility, and other amounts payable (such as termination payments, etc.) under any derivative agreement.

The following table presents certain Available Funds balances (unaudited), from which the University's Certificates of Participation, Consolidated Revenue Bonds, Facility Revenue Bonds, Student Residence System Bonds and Tax-Exempt Commercial Paper (none outstanding) (see "Other Indebtedness of the University") are payable, as of the end of the fiscal year of the University, for each of the past five years:

Available Funds [1]
(dollars in thousands)

Fiscal Year Ended June 30	Available Funds [1]
2008	$1,053,259
2009	1,033,364
2010	1,216,227
2011	1,452,927
2012	1,627,575

Source: Financial Management Services from financial report of the University for the fiscal years ended June 30, 2008 through 2012; Indiana University Foundation (unaudited)

[1] Amounts include all unrestricted net assets of the University as of June 30 of each year, including net income of certain facilities for the fiscal year then ended after payment of debt service on the revenue obligations payable from such net income. Amounts also include certain quasi-endowment funds held by the Foundation designated for general use by specific schools or departments, that could be used to replace other revenues budgeted for such schools or departments, allowing such budgeted revenues to be applied to debt service on outstanding obligations in the event other Available Funds are not sufficient to pay such debt service.

Risk Management

The University is exposed to various risks of loss, including torts, theft, damage or destruction of assets, errors or omissions, job-related illnesses or injuries to employees, and health care claims on behalf of employees and their dependents. The University manages these risks through a combination of risk retention and commercial insurance, including coverage from internally maintained funds as well as from a wholly-owned captive insurance company, Old Crescent Insurance Company ("OCIC"). The University is self-funded for damage to buildings and building contents for the first $100,000 per occurrence with an additional $400,000 per occurrence covered by OCIC, with commercial excess property coverage above this amount. The University is self-funded for comprehensive general liability and automobile liability for the first $100,000 per occurrence with an additional $900,000 per occurrence covered by OCIC and with supplementary commercial liability umbrella policies. The University has a malpractice and professional liability policy in the amount of $250,000 for each claim and $750,000 annually in aggregate provided by OCIC. The University is self-funded for the first $750,000 of any worker's compensation claim. Excess commercial coverage for up to $1,000,000 is in place for employer liability claims. Worker's compensation claims above $750,000 are subject to statutory limits.

The University has four health care plans for full-time appointed employees, one of which is also available to retirees not eligible for Medicare. All of the employee plans are self-funded. The University records a liability for incurred but unpaid claims for university-sponsored, self-funded health care plans. This liability is estimated to be no more than 15% of the paid self-funded claims during the fiscal year, and totals $26,990,000 and $26,435,000 at June 30, 2012 and 2011, respectively. In addition, a potential claims fluctuation liability of $9,876,000 has been recorded at June 30, 2012 and 2011.

Separate funds have been established to account for the liability of incurred but unpaid health care claims, as well as any unusual catastrophic claims fluctuation experience. All organizational units of the University are charged fees based on estimates of the amounts necessary to pay health care coverage costs, including premiums and claims. This is taken from the accompanying Indiana University Financial Report, 2011-12 – Note 11.

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Retirement Plans

The University provided retirement plan coverage to 18, 441 and 18,645 active employees, as of June 30, 2012 and June 30, 2011, respectively, in addition to contributing to the Federal Insurance Contributions Act ("FICA") as required by law.

Indiana Public Employees' Retirement Fund The University contributes to the Indiana Public Employees' Retirement Fund ("PERF"), a defined benefit pension plan with an annuity savings account provision. Indiana Public Retirement System (INPRS) administers the multiple-employer public employee retirement plans, which provide retirement benefits to plan members and beneficiaries. All support, technical and service employees with at least a 50% full-time equivalent ("FTE") appointment participate in the PERF plan. There were 6,352 and 6,678 active University employees covered by this retirement plan as of June 30, 2012 and June 30, 2011, respectively. State statutes authorize the University to contribute to the plan and govern most requirements of the system. The PERF retirement benefit consists of the pension and an annuity savings account, both of which are funded by employer contributions. The annuity savings account consists of contributions set by State statute at three percent of compensation plus the earnings credited to members' accounts. The University has elected to make the contributions on behalf of the members. 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. This report may be obtained by writing the Public Employees Retirement Fund, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling 1-888-526-1687, or reviewing the Annual Report online at www.in.gov/inprs/annual reports.htm.

Contributions made by the University totaled $23,972,000 and $21,404,000, for fiscal years ended June 30, 2012 and June 30, 2011, respectively. This represented an 8.6% and 7.0% University pension benefit contribution for fiscal years ended June 30, 2012 and June 30, 2011, respectively, and a 3% University contribution for the annuity savings account provisions each year.

PERF Funding Policy and Annual Pension Cost The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The University's annual pension cost and related information, as provided by the actuary, is presented below.

The employer contributions required by the funding policy at actuarial determined rates are sufficient to fund the pension portion of the retirement benefit (normal cost) and the amortization of unfunded liabilities. The amortization method and period are level dollar closed over 30 years. The actuarial cost method is entry age normal cost. The employer required contribution is determined using an asset smoothing method. The actuarial valuation date is June 30, 2010.

Actuarial assumptions include: 1) an investment rate of return of 7%, 2) projected salary increases of 4%, and 3) a 1% cost of living increase granted in each future year, applying to current and future retirees.

PERF Funding and Annual Pension Cost
(dollars in thousands)

Fiscal Year Ended June 30	**2010**	**2011** [1]
Annual Required Contribution	$ 14,699	$ 21,855
Interest on Net Pension Obligation	(312)	(251)
Adjustment to Annual Required Contribution	355	289
Annual Pension Cost	14,742	21,893
Contributions Made	(14,016)	(14,790)
Increase (Decrease) in Net Pension Obligation	726	7,103
Net Pension Obligation, Beginning of Year	(4,307)	(3,581)
Net Pension Obligation, End of Year	$ (3,581)	$ 3,522

Source: Financial Management Services from the Indiana University 2011-12 Financial Report – Note 12, accompanying this document

[1] Actuarial data for June 30, 2012 was not available at the time of the financial report.

Annual Pension Cost Contributed and Net Pension Obligation
(dollars in thousands)

Fiscal Year Ended June 30	Annual Pension Cost (APC) [1]	Percentage of APC Contributed	Net Pension Obligation
2009	$13,370	102%	$ (4,307)
2010	14,742	95%	(3,581)
2011	21,893	68%	3,522

Source: Financial Management Services from the Indiana University 2011-12 Financial Report – Note 12, accompanying this document

[1] Does not reflect costs attributable to the University's 3.0% defined contribution benefit. See Indiana Public Employees' Retirement Fund above.

Academic and Professional Staff Employees Appointed academic and professional staff employees with at least 50% FTE are covered by the IU Retirement Plan. This is a defined contribution plan under IRC 403(b) with four contribution levels. The University contributed $62,833,000 during fiscal year ended June 30, 2012, and $66,860,000 during fiscal year ended June 30, 2011, to TIAA-CREF for the IU Retirement Plan. The University contributed $26,854,000 during fiscal year ended June 30, 2012, and $21,804,000 during fiscal year ended June 30, 2011, to Fidelity Investments for the IU Retirement Plan. Under this plan, 8,081 and 8,504 employees directed University contributions to TIAA-CREF as of June 30, 2012 and June 30, 2011, respectively. In addition, 4,711 and 4,138 employees directed University contributions to Fidelity Investments as of June 30, 2012 and June 30, 2011, respectively.

In addition to the above, the University provides early retirement benefits to appointed academic and professional staff employees Grade 16 and above. There were 1,093 and 1,173 active employees on June 30, 2012 and June 30, 2011, respectively, covered by the IU Supplemental Early Retirement Plan ("IUSERP"); a defined contribution plan in compliance with IRC 401(a), with participant accounts at TIAA-CREF and Fidelity Investments. The University contributed $2,336,000 and $2,695,000 to IUSERP during fiscal years ended June 30, 2012 and June 30, 2011, respectively. The same class of employees covered by the IU Retirement Plan 15% Level of Contributions on or before July 14, 1988, is covered by the 18/20 Retirement Plan, a combination of IRC Section 457(f) and Section 403(b) provisions. The IU 18/20 Retirement Plan allows this group of employees to retire as early as age 64, provided the individual has at least 18 years of participation in the IU Retirement Plan and at least 20 years of continuous University service. During the fiscal year ended June 30, 2012, the University made total payments of $33,601,000 to 405 individuals receiving IU 18/20 Retirement Plan payments. During the fiscal year ended June 30, 2011 the University made total payments of $33,153,000 to 386 individuals receiving IU 18/20 Retirement Plan payments.

TIAA-CREF issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing the Teachers Insurance and Annuity Association/College Retirement Equities Fund, 8500 Andrew Carnegie Blvd, Charlotte, NC 28262, by calling 1-800-842-2252, or by reviewing the annual report online at www.tiaa-cref.org/public/about/governance/corporate/annual-reports.

Fidelity Investments issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing Fidelity Investments, 82 Devonshire Street, Boston, MA 02109, or by calling 1-800-343-0860.

IU Replacement Retirement Plan Funding Policy and Annual Pension Cost The University has established an early retirement plan for eligible employees to accommodate IRS requirements and as authorized by the Board of Trustees. This plan is called the IU Replacement Retirement Plan. It is a single-employer plan and is qualified under IRC Section 401(a), with normal benefits payable for the participant's lifetime. Trust and recordkeeping activities are outsourced to the TIAA-CREF Trust Company. As of June 30, 2012 and June 30, 2011, 96 and 98 employees, respectively, were eligible to participate. University contributions related to this plan totaled $1,571,000 and $1,677,000, for fiscal years ended June 30, 2012 and June 30, 2011, respectively, with no employee contributions. These amounts represent 100% of the funding policy contribution.

The following schedule shows the funding policy contributions for the fiscal years indicated for the IU Replacement Retirement Plan as provided by the actuarial valuation report prepared as of July 1, 2011, for the fiscal year ended June 30, 2012, prepared as of July 1, 2010, for the fiscal year ended June 30, 2011, and prepared as of July 1, 2009 for the fiscal year ended June 30, 2010:

IU Replacement Retirement Plan Funding Contributions
(dollars in thousands)

Fiscal Year Ended June 30	**2010**	**2011**	**2012**
Cost of benefits earned during the year	$ 659	$ 808	$ 811
Amortization of unfunded actuarial accrued	710	767	664
Interest	110	102	96
Funding policy contribution	$1,479	$1,677	$1,571

Source: Financial Management Services from the Indiana University 2011-12 Financial Report – Note 12, accompanying this document

The funded status of the IU Replacement Retirement Plan as provided by the actuarial valuation reports for fiscal years ended June 30, 2010, 2011, and 2012 is as follows:

IU Replacement Retirement Plan Funded Status
(dollars in thousands)

Actuarial Valuation Date	**July 1, 2009**	**July 1, 2010**	**July 1, 2011**
Actuarial accrued liability ("AAL")	$17,713	$21,497	$ 23,034
Actuarial value of plan assets	9,422	11,541	14,558
Unfunded actuarial liability	8,291	9,956	8,476
Actuarial value of assets as a % of AAL (funded ratio)	53.2%	53.7%	63.2%
Annual covered payroll	$ 8,446	$ 8,643	$ 8,679
Ratio of unfunded actuarial liability to annual covered payroll	98.2%	115.2%	97.7%

Source: Financial Management Services from the Indiana University 2011-12 Financial Report – Note 12, accompanying this document

Actuarial assumptions include a 6.5% asset rate of return and future salary increases of 3% for the fiscal year ended June 30, 2012 and June 30, 2011. Liabilities are based on the projected unit credit method. The actuarial value of assets is equal to the fair value on the valuation date adjusted for employer contributions receivable. Actuarial assumptions of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events including future employment and mortality, and are based on the substantive plan provisions.

Additional multiyear trend information regarding the funding progress of the IU Replacement Retirement Plan is provided immediately following the notes to the financial statements.

TIAA-CREF issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing the Teachers Insurance and Annuity Association/College Retirement Equities Fund, 8500 Andrew Carnegie Blvd, Charlotte, NC 28262, by calling 1-800-842-2252, or by reviewing the annual report online at www.tiaa-cref.org/public/about/governance/corporate/annual-reports.

Postemployment Benefits

Plan Description The University provides certain postemployment benefits for retired employees. The IU 18/20 Plan, Medical, and Life Insurance benefits are presented for financial statement purposes as a consolidated plan (the "Plan") under the requirements for reporting Other Postemployment Benefit Plans ("OPEB") required by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other*

Than Pensions. The Plan is a single-employer defined benefit plan administered by Indiana University. The 18/20 Plan provides interim benefits to full-time appointed academic and professional staff employees who meet the following eligibility requirements: 18 years of participation in the IU Retirement Plan 15% level, at least 20 years of continuous full-time University service, and at least 64 years of age. This group of employees is eligible to receive monthly payments based on a hypothetical monthly annuity amount at age 70, up to the amount of terminal base salary, calculated as the average budgeted base salary for the five 12-month periods immediately preceding retirement. The 18/20 Plan was adopted by the Trustees. The University provides medical care coverage to individuals with University retiree status and their dependents. The cost of the coverage is borne fully by the individual. However, retiree medical care coverage is implicitly more expensive than active-employee coverage, which creates an implicit rate subsidy. The University provides retiree life insurance benefits in the amount of $6,000 to terminated employees with University retiree status. The health and life insurance plans have been established and may be amended under the authority of the Trustees. The Plan does not issue a stand-alone financial report.

Funding Policy The contribution requirements of plan members and the University are established and may be amended by the Board of Trustees. The University contribution to the 18/20 Plan and retiree life insurance is based on pay-as-you-go financing requirements. Plan members do not make contributions. The medical plans are self-funded and each plan's premiums are updated annually based on actual claims. Retirees receiving medical benefits paid $1,330,000 and $1,088,000 in premiums in the fiscal years ended June 30, 2012 and 2011, respectively. The University contributed $53,851,000 and $52,512,000 to the consolidated OPEB Plan in fiscal years ended June 30, 2012 and 2011, respectively.

Annual OPEB Cost and Net OPEB Obligation The University's annual OPEB cost (expense) is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of twenty-five years.

The following table shows the University's annual OPEB cost for the year, the amount actually contributed to the plan, and the University's net OPEB obligation as provided by the actuarial results for the fiscal year ended June 30, 2012:

Annual Other Postemployment Benefit Plans Cost
(dollars in thousands)

Fiscal Year Ended June 30	**2011**	**2012**
ARC/Annual OPEB cost	$ 58,166	$ 57,052
Less Employer contribution	52,512	53,851
Increase in OPEB obligation	5,654	3,201
Net OPEB obligation, beginning of year	13,903	19,557
Net OPEB obligation, end of year	$ 19,557	$ 22,758
Percentage of annual OPEB cost contributed	90.28%	94.39%

Source: Financial Management Services from the Indiana University 2011-12 Financial Report – Note 13, accompanying this document

Funded Status and Funding Progress As of June 30, 2012, the most recent actuarial valuation date, the Plan was unfunded. The schedule of funding progress is below:

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Other Postemployment Benefit Plans Funded Status and Funding Progress
(dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Liability (UAAL) (b) – (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	--	$443,276	$443,276	0.0%	$967,369	45.8%
July 1, 2010	--	441,968	441,968	0.0%	959,198	46.1%
July 1, 2011	--	414,985	414,985	0.0%	984,200	42.2%

Source: Financial Management Services from the Indiana University 2011-12 Financial Report – Taken from the additional multiyear trend information regarding the funding progress of the Other Postemployment Benefit Plans, which is provided immediately following the notes to the financial statements, accompanying this document. It contains one more year than shown in Note 13.

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

Actuarial Methods and Assumptions Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the University and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the University and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The projected unit credit cost method was used in the June 30, 2012 actuarial valuation. The actuarial assumptions include a 4.5% investment rate of return, which is a blended rate of (1) the expected long-term investment returns on plan assets and (2) the University's investments which are calculated based on the funded level of the Plan at June 30, 2012; and an annual healthcare cost trend rate that ranges from 10% in fiscal year 2013 to 5% in fiscal year 2023. The rate includes a 3% inflation assumption. The Unfunded Actuarial Accrued Liability is being amortized over 25 years using level dollar amounts on an open group basis.

Termination Benefits

In fiscal year 2011 the University offered certain employees an Early Retirement Incentive Plan ("ERIP"). Depending on the eligibility criteria of the participating employees, the early retirement became effective from one of three dates, as shown in the table below:

Retirement Date	Number of ERIP Participants
June 30, 2011	321
August 31, 2011	137
December 31, 2011	25
Total	483

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The ERIP provides three benefits not normally provided to separating employees:

a. A lump sum payment income replacement payment.
b. Five years of annual contributions to a health reimbursement account ("HRA") that reimburses employees, based on their current medical plan enrollment, for some healthcare expenses such as premiums, deductibles, and copays.
c. The option to continue in an IU-sponsored medical plan until age 65. Employees with IU Retiree Status could opt to participate in a post-65 Medicare supplement medical plan. The opting employees would need to pay their respective full premium amounts to receive this benefit.

In fiscal year 2011 the University recognized an expense and liability for the income replacement payments for all employees participating in the ERIP. The actuarial accrued liability associated with OPEB was increased by $15,669,000 for HRA contributions.

In fiscal year 2012, the actuarial accrued liability associated with Other Post-Employment Benefits was increased by $10,931,000 for health reimbursement account contributions.

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APPENDIX B

FINANCIAL REPORT

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INDIANA UNIVERSITY

2011-2012 Financial Report

Michael A. McRobbie

15-year IU highlights
1997-2012

- As vice president for information technology, initiated the development of IU's original Information Technology Strategic Plan, launched in 1998 to enable IU to become a leader in the use and application of IT and today considered a model for educational institutions across the nation.
- Played an important role in establishing IU's School of Informatics and Computing, the first such school in the nation, as well as in securing two of the largest grants in IU history—totaling more than $80 million—to establish technology-related laboratories and initiatives at the university.
- Directed the development of I-Light, the first higher education-owned optical fiber network, which provides high-speed broadband Internet capability to colleges and universities across Indiana.
- In 2004, named to Computerworld magazine's list of the "Premier 100 IT leaders," which honors the top information technology strategists in the U.S.
- As vice president for research, was instrumental in securing a $53 million grant from the Lilly Endowment for the Indiana Metabolomics and Cytomics Initiative (METACyt)—the largest grant ever obtained at IU Bloomington.
- As IU Bloomington provost, jointly oversaw the development of the IU Life Sciences Strategic Plan, designed to move the university into the ranks of the nation's top research centers in the life sciences.
- As university provost and as president, oversaw the creation of a 50-year master plan to guide future expansions of IU's core campuses in Bloomington and Indianapolis.
- As president, dedicated several new facilities for teaching and learning and on-campus housing, including, among others, Simon Hall, the first science-only building constructed at IU Bloomington in more than 40 years, the IU Cinema, the Union Street Center student housing complex, new residence halls at IU Southeast, the Cook Hall basketball practice facility and the Glick Eye Institute.
- Accompanied Elinor Ostrom to Stockholm, Sweden, where she accepted the 2009 Nobel Prize in Economic Sciences.
- In 2010, unveiled IU's "Principles of Excellence," a guide to IU achieving its vision of becoming one of the great research universities of the 21st century and the preeminent institution of higher education in Indiana.

(Highlights continued inside back cover.)

Financial Report 2011–12

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Message from the President

Michael A. McRobbie
President, Indiana University

The Honorable
Mitchell E. Daniels, Jr.
Governor, State of Indiana
State House, Room 206
200 West Washington Street
Indianapolis, IN 46204

Dear Governor Daniels:

On behalf of the Trustees of Indiana University, I am pleased to present to you IU's 2011-12 Financial Report.

Like public research universities across the nation, Indiana University has faced myriad challenges in recent years, including the nationwide economic downturn, growing concerns over college costs and student debt, the emergence of greater global competition in higher education, rapidly evolving technologies, and changing demographics. In the face of these and other challenges, Indiana University's faculty, staff, and students continue to engage in remarkable work that is improving our state, nation, and world, and transforming lives.

We continue to steadfastly embrace the enduring value of a rigorous college education, and we are taking steps that will ensure that Indiana University offers the kinds of educational opportunities that one would expect of a university that aspires to be one of the finest universities of the 21st century.

Keeping an IU Education Affordable

As a public university, we also have an obligation to ensure that an IU education remains accessible and affordable for qualified Hoosier students. The 2013 edition of the "Fiske Guide to Colleges," one of the country's leading college guides, recognized our commitment to keeping an IU education affordable by naming IU Bloomington a "best buy" school. IU Bloomington was one of only 20 public universities in the U.S. and Canada to receive the "best buy" designation.

Recent data from the U.S. Department of Education's National Center for Education Statistics shows that IU, state, and federal student financial aid programs reduce the net cost of attending Indiana University to about half of the "sticker price" of tuition, room and board, books, and miscellaneous expenses. The data also shows that the net cost for the Bloomington campus is *the lowest* of all Big Ten institutions—and that IU East has *the lowest* net cost of *any* public campus in Indiana.

We are not content, however, to rest on these laurels.

I recently announced a new on-time completion award that will help to further lower the cost of attending IU, while providing additional incentive for students to graduate in four years. Under this initiative, students who have completed four semesters in good academic standing and who are on-track to graduate in four years will receive an award that offsets any increase in tuition and fees that may occur in their junior and senior years.

This initiative comes on the heels of the university's decision, implemented this summer, to lower tuition for all undergraduates attending summer semester classes by 25 percent for Indiana resident students and an equivalent dollar amount for nonresident students. This program, which will continue next summer, saved IU students nearly $12 million and resulted in an increase in summer attendance this year over the previous year.

Moreover, IU has more than doubled the amount of institutional aid to students in the past five years. This aid consists not of loans, but of grants and scholarships that do not need to be paid back. As a result, more than half of the undergraduates at IU Bloomington have *no* student loan debt—and almost half graduate with no student loan debt.

Record Enrollments

Indiana University continues to attract record numbers of highly qualified students from around the state, the nation, and the world. This fall, we enrolled a record of more than 110,000 students across the state. That number includes our largest freshman class ever in Bloomington, which also is one of the most diverse and academically accomplished classes ever to enter the university. We are also seeing gains in both the diversity and academic qualifications of our new students at other campuses.

As a result of the breadth and quality of our academic programs, IU, which graduates significantly more students

than any other higher education institution in the state, continues to play a vital role in Indiana by educating and training students for successful careers.

A Leading Public Research University

Our outstanding faculty members continue to successfully compete with top researchers across the nation and around the world for research funding that is becoming increasingly scarce.

Indiana University received $533 million in grants and awards for research and other sponsored programs in fiscal year 2012. This amount represents the second-highest annual total ever at IU, and is only the third time in the university's history that we have passed the half-billion-dollar mark in externally funded research and related program awards in a single year.

That we have been able to sustain our research excellence when research universities are facing unprecedented financial challenges and dwindling funding opportunities makes this achievement even more impressive. The breadth, depth, and quality of our research clearly signal IU's continuing status as one of the leading public research universities in the world.

Transforming Indiana University for the 21st Century

In 2010, I appointed some of the most distinguished and insightful faculty and academic administrators on the Bloomington and IUPUI campuses to the New Academic Directions Committee. The committee examined many of the academic programs that are the heart of the university and recommend ways to bring IU's structure into the 21st century. Since the completion of the New Academic Directions report, we have seen transformation of unprecedented scale and speed at IU. By the end of this year, we will expect to have seen seven schools transformed, established, merged or closed in less than 18 months. This is more change than in the previous 40 years at IU.

On the IUPUI campus, for example, we are establishing the world's first School of Philanthropy. The school will build on the strengths of the world-renowned Center on Philanthropy. The establishment of the new School of Philanthropy will greatly expand the education and opportunities for IU students who want to pursue careers in the huge and diverse philanthropic and not-for-profit sector.

Spurred by the rapid and increasing pace of evolution in the world of informatics, computing, and libraries, the connections between programs that study information and those that study computation have become closer and more important than ever. In the coming year, Indiana University's School of Library and Information Science and its School of Informatics will merge. This merger will allow the school to compete with the best schools in the nation in these areas.

We also recently announced the establishment of IU Online, a major strategic investment in online education that will accelerate the development and delivery of quality online courses and programs at IU's campuses statewide, address Indiana's economic and professional development needs, and extend the university's global reach.

Improving Hoosier Health

Indiana's poor performance by just about any of the major measures of public health—smoking, diabetes, obesity and cancer—has been well documented. With the recent establishment of two new schools of public health, Indiana University is making major contributions to the formulation of thoughtful and effective public health policies, the education of public health professionals, and to targeted applied research that will have a demonstrable effect on the health and quality of life of Indiana's citizens.

On the IUPUI campus, we recently established the Richard M. Fairbanks School of Public Health. This school is building on the strengths of the Department of Public Health, which was formerly part of the IU School of Medicine. In Bloomington, the School of Health, Physical Education and Recreation has been transformed into the IU School of Public Health—Bloomington. The new schools will be able to compete for federal and foundation funding that is open only to schools of public health, increasing the flow of funds to Indiana to support the health of all Hoosiers.

The new schools of public health are only the most recent additions to the extensive collections of schools that train the professionals, do the research, and provide clinical care in nearly every area of health care. These include the IU schools of medicine, dentistry, nursing, optometry, social work, health and rehabilitation sciences, and physical education. These schools are the largest—sometimes the *only*—places in Indiana that train professionals in these areas, and a large percentage of the professionals in these areas practicing in Indiana have been trained in these schools.

Together with our close partner, IU Health—the largest healthcare system in Indiana and one of the largest in the nation—we collectively have the most extensive impact in the state on the health and well-being of Hoosiers. We were recently pleased to note that *U.S. News & World Report* ranked IU Health as one of the top 16 health systems in the country—the magazine's highest distinction, reserved for the top medical centers in the nation such as the Mayo Clinic and Mass General. Eleven IU Health clinical programs, staffed largely by physicians trained at the IU School of Medicine, also were named among the best in the nation by the magazine.

In Indianapolis, IU and IU Health are establishing a major new joint facility in the neurosciences. This superb new joint facility will provide outpatient rehab facilities, an imaging center, and walk-in care facilities, as well as state-of-the-art facilities in which our researchers and clinicians will conduct a broad range of neuroscience research in fields such as neurotrauma, dementias, addiction, epilepsy, and pain. This complex will also house one of the largest concentrations of researchers and clinicians in the neurosciences in the United States.

A Leading International University

By any measure, Indiana University is one of America's leading international universities, and we continue to increase our international engagement. We now rank eighth in the country in the overall number of students who are studying abroad. Study and service abroad are essential components of a 21st Century education meant to prepare students to live and work in a flat world. We also rank 11th nationally, up from 14th last year, in the number of international students enrolled.

IU also has extraordinary resources and strengths in global and international studies, including:

- more than 70 foreign languages taught, (more than any other university);
- 11 international area studies programs that receive funding through the U.S. Department of Education's Title VI Program (again, more than any other university);
- a great breadth and depth of international research and scholarship; and
- a high level and wide variety of international engagement.

We are leveraging this outstanding reputation in scholarship and research on countries, cultures, and regions around the globe by establishing a School of Global and International Studies. By bringing together into one school the core of IU's extraordinary resources, the university stands poised to join the most outstanding programs in the world in these truly vital areas. The new school will expand the opportunities for international education for all students, and offer Hoosier students even more opportunities for the global education so necessary to their future success.

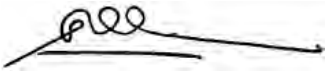
Conclusion

The importance of Indiana's public institutions of higher education to the long-term economic vitality of the state is immense. We are incubators for jobs and economic growth. Our researchers make discoveries that save and improve the lives of Indiana's citizens. We help to retain Indiana's own top students, keeping them in the state as our next generation of leaders. Our professors also attract top students from across the United States, many of whom stay in Indiana to become business, civic, and political leaders.

As this financial report illustrates, Indiana University continues to regard the funding it receives as a public trust. We are deeply grateful for the support we receive from state appropriations, donor contributions, grants, contracts, and student fees, and are committed to achieving the best return on all of those investments.

We continue to work diligently to make Indiana University more efficient, more affordable, more accessible, and to preserve and enhance its quality. The actions we have taken in the last year illustrate our dedication to preserving and strengthening the academic core of the university as we fulfill IU's fundamental missions of education and research. We look forward to continuing to work with the State of Indiana and our many external partners to preserve high-quality higher education as an asset that can efficiently serve our state and our students for years to come.

Yours sincerely,



Michael A. McRobbie
President

Message from the Senior Vice President and Chief Financial Officer

Neil Theobald
Senior Vice President and Chief Financial Officer, Indiana University

Dear President McRobbie and the Trustees of Indiana University:

I am pleased to present to you the consolidated financial report for Indiana University for the fiscal year ended June 30, 2012.

As has been the case in recent years, the economic conditions under which the university operated during the most recent fiscal year were challenging. While there have been some signs of a gradual strengthening of the national economy in recent months—as evidenced by increased consumer spending and an improving housing market—job growth remains sluggish and unemployment relatively high. In Indiana, the jobless rate remains above 8 percent, slightly higher than the national average.

In the face of these significant challenges, however, Indiana University continued to strengthen its already solid financial foundation during the recently completed fiscal year. A combination of aggressive expense management, strong investment performance, and the continued generosity of our alumni and friends allowed the university to grow its net assets—a critical indicator of current financial health—by more than 8 percent.

This was possible because the University continues to expand its expense reduction efforts. Overall, total operating expenses for the university increased by just 2 percent from the previous fiscal year, despite rising employee health care costs, and an ambitious academic agenda that has seen the university create a number of new schools and launch several new initiatives over the past 18 months. IU has managed to hold the line on overall spending by achieving cost reductions in a number of areas. Among them:

- Consolidating purchasing systems – $12 million annual savings
- Providing early retirement incentives taken by approximately 500 employees – $6 million
- Changing the vesting provision in retirement plan – $3.5 million
- Closing the School of Continuing Studies – $1.8 million

As a result of this work and other efforts to keep our costs in line, IU's creditworthiness has never been better. In fact, IU is one of only eight public universities to earn the highest credit rating—Aaa—offered by Moody's Investors Service. As an "investment grade" institution, we have lowered the cost of servicing our debt significantly in recent years, saving the state $40 million.

Faculty and staff across the university continue to do more with less and we are constantly looking for ways to lower our costs while better serving our employees. For example, we continue to increase the health care services offered to many of our employees, retirees, graduate students, and their families through enhanced delivery of clinical services in the Bloomington area under a program that started early this year. IU intends to extend the use of clinics to other communities where we have campuses. In addition, we are encouraging our employees to take a greater role in their health care decisions through increased preventative and wellness services and by offering a high-deductible insurance plan with a health savings account component that is generously funded by IU.

The combination of world-class academics and moderate price (IU's average net cost of attendance is the lowest in the Big Ten) has brought outside recognition to the university in recent years. Kiplinger's Personal Finance magazine in 2011 rated IU-Bloomington 28th in quality for the cost of education from among more than 500 public institutions, and this year the prestigious Fiske Guide to Colleges named IU-Bloomington as a "best buy" for its combination of moderate cost to students and academic quality.

Still, we are not content with our recent progress or our current performance.

The university understands that student debt levels are a significant problem, and we are aggressively addressing this issue through a two-pronged IU Student Debt Reduction Plan. First, IU is requiring each undergraduate who is applying for a student loan to complete a financial literacy course that is designed to help students understand the implications of student debt and how to manage and control it. Second, IU is funding a Completion Scholarship that seeks to encourage IU students to attend full-time, if possible, and complete 50% of a degree within two years.

Shortening the time to degree will go a long way toward lowering student debt levels, as a large percentage of

borrowing goes to cover non-tuition costs of attending college each year. The Completion Scholarship will reward IU juniors and seniors who are on pace to graduate in four years by effectively freezing tuition and fees for their final two years of study. By graduating on time, students lower their overall debt load and are positioned to enter the workforce earlier, allowing them to begin repaying their debt at the earliest possible time. This focus on 4-year degree completion is consistent with the goals of state policymakers and the Indiana Commission on Higher Education.

I am proud of our steadfast efforts to become more efficient in our operations and to provide financial relief to our students over the past year. Just as importantly, as President McRobbie detailed in his letter introducing this report, we have not lost sight of our core mission: to provide an affordable world-class college education, with a special emphasis on serving the educational needs of talented Indiana high school graduates.

We currently serve more than 110,000 on eight campuses across Indiana, and the academic profile of our student body continues to improve. For example, the median grade point average of this year's freshman class was 3.7, and 87 percent of those students from Indiana who entered IU this fall earned the state's Academic Honors Diploma. In addition, international enrollment increased for the eighth consecutive year this fall and the university continues to make gains to improve the domestic diversity of its student body.

We owe all of those students a rigorous education that is designed to meet the needs of the 21st century global workplace, and to do so at a reasonable cost. In his State of the University address in October, President McRobbie acknowledged the university's responsibility to accomplish these goals despite the changing and challenging environment facing all of us in higher education today.

We have chosen to meet these challenges directly by challenging one another to be more innovative in how we create and deliver our academic offerings, and by remaining focused on the financial realities facing our students and their families in these uncertain economic times.

I think the results detailed in this report send a clear message that we are on solid financial ground as we continue our never-ending journey to better serve our students and the state of Indiana. I encourage you to closely examine the report and welcome your questions and ideas.

Thanks to all of you for your continued support and leadership of Indiana University.

Sincerely,

Neil Theobald
Senior Vice President and
Chief Financial Officer

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AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-1711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF INDIANA UNIVERSITY, BLOOMINGTON, INDIANA

We have audited the accompanying basic financial statements of Indiana University (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2012 and 2011. 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. Those statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to this unit, is based upon the report of the other auditor.

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 report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana University, as of June 30, 2012 and 2011, and the respective 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 18, 2012, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis (MD&A), the Schedule of Funding Progress for IU Replacement Retirement Plan, the Schedule of Funding Progress for Other Postemployment Benefits Plans, and the Schedule of Funding Progress for Public Employees' Retirement Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The Introductory Section, Trustee and Administrative Officers of Indiana University, Additional Information, and Acknowledgements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Introductory Section, Trustee and Administrative Officers of Indiana University, Additional Information, and Acknowledgements have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

STATE BOARD OF ACCOUNTS

October 18, 2012

State Board of Accounts

Management's Discussion and Analysis

The following discussion and analysis provides an overview of the financial position and activities of Indiana University (university) for the fiscal years ended June 30, 2012, and 2011, along with comparative financial information for fiscal year ended June 30, 2010. This discussion has been prepared by management and should be read in conjunction with the audited financial statements and footnotes contained in this report.

The university's financial report includes three financial statements prepared in accordance with Government Accounting Standards Board (GASB) principles. The objective of the Management's Discussion and Analysis is to assist readers in understanding those statements.

The Statement of Net Assets presents the university's financial position by reporting all assets, liabilities and net assets at the end of the fiscal years audited. Net assets, the difference between total assets and total liabilities, are one indicator of the current financial condition of the university.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the total revenues earned and expenses incurred by the university during the fiscal year. Changes in net assets are an indication of improvement or decline in the university's overall financial condition.

The Statement of Cash Flows provides additional material about the university's financial results by presenting detailed information about the cash activity of the university during the year. The statement reports the major sources and uses of cash and is useful in the assessment of the university's ability to generate future net cash flow, the ability to meet obligations as they come due, and the needs for external financing.

Statement of Net Assets

A comparison of the university's assets, liabilities and net assets at June 30, 2012, 2011, and 2010, is summarized as follows:

Condensed Statement of Net Assets (in thousands of dollars)	June 30, 2012	June 30, 2011	June 30, 2010
Current assets	$ 888,419	$ 961,001	$ 971,819
Capital assets	2,533,362	2,422,233	2,316,762
Other assets	1,337,428	1,173,342	991,626
Total assets	**4,759,209**	**4,556,576**	**4,280,207**
Current liabilities	462,063	554,715	525,609
Noncurrent liabilities	1,096,472	1,042,860	1,077,731
Total liabilities	**1,558,535**	**1,597,575**	**1,603,340**
Invested in capital assets, net of related debt	1,694,440	1,621,228	1,555,422
Restricted net assets	179,797	190,939	175,197
Unrestricted net assets	1,326,437	1,146,834	946,248
Total net assets	**$ 3,200,674**	**$ 2,959,001**	**$ 2,676,867**

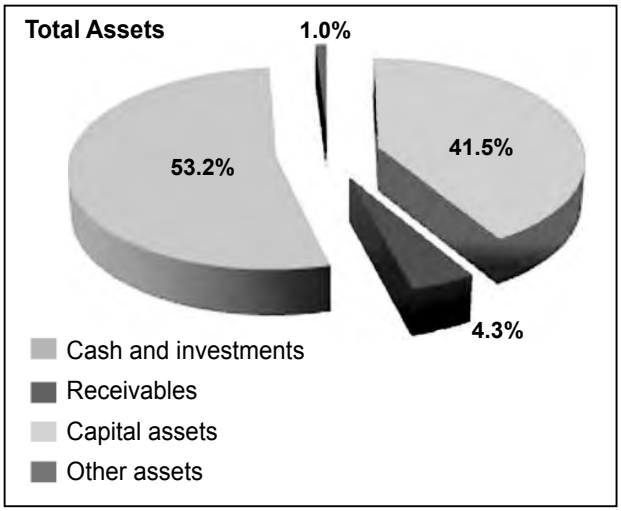
Assets

Current assets include those that are used to support current operations and consist primarily of cash and cash equivalents, net receivables, and short-term investments. Cash balances support cash flow requirements for future employee benefit and retirement costs, commitments to support the academic mission, self-liquidity requirements, and other operational needs.

Noncurrent assets primarily consist of endowments, other noncurrent investments, and capital assets, net of accumulated depreciation. Noncurrent receivables primarily represent student loan balances scheduled for collection beyond the current year reported.

The following table and chart represent the composition of total assets:

Total Assets (in thousands of dollars)		
Cash and investments	$ 1,976,012	41.5%
Receivables	200,669	4.3%
Capital assets	2,533,362	53.2%
Other assets	49,166	1.0%
Total assets	$ 4,759,209	100.0%



Total assets of $4,759,209,000 at June 30, 2012, represent an increase of $202,633,000, or 4.5% over June 30, 2011. The overall growth in assets is attributable to increases in investments and capital assets.

The discontinuation of the securities lending program in January 2012 contributed to a decrease in current assets of $72,583,000. Securities lending assets were $118,177,000 at June 30, 2011. This decrease is partially offset by an increase of $47,199,000 in invested bond proceeds held for construction projects and resulting from new debt issued during the year.

The market value of the university's noncurrent investments increased $168,144,000, to $1,269,390,000 at June 30, 2012, due to operating investment gains and continued portfolio rebalancing to optimize yield. Capital assets, net of depreciation, which include land, art and museum objects, infrastructure, equipment and buildings, increased $111,129,000, or 4.6%, over June 30, 2011, primarily due to additions, net of depreciation expense, of $114,522,000 in buildings and construction in progress. Construction in progress consists of multi-year projects, typically buildings and major improvements.

Liabilities

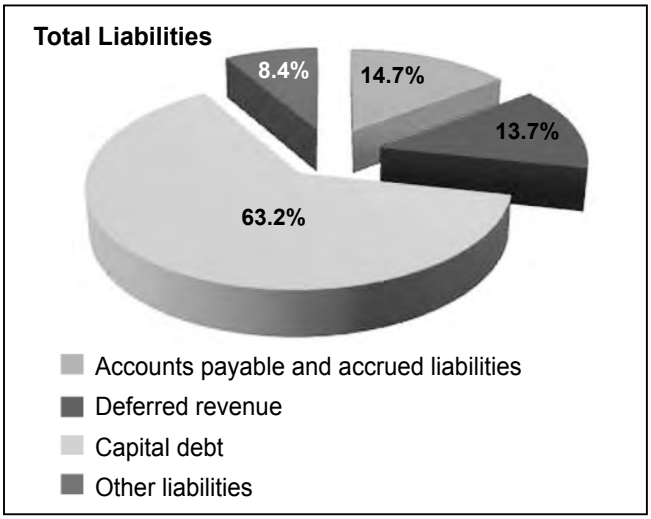
Current liabilities are those that are expected to become due and are payable over the course of the next fiscal year. Current liabilities consist primarily of vendor payables, accrued compensation and compensated absences, and deferred revenue. The decrease in current liabilities of $92,652,000 is primarily due to the discontinuation of the securities lending program, with a reduction equal to the decrease in securities lending reported as current assets in the prior year. The current portion of deferred revenue increased $21,205,000 and is comprised of receipts for which recognition of the related income is deferred to the following fiscal year – primarily summer session student fees and funds received in advance of expenditures on sponsored projects. Capital grants received in advance of related construction expenditures cause significant fluctuations in deferred revenue balances.

The university's capital debt outstanding of $984,456,000 at June 30, 2012, and $899,340,000 at June 30, 2011, represents 63.2% and 56.3% of total liabilities at June 30, 2012 and 2011, respectively. A discussion of the university's capital financing activities appears in Note 8, Bonds and Notes Payable, Note 9, Lease Obligations, and in the Debt and Financing activity section below.

Noncurrent deferred revenue represents funds received in advance of expenditures on sponsored projects for which related spending is expected to begin past the end of the following fiscal year. The reduction of $22,389,000 in this deferred revenue balance occurred as expenditures for construction grants were incurred during the fiscal year. Assets held in custody for others are advances from the federal government for the purpose of making loans to students.

The following table and chart represent the composition of total liabilities:

Total Liabilities *(in thousands of dollars)*		
Accounts payable and accrued liabilities	$ 228,958	14.7%
Deferred revenue	213,015	13.7%
Capital debt	984,456	63.2%
Other liabilities	132,106	8.4%
Total liabilities	**$ 1,558,535**	**100.0%**



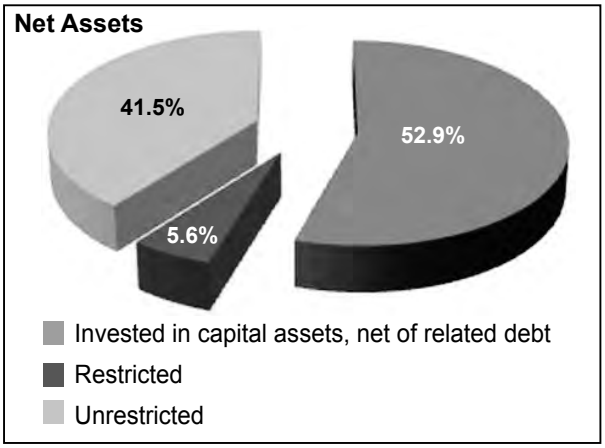
Net Assets

Net assets represent the residual interest in the university's assets after liabilities are deducted. Net assets are classified into three major categories:

- Invested in capital assets, net of related debt represents the university's investment in capital assets, such as equipment, buildings, land, infrastructure and improvements, net of accumulated depreciation and related debt.
- Restricted net assets include amounts that have been restricted by external parties and are divided into two sub-categories:
  - Restricted non-expendable net assets must be held inviolate and in perpetuity. These funds represent the university's permanent endowment funds received for the purpose of creating present and future income.
  - Restricted expendable net assets are available for expenditure by the university, but must be spent according to restrictions imposed by third parties.
- Unrestricted net assets include amounts institutionally designated or committed to support specific purposes.

The following table and chart represent the composition of net assets:

Total Net Assets *(in thousands of dollars)*		
Invested in capital assets, net of related debt	$ 1,694,440	52.9%
Restricted	179,797	5.6%
Unrestricted	1,326,437	41.5%
Total net assets	**$ 3,200,674**	**100.0%**



The $73,212,000 increase invested in capital assets, net of related debt, at June 30, 2012, reflects the university's continued investment in the future through development of its long-range capital plans. The university's facilities are essential elements in sustaining and enhancing the education and research missions of the university.

Although unrestricted net assets are not subject to third-party restrictions, these funds are subject to internal designations and commitment for academic and research initiatives, capital projects, and unrestricted quasi and term endowment spending plans. The majority of the university's overall increase in net assets of $241,673,000 during fiscal year 2012 is comprised of the increase in unrestricted net assets.

Statement of Revenues, Expenses, and Changes in Net Assets

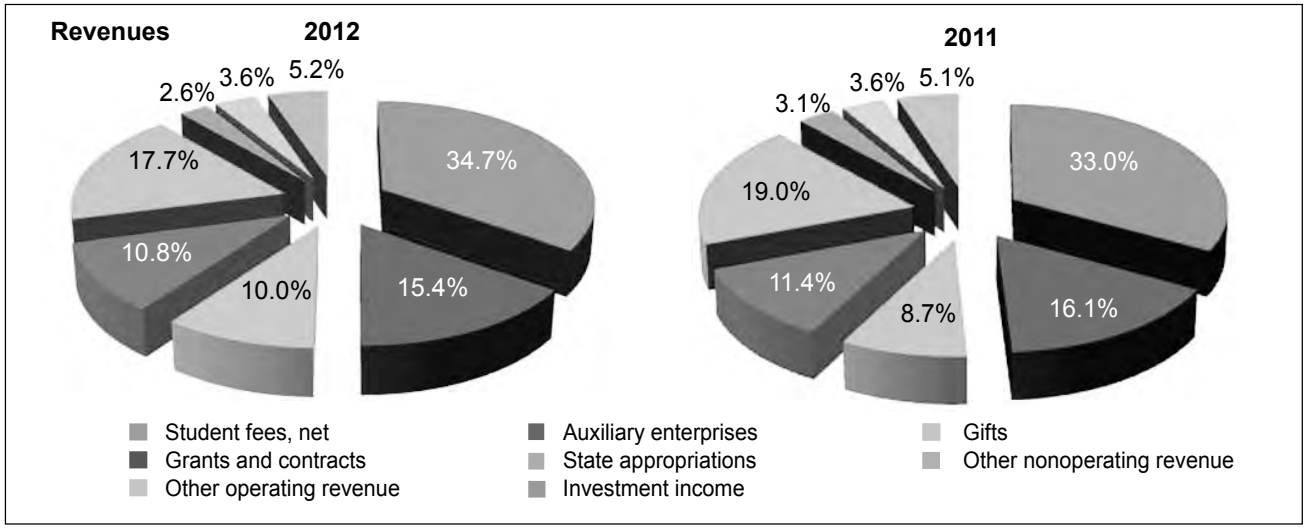
Revenues and expenses are classified as either operating or nonoperating. Trends in the relationship between operating revenues and expenses are important indicators of financial conditions. Generally, operating revenues are received for providing goods and services and include tuition and fees, grants and contracts, sales and services, and auxiliary revenue. Nonoperating revenues include state appropriations, gifts, and investment income. Operating expenses are those incurred to carry out the normal operations of the university. As a public university, Indiana University is required by GASB standards to report certain revenue sources that are an integral part of operations as nonoperating revenues.

A summarized comparison of the university's revenues, expenses, and changes in nets assets is presented below:

Condensed Statement of Revenues, Expenses, and Changes in Net Assets
(in thousands of dollars)

	Fiscal Year Ended		
	June 30, 2012	*June 30, 2011*	*June 30, 2010*
Operating revenues	$ 2,065,918	$ 2,003,416	$ 1,933,283
Operating expenses	(2,639,127)	(2,579,131)	(2,493,131)
Total operating loss	(573,209)	(575,715)	(559,848)
Nonoperating revenues	811,550	864,410	830,682
Nonoperating expenses	(31,100)	(33,155)	(32,401)
Income before other revenues, expenses, gains and losses	207,241	255,540	238,433
Other revenues	34,432	26,594	20,873
Increase in net assets	**241,673**	**282,134**	**259,306**
Net assets, beginning of year	**2,959,001**	**2,676,867**	**2,417,561**
Net assets, end of year	**$ 3,200,674**	**$ 2,959,001**	**$ 2,676,867**

The following charts represent revenues by major source for fiscal years 2012 and 2011:



Total operating revenues increased by $62,502,000, or 3.1%, from $2,003,416,000 in fiscal year 2011 to $2,065,918,000 in fiscal year 2012. The largest single source of operating revenue for the university is student tuition and fees. Tuition and fees, net of scholarship allowances, increased $55,696,000 over the prior fiscal year. The university implemented a repair and rehabilitation fee beginning in 2012 to address the university's obligation to protect the state's investment in the buildings and infrastructure on IU's campuses. The revenue from this new fee is reflected in the increase in student fees. As the American Recovery and Reinvestment Act (ARRA) projects were completed, ARRA funding declined by $13,784,000 compared to the prior year. This decline contributed to the overall decrease of $19,434,000 in federal grant and contract revenue. The cyclical nature of state and local grants and contracts contributed to an overall increase of $4,807,000 in those revenues. Other revenue increased $36,879,000 in fiscal year 2012. An increase of $18,042,000 in medical practice plan revenue was a major component of this increase, corresponding to a $16,071,000 decrease in auxiliary revenue, along with a $16,759,000 decrease in auxiliary expenses. This shift is the result of the transition of clinical activities to Indiana University Health Physicians (IUHP). The restructuring is part of a plan to

achieve efficiencies and more appropriately align activities between IU and IUHP.

Total operating expenses were $2,639,127,000 in fiscal year 2012, an increase of $59,996,000, or 2.3% over the prior year. Scholarship allowances applied to student accounts increased $9,128,000, or 4.8%, over fiscal year 2011. Federal financial aid received in 2012 decreased by $12,417,000, contributing to a decrease of $1,734,000, or 1.1%, compared to fiscal year 2011. A component of the federal Pell Grant program was eliminated due to lack of funding. The federal Academic Competitiveness and National Science and Mathematics Access to Retain Talent Grant programs, enacted in 2006, were not reauthorized, and funding was eliminated for 2012. Compensation and benefits represent the largest single university expense, at 66.1% of total operating expenses. The increase in total compensation and benefits was only 0.8%, or $13,567,000 in fiscal year 2012 compared to 2011. The university implemented the Early Retirement Incentive Plan in late fiscal year 2011 for eligible academic and staff employees. Voluntary separations under the plan during fiscal year 2012 were instrumental in achieving specific institutional objectives, including reducing compensation costs and redirecting positions to focus on higher priorities. In addition, there was a shift in staff salaries associated with the transition to IUHP. Total travel expenses, 20% of which arises from grants and contracts, increased $7,230,000. Supplies and general expenses increased by $34,962,000, including an additional outlay of $17,837,000 in repairs and renovations, expendable equipment, and contractual services.

Nonoperating revenues, net of expenses, declined $50,805,000, or 6.1% in fiscal year 2012 compared to 2011. State appropriations declined 6.3% over the prior year, with a reduction of $9,108,000 in operating appropriations received. Appropriations for fee replacement declined $21,111,000, commensurate with a decline in the university's debt service schedules. Fee replacement appropriations are made for the purpose of reimbursing a portion of debt service for certain academic facilities. Gifts for scholarships and fellowships, general program support, and specific gifts to schools and departments comprise the majority of gift income. Total investment income declined from $89,644,000 in fiscal year 2011 to $74,637,000 in fiscal year 2012, a decrease of $15,007,000, primarily driven by unrealized losses on endowment investments, compared to unrealized gains in the prior year.

Capital appropriations increased $2,173,000, and consist of federal fiscal stabilization funds authorized by the American Recovery and Reinvestment Act and awarded to the university through the state for repair and rehabilitation. Capital gifts and grants increased $5,210,000 between fiscal years 2011 and 2012. Capital grant income is recognized as related construction expenditures are incurred. In fiscal year 2012, $12,609,000 was spent on construction costs for the Jacobs School of Music Studio Building which is funded by a grant from the Lilly Endowment.

Statement of Cash Flows

The Statement of Cash Flows provides additional information about the university's financial results by reporting the major sources and uses of cash during the fiscal year. The statement assists in evaluating the university's ability to generate future net cash flows to meet its obligations as they become due and aids in determining the need for external financing. The statement is divided into four sections based on major activity: operating, noncapital financing, capital and related financing, and investing. A fifth section reconciles the operating income or loss on the Statement of Revenues, Expenses, and Changes in Net Assets to the net cash used in operations.

A summarized comparison of the university's changes in cash and cash equivalents is presented below:

Comparative Statement of Cash Flows
(in thousands of dollars)

	Fiscal Year Ended		
	June 30, 2012	*June 30, 2011*	*June 30, 2010*
Net cash provided (used) by:			
Operating activities	$ (446,436)	$ (417,254)	$ (369,350)
Noncapital financing activities	750,452	763,296	729,931
Capital and related financing activities	(166,036)	(303,733)	(140,467)
Investing activities	(72,943)	(133,492)	(101,713)
Net increase (decrease) in cash and cash equivalents	65,037	(91,183)	118,401
Beginning cash and cash equivalents	580,110	671,293	552,892
Ending cash and cash equivalents	**$ 645,147**	**$ 580,110**	**$ 671,293**

Cash received from operations consists primarily of student fees, grants and contracts, and auxiliary enterprise receipts. The university's liquidity increased in fiscal year 2012, with an increase in cash and cash equivalents of $65,037,000. Payments to employees represent the largest use of cash for operations. Significant sources of cash provided by noncapital financing activities are used to fund operating activities, including state appropriations, federal Pell grants, and private noncapital gifts. Fluctuations in capital and related financing activities reflect decisions made relative to the university's capital and financing plans. Cash flows from investing activities include shifts between cash equivalents and longer term investments.

Capital Asset Activity

Indiana University President Michael McRobbie has set forth goals to "ensure that the university has the new and renovated physical facilities and infrastructure essential to achieve the Principles of Excellence, while recognizing the importance of historical stewardship, an environment that reflects IU's values, and the imperative to meet future needs in accordance with long-term master plans."

Each of the university's seven campuses is in the process of assembling its own master plan to guide the physical vision of the campuses. The master plans address traffic flow, new buildings, green space, land use, rehabilitation of buildings, and repurposing of existing buildings.

The university expended a total of $83,183,000 on facility renovations and $13,900,000 on facility repair and replacements during fiscal year 2012.

On the Bloomington campus, major renovations were completed to upgrade the Briscoe Quad student residence center from a traditional residence center to a modern facility where each floor will offer a variety of room styles ranging from a single with private bath to a four-person suite with a bath and living room. A community lounge and a laundry room will also be incorporated into the new layout on each floor. Upgrades to the fire safety and electrical systems are included in the project to improve building safety and security. The current phase of renovations was completed at a cost of $21,495,000.

The expansion of the Sports Complex Parking Garage, adding 1,300 parking spaces on the IUPUI campus, is part of the expansion and repurposing of the south side of the campus under the IUPUI master plan. The project was completed at a cost of $16,590,000.

The Music Studio Building is an 85,000 square foot project under construction on the Bloomington campus, with

Neurosciences Research Building, IUPUI Indianapolis

an estimated project cost of $40,000,000, and an estimated completion date of July 2013. The project is funded by a grant from the Lilly Endowment. The facility is expected to provide technologically and acoustically superior teaching and practice facilities to rival any music school or conservatory in the world, while also marking the entrance to the university's music and performing arts district. The new Studio Building will provide studio space with excellent acoustics and state-of-the-art wiring and technology, as well as more and larger practice and rehearsal rooms. In all, the structure will contain 84 studios for faculty and assistant instructors as well as 15 classrooms, administrative offices, graduate student spaces, mechanical support space, and a faculty lounge.

Debt and Financing Activity

Institutional borrowing capacity is a valuable resource that is actively managed in support of the institutional mission. Bonds, notes, and capital lease obligations totaled $984,456,000 and $899,340,000 at June 30, 2012 and June 30, 2011, respectively.

On July 26, 2011, the university issued Student Fee Bonds, Series U with a par amount of $94,460,000. The purpose of the issue was to provide financing for the construction of the Neurosciences Research Building on the Indianapolis campus and for certain land acquisitions on the South Bend campus. The proceeds of the bonds also partially refunded Indiana University Student Fee Bonds, Series N, Series O, and Series P. The refunding portion of the transaction generated future debt service savings of $6,646,000, which equated to a net present value savings of $5,663,000.

On January 25, 2012, the university issued Consolidated Revenue Bonds, Series 2012A with a par amount of $94,490,000. The purpose of the issue was to provide financing for the construction of the Rose Residence Hall (previously referred to as the New Third and Union Residence Hall Complex) and the Forest Dining Hall Expansion and Renovation on the Bloomington campus, the Science and Engineering Lab Building on the Indianapolis campus, and the Residence Hall Expansion on the Southeast campus. The proceeds of the bonds also partially refunded Facility Revenue Bonds, Series 2004 and Student Residence System Bonds, Series 2004B. The refunding portion of the transaction generated future debt service savings of $2,499,000, which equated to a net present value savings of $2,391,000.

On February 9, 2012, the university issued Certificates of Participation, Series 2012A with a par amount of $23,750,000. The purpose of the issue was to provide financing for the construction of the Baseball and Softball Complex on the Bloomington campus. The proceeds of the bonds also refunded Certificates of Participation, Series 2003A. The refunding portion of the transaction generated future debt service savings of $1,080,000, which equated to a net present value savings of $896,000.

On October 26, 2012, the university will issue Indiana University Tax Exempt Student Fee Bonds, Series V-1 and Taxable Student Fee Bonds, Series V-2 in the total par amount of $107,750,000, of which $95,875,000 will be refunding bonds and $11,875,000 will be new money bonds. The purpose of the issue is to provide financing for qualified energy savings projects on the Indianapolis and South Bend campuses. The proceeds of the bonds will also be used to refund all or a portion of Student Fee Bonds, Series P, Q, and R, and Qualified Energy Savings Notes, Series 2005, 2007 and 2008. The refunding portion of the transaction will produce a net present value savings of $7,961,000.

The University's ratings on debt obligations were last reviewed and affirmed in October 2012. On October 10, 2012, Moody's Investors Service (Moody's) reaffirmed its underlying rating of 'Aaa' with a stable outlook on student fee bonds, student residence system bonds, facility revenue bonds, consolidated revenue bonds, and certificates of participation. On October 12, 2012, Standard & Poor's Ratings Services (S&P) reaffirmed its underlying rating of 'AA+' with a stable outlook on student fee bonds, student residence system bonds, facility revenue bonds, consolidated revenue bonds, and certificates of participation.

Economic Outlook

While remaining an important source of revenue, the State of Indiana currently provides less than 20% of Indiana University's total financial resources during a fiscal year. While effects of the national recession were severe and ongoing, fiscal year 2012 provided substantial financial improvement for the state, marking the second straight year of positive results.

State revenues for fiscal year 2012 were 6.4% above fiscal year 2011, slightly exceeding the state revenue forecast. State reserves were dramatically increased from $1.18 billion or 8.9% of operating revenue to $2.16 billion, or 15.1% of operating revenue.

Unemployment, still at recession levels, remains a major concern. During fiscal year 2012, Indiana's unemployment rate dropped from a high of 8.7% in January to 7.9% in May and June. Unfortunately, in recent months the Indiana unemployment rate has edged upward from its low in April and May and was 8.3% in August 2012.

Looking ahead to fiscal year 2013, total revenues were forecast to increase by a modest 2.5%. However, since fiscal year 2012 actual revenues were $50 million above forecast, revenues will need to increase by only 2.2% to achieve the level of revenue forecast for the year. In addition to concerns about continued high unemployment, both the U.S. and international economies face many uncertainties and threats to continued economic expansion.

Student enrollment for the university is projected to remain strong during the 2012-13 academic year. Overall, the financial position of the university is favorable and management will continue to monitor state and national economic conditions as part of its critical financial decision-making process.

Rose Residence Hall, IU Bloomington

Statement of Net Assets

(in thousands of dollars)	*June 30, 2012*	*June 30, 2011*
Assets		
Current assets		
Cash and cash equivalents	$ 645,147	$ 580,110
Accounts receivable, net	116,646	121,106
Current portion of notes and pledges receivable	15,985	13,176
Inventories	11,389	12,020
Short-term investments	61,475	83,036
Securities lending assets	-	118,177
Other assets	37,777	33,376
Total current assets	888,419	961,001
Noncurrent assets		
Accounts receivable	10,640	12,327
Notes and pledges receivable	57,398	59,769
Investments	1,269,390	1,101,246
Capital assets, net	2,533,362	2,422,233
Total noncurrent assets	3,870,790	3,595,575
Total assets	**4,759,209**	**4,556,576**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	228,958	229,753
Deferred revenue	177,913	156,708
Current portion of capital lease obligations	1,538	1,269
Current portion of long-term debt	53,654	48,808
Securities lending liabilities	-	118,177
Total current liabilities	462,063	554,715
Noncurrent liabilities		
Capital lease obligations	1,853	2,069
Notes payable	43,449	29,274
Assets held in custody for others	76,383	75,792
Deferred revenue	35,102	57,492
Bonds payable	883,962	817,920
Other long-term liabilities	55,723	60,313
Total noncurrent liabilities	1,096,472	1,042,860
Total liabilities	**1,558,535**	**1,597,575**
Net assets		
Invested in capital assets, net of related debt	1,694,440	1,621,228
Restricted for:		
Nonexpendable - endowments	26,842	20,429
Expendable		
Scholarships, research, instruction and other	116,307	124,382
Loans	15,979	15,998
Capital projects	398	9,059
Debt service	20,271	21,071
Unrestricted	1,326,437	1,146,834
Total net assets	**3,200,674**	**2,959,001**
Total liabilities and net assets	**$ 4,759,209**	**$ 4,556,576**

See accompanying notes to the financial statements.

Indiana University Foundation
Statement of Financial Position
As of June 30, 2012

	Unrestricted		Temporarily Restricted		Permanently Restricted		
	Foundation	Agency	Foundation	University	Foundation	University	Total
Assets:							
Cash and cash equivalents	$ -	$ 11,519,534	$ 195,973	$ 190,902,769	$ -	$ 1,793,729	$ 204,412,005
Collateral under securities lending agreement	1,436,404	7,187,380	150,072	12,230,874	712,842	31,879,597	53,597,169
Receivables and other assets	6,901,205	8,693,461	183,907	16,797,136	859,554	47,389,348	80,824,611
Promises to give, net	52,143	-	2,892,397	75,288,515	858,789	73,731,004	152,822,848
Investments	107,202,029	193,855,646	7,925,039	344,104,595	19,149,828	886,436,565	1,558,673,702
Property, plant and equipment, net	55,204,091	-	-	-	-	-	55,204,091
Total assets	$ 170,795,872	$ 221,256,021	$ 11,347,388	$ 639,323,889	$ 21,581,013	$ 1,041,230,243	$ 2,105,534,426
Liabilities and net assets:							
Liabilities:							
Accounts payable and other	$ 4,550,869	$ 9,225,591	$ 207,168	$ 16,236,764	$ 1,054,026	$ 41,174,754	$ 72,449,172
Payable under securities lending agreement	1,436,404	7,187,380	150,072	12,230,874	712,842	31,879,597	53,597,169
Debt	3,922,574	-	-	-	-	58,083	3,980,657
Accrued trust obligation to life beneficiaries	412,428	-	3,242,179	6,103,460	-	23,812,123	33,570,190
Due to (from)	125,016,119	(7,013,523)	109,167	(89,390,196)	(704,431)	(28,017,136)	-
Interfund financing	(1,900,000)	-	-	1,900,000	-	-	-
Assets held for the University	-	198,080,430	-	-	-	-	198,080,430
Assets held for University affiliates	-	13,776,143	-	-	-	-	13,776,143
Total liabilities	133,438,394	221,256,021	3,708,586	(52,919,098)	1,062,437	68,907,421	375,453,761
Net assets	37,357,478	-	7,638,802	692,242,987	20,518,576	972,322,822	1,730,080,665
Total liabilities and net assets	$ 170,795,872	$ 221,256,021	$ 11,347,388	$ 639,323,889	$ 21,581,013	$ 1,041,230,243	$ 2,105,534,426

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenses, and Changes in Net Assets

(in thousands of dollars)	*Fiscal Year Ended*	
	June 30, 2012	*June 30, 2011*
Operating revenues		
Student fees	$ 1,210,085	$ 1,145,260
Less scholarship allowance	(198,207)	(189,079)
Federal grants and contracts	325,208	344,642
State and local grants and contracts	21,881	17,074
Nongovernmental grants and contracts	101,957	103,439
Sales and services of educational units	62,975	60,869
Other revenue	227,540	190,661
Auxiliary enterprises (net of scholarship allowance of $22,411 in 2012 and $21,151 in 2011)	314,479	330,550
Total operating revenues	**2,065,918**	**2,003,416**
Operating expenses		
Compensation and benefits	1,744,609	1,731,042
Student financial aid	163,565	165,299
Energy and utilities	71,561	68,534
Travel	47,449	40,219
Supplies and general expense	478,461	443,499
Depreciation and amortization expense	133,482	130,538
Total operating expenses	**2,639,127**	**2,579,131**
Total operating loss	**(573,209)**	**(575,715)**
Nonoperating revenues (expenses)		
State appropriations	515,421	549,917
Grants, contracts, and other	116,257	120,035
Investment income	74,637	89,644
Gifts	105,235	104,814
Interest expense	(31,100)	(33,155)
Net nonoperating revenues	**780,450**	**831,255**
Income before other revenues, expenses, gains, or losses	**207,241**	**255,540**
Capital appropriations	14,157	11,984
Capital gifts and grants	19,775	14,565
Additions to permanent endowments	500	45
Total other revenues	**34,432**	**26,594**
Increase in net assets	**241,673**	**282,134**
Net assets, beginning of year	**2,959,001**	**2,676,867**
Net assets, end of year	**$ 3,200,674**	**$ 2,959,001**

See accompanying notes to the financial statements.

Indiana University Foundation
Statement of Activities
For the year ended June 30, 2012

	Unrestricted	Temporarily Restricted		Permanently Restricted		Total
		Foundation	University	Foundation	University	
Revenue and support:						
Contributions, net	$ 1,276,253	$ 261,121	$ 76,837,849	$ 16,014	$ 44,989,575	$ 123,380,812
Investment income including net gains (losses), net of outside investment management fees	2,676,067	(47,123)	45,747,907	(1,572,177)	(63,165,955)	(16,361,281)
Management/administrative fees	14,568,862	(32,559)	(12,111,201)	-	(48,642)	2,376,460
Grants	-	-	547,140	-	-	547,140
Other income	7,867,374	-	5,023,000	236	759,605	13,650,215
Development service fees from the University	4,923,219	-	-	-	-	4,923,219
Net assets released from restriction	107,379,296	(294,791)	(107,647,713)	(456,392)	1,019,600	-
Total revenue and support	138,691,071	(113,352)	8,396,982	(2,012,319)	(16,445,817)	128,516,565
Expenditures:						
Program expenditures	112,273,885	-	-	-	-	112,273,885
Management and general	10,157,932	6,835	1,163,860	720	149,566	11,478,913
Fundraising	13,824,596	-	-	-	-	13,824,596
Change in value of split interest agreement obligation to life beneficiaries	320,415	9,712	274,825	103,186	1,758,333	2,466,471
Total expenditures	136,576,828	16,547	1,438,685	103,906	1,907,899	140,043,865
Change in net assets:						
Unrestricted	2,114,243	-	-	-	-	2,114,243
Temporarily restricted	-	(129,899)	6,958,297	-	-	6,828,398
Permanently restricted	-	-	-	(2,116,225)	(18,353,716)	(20,469,941)
Total change in net assets	2,114,243	(129,899)	6,958,297	(2,116,225)	(18,353,716)	(11,527,300)
Beginning net assets	35,243,235	7,768,701	685,284,690	22,634,801	990,676,538	1,741,607,965
Ending net assets	$ 37,357,478	$ 7,638,802	$ 692,242,987	$ 20,518,576	$ 972,322,822	$ 1,730,080,665

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

(in thousands of dollars)	*Fiscal Year Ended*	
	June 30, 2012	*June 30, 2011*
Cash flows from operating activities		
Student fees	$ 1,004,520	$ 965,295
Grants and contracts	444,877	485,029
Sales and services of educational activities	62,548	60,755
Auxiliary enterprise charges	314,593	324,455
Other operating receipts	246,365	171,533
Payments to employees	(1,756,363)	(1,710,221)
Payments to suppliers	(604,822)	(559,301)
Student financial aid	(158,942)	(164,140)
Student loans collected	7,226	12,008
Student loans issued	(6,438)	(2,667)
Net cash used in operating activities	**(446,436)**	**(417,254)**
Cash flows from noncapital financing activities		
State appropriations	525,118	540,221
Nonoperating grants and contracts	116,257	120,035
Gifts and grants received for other than capital purposes	106,865	103,806
Direct lending receipts	615,458	615,100
Direct lending payments	(613,246)	(615,866)
Net cash provided by noncapital financing activities	**750,452**	**763,296**
Cash flows from capital and related financing activities		
Capital appropriations	14,157	11,984
Capital grants and gifts received	20,015	9,618
Purchase of capital assets	(244,954)	(232,859)
Proceeds from issuance of capital debt, including refunding activity	134,816	16,610
Principal payments on capital debt, including refunding activity	(46,697)	(58,722)
Principal paid on capital leases	(1,664)	(1,265)
Interest paid on capital debt and leases	(41,709)	(49,099)
Net cash used in capital and related financing activities	**(166,036)**	**(303,733)**
Cash flows from investing activities		
Proceeds from sales and maturities of investments	3,150,406	3,642,358
Investment income	33,968	30,674
Purchase of Investments	(3,257,317)	(3,806,524)
Net cash used in investing activities	**(72,943)**	**(133,492)**
Net increase (decrease) in cash and cash equivalents	**65,037**	**(91,183)**
Cash and cash equivalents, beginning of year	**580,110**	**671,293**
Cash and cash equivalents, end of year	**$ 645,147**	**$ 580,110**

See accompanying notes to the financial statements.

Statement of Cash Flows

(continued from previous page)

(in thousands of dollars)	*Fiscal Year Ended*	
	June 30, 2012	*June 30, 2011*
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (573,209)	$ (575,715)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	133,482	130,538
Loss on disposal of capital assets	2,568	3,675
Changes in assets and liabilities:		
Accounts receivable	(6,642)	2,185
Inventories	631	1,001
Other assets	(4,402)	891
Notes receivable	(438)	4,427
Accounts payable and accrued liabilities	3,848	5,808
Deferred revenue	(1,185)	7
Assets held in custody for others	591	1,457
Other noncurrent liabilities	(1,680)	8,472
Net cash used in operating activities	**$ (446,436)**	**$ (417,254)**

See accompanying notes to the financial statements.

Indiana University Notes to the Financial Statements

June 30, 2012 and June 30, 2011

Note 1—Organization and Summary of Significant Accounting Policies

ORGANIZATION

Indiana University (university) is a state-supported institution that is fiscally responsible for operations and has students enrolled on seven campuses. Campuses are located in Bloomington, Indianapolis (IUPUI), Richmond (East), Kokomo, Gary (Northwest), South Bend, and New Albany (Southeast). The financial statements include the individual schools, colleges, and departments as part of the comprehensive reporting entity. The university was established by state legislative act, under Indiana Code Section IC 20-12-23, in 1838, changing the name of its predecessor, Indiana College, to Indiana University. The university's governing body, the Trustees of Indiana University (trustees), is comprised of nine members charged by the Indiana General Assembly with policy and decision-making authority to carry out the programs and missions of the university. Six of the members are appointed by the Governor of Indiana, and three are elected by university alumni. The university is classified as exempt from federal income tax under Section 501(a) of the Internal Revenue Code, as an organization described in Section 501(c)(3), and also under Section 115(a). Certain revenues of the university may be subject to federal income tax as unrelated business income under Internal Revenue Code Sections 511 to 514.

BASIS OF PRESENTATION

As a component unit of the state, the university presents its financial statements in accordance with 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 established by GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* and with accounting principles generally accepted in the United States of America, as prescribed by the GASB. The university reports on a consolidated basis, with a comprehensive, entity-wide presentation of the university's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

REPORTING ENTITY

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, as required by GASB Statement No. 14, *The Financial Reporting Entity.* As additionally required by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* organizations that raise and hold economic resources for the direct benefit of the university are included in the reporting entity. The university evaluates potential component units for inclusion in the reporting entity based on these criteria.

DISCRETE COMPONENT UNIT

The Indiana University Foundation, Inc. (IU Foundation) is organized as a not-for-profit corporation under the laws of the State of Indiana for the exclusive purpose of supporting the university by receiving, holding, investing, and administering property and making expenditures to or for the benefit of the university. The IU Foundation is considered a component unit of the university according to the criteria in GASB No. 39, *Determining Whether Certain Organizations Are Component Units,* and the university's financial statements include discrete presentation of the IU Foundation by displaying the IU Foundation's audited financial statements in their original formats on separate pages.

The IU Foundation is a not-for-profit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations.* As such, certain revenue recognition criteria and presentation features differ from GASB revenue recognition criteria and presentation features. No modifications have been made to the IU Foundation's financial information in the university's financial reporting to adjust for these differences. The IU Foundation distributed $107,057,000 and $102,174,000 to the university during fiscal years 2012 and 2011, respectively. Complete financial statements for the IU Foundation can be obtained from: Indiana University Foundation, Attn: Controller, PO Box 500, Bloomington, IN 47402.

BLENDED COMPONENT UNIT

In September 2008, the Trustees of Indiana University directed, by resolution, that the Indiana University Building Corporation (IUBC) be formed to serve specific purposes on behalf of the university and designated that certain of the university's administrative officers, by virtue of their titles, serve as directors and officers of IUBC. The sole purpose of IUBC is to assist the university in the financing and development of university facilities by owning and leasing such facilities to the university on a lease purchase basis.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared by the university operating as a special-purpose government entity engaged in business-type activities. Accordingly, these financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Eliminations have been made to minimize the "double-counting" of internal activities.

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

CASH EQUIVALENTS

The university considers all highly liquid investments with maturities of three months or less to be cash equivalents. The university invests operating cash in investments with varying maturities.

INVESTMENTS

Investments are carried at fair value, as quoted by the major securities markets. Realized and unrealized gains and losses are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

ACCOUNTS RECEIVABLE

Accounts receivable consist primarily of amounts due from students, grants and contracts, and auxiliary enterprises and are recorded net of estimated uncollectible amounts.

NOTES RECEIVABLE

Notes receivable consist primarily of student loan repayments due to the university.

CAPITAL ASSETS

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of contribution in the case of gifts. The university capitalizes equipment with a cost of $5,000 or more and a useful life in excess of one year. Capital assets also include land improvements and infrastructure costing in excess of $75,000. Buildings and building renovations that increase the useful life of the building and with cost greater than or equal to the lesser of $75,000 or twenty percent of the acquisition cost of the existing building are capitalized. Intangible assets with a cost of $500,000 or more are subject to capitalization. Art and museum objects purchased by or donated to the university are capitalized. Depreciation expense is computed using the straight-line method over the estimated useful lives of the respective assets, generally five to twenty years for equipment, ten years for library books, ten to forty years for infrastructure and land improvements, and fifteen to forty years for buildings and building components. Useful lives for capital assets are established using a combination of the American Hospital Association guidelines, Internal Revenue Service guidelines, and documented university experience. Land and capitalized art and museum collections are not depreciated.

DEFERRED REVENUE

Deferred revenue is recorded for amounts received for student tuition and fees and for certain auxiliary goods and services prior to year end, but which relate to the subsequent fiscal year. Amounts received from contract and grant sponsors that have not yet been earned are also recorded as deferred revenue.

COMPENSATED ABSENCES

Liabilities for compensated absences are recorded for vacation leave based on actual earned amounts for eligible employees who qualify for termination payments. Liabilities for sick leave are recorded for employees who are eligible for and have earned termination payments for accumulated sick days upon termination or retirement.

NET ASSETS

The university's net assets are classified for financial reporting in the following net asset categories:

- *Invested in capital assets, net of related debt:* This component of net assets includes capital assets, net of accumulated depreciation and outstanding principal debt balances related to the acquisition, construction, or improvement of those assets.
- *Restricted net assets—nonexpendable:* Nonexpendable restricted net assets are subject to externally imposed stipulations that the principal is to be maintained in perpetuity and invested for the purpose of producing present and future income, which may be either expended or added to principal. Such assets include permanent endowment funds.

- *Restricted net assets—expendable:* Restricted expendable net assets are resources the university is legally obligated to spend in accordance with externally imposed restrictions.
- *Unrestricted net assets:* Unrestricted net assets are not subject to externally imposed restrictions and are primarily used for meeting expenses for academic and general operations of the university.

When an expense is incurred for which both restricted and unrestricted resources are available, the university's policy is to apply the most appropriate fund source based on the relevant facts and circumstances.

REVENUES

University revenues are classified as either operating or nonoperating as follows:

- *Operating revenues:* Operating revenues result from exchange transactions, such as student tuition and fees (net of scholarship discounts and allowances), government and other grants and contracts, and sales and services of auxiliary enterprises (net of scholarship discounts and allowances).
- *Nonoperating revenues:* Nonoperating revenues include those derived from nonexchange transactions such as gifts and certain federal and state grants. Other nonoperating revenues include significant revenue sources that are relied upon for operations, such as state appropriations and investment income.

SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fees and other student revenues are reported gross with the related scholarship discounts and allowances directly below in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are calculated as the difference between the stated charges for goods and services provided by the university and the amounts paid by students and/or third parties making payments on behalf of students.

NEW ACCOUNTING PRONOUNCEMENTS

In 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53.* This statement amends paragraphs 28d and 82 of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* to set forth criteria that establish when an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider in respect of a hedging derivative instrument and when hedge accounting should continue to be applied. The requirements of this statement are effective for periods beginning after June 15, 2011. Since the university's investment portfolio in the current fiscal year does not include any hedging derivative instruments, the provisions of this statement have no impact on current financial statements.

RECLASSIFICATIONS

Certain reclassifications have been made to prior year statements for comparative purposes and do not constitute a restatement of prior periods.

Note 2—Deposits and Investments

DEPOSITS

The combined bank balances of the university's demand deposits were $120,507,000 and $71,123,000 at June 30, 2012 and 2011, respectively. The university had balances in excess of Federal Deposit Insurance Corporation limits in the amount of $44,013,000 and $4,994,000 at June 30, 2012 and 2011, respectively. The balance in excess of FDIC limits is subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The university does not have a formal deposit policy for custodial credit risk.

INVESTMENTS

The trustees have acknowledged responsibility as a fiduciary body for the invested assets of the university. Indiana Code 30-4-3-3 requires the trustees to "exercise the judgment and care required by Indiana Code 30-4-3.5", the *Indiana Uniform Prudent Investor Act.* That act requires the trustees to act "as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution." The trustees have the responsibility to assure the assets are prudently invested in a manner consistent with the university's investment policy. The trustees have delegated the day-to-day responsibilities for overseeing the investment program to the Office of the Treasurer.

At June 30, 2012 and 2011, the university had investments and deposits, including endowment funds, as shown as follows:

(dollar amounts presented in thousands)

	Fair Value	
Investment Type	*June 30, 2012*	*June 30, 2011*
Corporate bonds	$ 469,713	$ 379,826
Money market funds	440,312	570,718
External investment pools	204,238	201,442
Government bonds	172,901	133,040
Government mortgage-backed securities	157,230	191,625
Asset-backed securities	141,065	91,646
Commercial mortgage-backed	52,955	63,133
Nongovernment backed C.M.O.s	46,316	23,836
Government agencies	34,154	41,448
Index-linked government bonds	26,524	1,258
Short-term bills and notes	13,818	57,798
Municipal/provincial bonds	12,928	12,091
Guaranteed fixed income	5,708	9,632
Commercial paper	4,799	6,598
Government-issued commercial mortgage-backed	2,961	1,237
Venture capital	2,750	4,090
Mutual funds	2,238	1,667
Real estate	1,105	2,260
All other	184,298	(28,953)
Total	**$1,976,013**	**$1,764,392**

Certain reclassifications have been made to prior year statements for comparative purposes and do not constitute a restatement of prior periods.

The large variance in all other investments compared to prior year is the result of initiatives to decrease bank fees and de-risk the portfolio. Significant cash balances were held both as bank deposits to offset fees and in the form of securities that are classified as pending trades.

Investment Custodial Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The university manages custodial credit risk through the types of investments that are allowed by investment policy. The university's investments are not exposed to custodial credit risk and reflect either investment securities registered in the name of the university, investment securities loaned for collateral received, or other types of investments not exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The university's policy for controlling its exposure to fair value losses arising from increasing interest rates is to constrain average portfolio duration within ranges of a target portfolio duration set for each portfolio of operating fund investments. The portfolios may seek to enhance returns by attempting to time movements of interest rates within the allowable ranges.

The university had investments with the following maturities at June 30, 2012:

(dollar amounts presented in thousands)

	Fair Value	*Investment Maturities (in years)*			
Investment Type	*June 30, 2012*	*Less than 1*	*1–5*	*6–10*	*More than 10*
Investments with maturity date					
Corporate bonds	$ 469,713	$ 44,406	$ 239,730	$ 127,528	$ 58,049
Government bonds	172,901	10,980	64,405	60,456	37,060
Government mortgage-backed securities	157,230	2,913	2,295	27,195	124,827
Asset-backed securities	141,065	807	95,554	25,322	19,382
Commercial mortgage-backed	52,955	–	355	1,442	51,158
Non-government backed C.M.O.s	46,316	–	18	3,796	42,502
Government agencies	34,154	9,432	17,539	2,284	4,899
Index-linked government bonds	26,524	–	393	20,593	5,538
Short-term bills and notes	13,818	13,818	–	–	–
Municipal/provincial bonds	12,928	1,053	4,741	842	6,292
Guaranteed fixed income	5,708	4,616	1,092	–	–
Commercial paper	4,799	4,799	–	–	–
Government-issued commercial mortgage-backed	2,961	–	–	2,811	150
Other fixed income	13,633	2,900	2,948	6,299	1,486
Total investments with maturity date	**1,154,705**	**95,724**	**429,070**	**278,568**	**351,343**
Investments with undetermined maturity date					
Money market funds	440,312	440,312	–	–	–
External investment pools	204,238	204,238	–	–	–
Venture capital	2,750	2,750	–	–	–
Mutual funds	2,238	2,238	–	–	–
Real estate	1,105	1,105	–	–	–
All other	170,665	170,665	–	–	–
Total investments with undetermined maturity date	**821,308**	**821,308**	**–**	**–**	**–**
Total	**$ 1,976,013**	**$ 917,032**	**$ 429,070**	**$ 278,568**	**$ 351,343**

The university had investments with the following maturities at June 30, 2011:

(dollar amounts presented in thousands)

	Fair Value	*Investment Maturities (in years)*			
Investment Type	*June 30, 2011*	*Less than 1*	*1–5*	*6–10*	*More than 10*
Investments with maturity date					
Corporate bonds	$ 379,826	$ 35,128	$ 202,041	$ 102,560	$ 40,097
Government mortgage-backed securities	191,625	43,600	1,192	24,628	122,205
Government bonds	133,040	4,938	40,996	54,746	32,360
Asset-backed securities	91,646	1,669	67,095	11,174	11,708
Commercial mortgage-backed	63,133	–	–	1,539	61,594
Short-term bills and notes	57,798	57,798	–	–	–
Government agencies	41,448	14,237	20,286	5,192	1,733
Non-government backed C.M.O.s	23,836	–	1,258	3,936	18,642
Municipal/provincial bonds	12,091	371	4,312	1,281	6,127
Guaranteed fixed income	9,632	4,185	5,447	–	–
Commercial paper	6,598	6,598	–	–	–
Index-linked government bonds	1,258	–	–	–	1,258
Government-issued commercial mortgage-backed	1,237	736	–	501	–
Other fixed income	5,586	2,242	3,044	958	(658)
Total investments with maturity date	**1,018,754**	**171,502**	**345,671**	**206,515**	**295,066**
Investments with undetermined maturity date					
Money market funds	570,718	570,718	–	–	–
External investment pools	201,442	201,442	–	–	–
Venture capital	4,090	4,090	–	–	–
Real estate	2,260	2,260	–	–	–
Mutual funds	1,667	1,667	–	–	–
All other	(34,539)	(34,539)	–	–	–
Total investments with undetermined maturity date	**745,638**	**745,638**	**–**	**–**	**–**
Total	**$ 1,764,392**	**$ 917,140**	**$ 345,671**	**$ 206,515**	**$ 295,066**

Certain reclassifications have been made to prior year statements for comparative purposes and do not constitute a restatement of prior periods.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The weighted average credit quality of each portfolio of university operating funds investments must be at least 'AA-/Aa3' for Defensive Managers; 'A/A2' for Core Plus Managers, or as specified in each manager's guidelines.

At June 30, 2012 and 2011, university investments had debt securities with associated credit ratings as shown below:

(dollar amounts presented in thousands)

Credit Quality Rating	*Fair Value June 30, 2012*	*Percentage of Total Pool*	*Fair Value June 30, 2011*	*Percentage of Total Pool*
AAA	$ 271,937	13.76%	$ 343,755	19.48%
AA	447,172	22.63%	140,345	7.95%
A	162,315	8.21%	163,559	9.27%
BBB	202,314	10.24%	114,146	6.47%
BB	81,791	4.14%	62,705	3.55%
B	41,044	2.08%	20,198	1.14%
CCC	12,127	0.61%	8,319	0.47%
CC	3,971	0.20%	625	0.04%
D	2,164	0.11%	1,970	0.11%
Not Rated	751,178	38.02%	908,770	51.52%
Total	**$ 1,976,013**	**100.00%**	**$ 1,764,392**	**100.00%**

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The university's investment policy requires that investments are to be diversified to the extent that the securities of any single issuer shall be limited to 3.5% of the market value in a particular manager's portfolio. U.S. Government and U.S. governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a government's investments and deposits. The university's policy for controlling exposure to foreign currency risk is to constrain investments in non-U.S. dollar denominated debt to 25% of an individual manager's portfolio, or as specified in each manager's guidelines. Minimal foreign currency exposure could occur if one of the university's investment managers purchases non-U.S. dollar holdings and does not hedge the currency. As of June 30, 2012, and June 30, 2011, the university's investments were not exposed to foreign currency risk.

ENDOWMENTS

Endowment funds are managed pursuant to an Investment Agency Agreement between the Trustees of Indiana University (trustees) and the IU Foundation, which delegates investment management responsibilities to the IU Foundation. Indiana Code 30-2-12, *Uniform Management of Institutional Funds,* sets forth the provisions governing the investment of endowment assets and the expenditure of endowment fund appreciation. The code requires that the trustees and their agents act in good faith and with the care a prudent person acting in a like position would use under similar circumstances, with respect to the investment of endowment assets. The code also sets forth provisions governing the expenditure of endowment fund appreciation, under which the trustees may authorize expenditure, consistent with donor intent. The trustees may, at their discretion, direct all or a portion of the university's endowment funds to other investments, exclusive of the IU Foundation's investment funds. The spending policy of the trustees is to distribute 4.917% of the twelve quarter rolling average of pooled fund values. This rate will be reduced at the rate of 0.083% per year over the next five years resulting in a 4.5% distribution rate in fiscal year 2016-2017. Funds held by endowments, managed by the IU Foundation, are used to acquire pooled shares.

Endowment funds have a perpetual investment horizon, and as appropriate, may be invested in asset classes with longer term risk/return characteristics, including, but not limited to stocks, bonds, real estate, private placements, and alternative investments. The Indiana University Endowments (endowments) are managed pursuant to an Investment Agency Agreement between the trustees and the IU Foundation dated November 14, 2005, which delegated investment management responsibilities to the IU Foundation, subject to the university's management agreement with the IU Foundation. Endowment assets may be invested in pooled funds or in direct investments, or a combination of the two. Assets will typically be diversified among high

quality stocks and bonds. Additional asset classes, such as absolute return, private equity, and real asset investments, may be included when it is reasonable to expect these investments will either increase return or reduce risk, or both. Participation in the pooled investments is achieved by owning units of the Pooled Long-Term Fund and considered an external investment pool to the university. At June 30, 2012, all endowments held with the IU Foundation were invested in pooled funds.

Interest Rate Risk

The IU Foundation's investment policy stipulates that the Pooled Short-Term Fund be invested in securities that typically mature within one year and each investment grade fixed income investment manager maintain duration within +/-20% of the effective duration of the appropriate benchmark.

Credit Risk

The IU Foundation's investment policy stipulates that the Pooled Short-Term Fund commercial paper be rated 'A1/P1' and that the average quality of the fixed income securities be maintained at 'A' or better, except for high-yield. For high-yield securities, the weighted average credit quality of the portfolio should be 'B' or better at all times.

Concentration of Credit Risk

The IU Foundation's investment policy stipulates that the Pooled Short-Term Fund, with the exception of U.S. Treasuries and Agencies, or accounts collateralized by Treasuries or Agencies, will limit commercial paper, Certificates of Deposit, Bankers' Acceptances, and Repurchase Agreements to $10,000,000 per issuer and money market funds and short term bond funds to $50,000,000 per fund. The Pooled Long-Term portfolio is diversified based on manager selection, investment style, and asset type to avoid any disproportionate risk related to any one industry or security.

DERIVATIVES

A derivative is a unique and often complex financial arrangement between the university and another party. The value of a derivative or the cash it provides is based on changes in market prices, such as interest rates or commodity prices, in a separate transaction or agreement.

Derivatives are entered into for at least four reasons:
- As an investment
- As a hedge to reduce a specific financial risk
- To lower borrowing costs
- To manage cash flows

The university holds derivative instruments, such as futures, forwards, options, and swaps in its portfolio for investment purposes only. The fair value of derivatives held by the university was ($113,000) and $1,456,000 at June 30, 2012 and June 30, 2011, respectively. The notional market value was ($65,418,000) and $47,430,000 at June 30, 2012 and June 30, 2011, respectively. The change in fair value was $544,000 and $62,000 in fiscal years 2012 and 2011, respectively.

Credit Risk, Interest Rate Risk and Foreign Currency Risk

Derivative transactions involve, to varying degrees, credit risk, interest rate risk, and foreign currency risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Interest rate risk is the possibility that a change in interest rates will cause the value of a financial instrument to decrease or become more costly to settle. Foreign currency risk is the possibility that changes in exchange rates will adversely affect the cash flows or fair value of a transaction. The credit risk, interest rate risk, and foreign currency risk associated with derivatives, the prices of which are constantly fluctuating, are regulated by imposing strict limits as to the types, amounts, and degree of risk that investment managers may undertake.

Note 3—Securities Lending

State statutes and policy of the Trustees of Indiana University permit the university to lend securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The university participated in such a securities lending program for a number of years but chose to discontinue the program as of January 1, 2012. The university's custodial bank managed the securities lending program and received cash, U.S. government securities, or irrevocable letters of credit as collateral. Noncash collateral could not be pledged or sold unless the borrower defaulted. Cash collateral was invested in a short-term investment pool. Cash collateral could also be invested separately in "term loans," in which case the investment term matched the loan term. Maintenance margins for same currency U.S. equity and fixed income securities and international fixed income securities were 101.5%. Maintenance margins for different or cross currency U.S. and international equity and fixed income securities were 104.5%. Security loans could be terminated on demand by either the university or the borrowers. Cash received as securities lending collateral was $0 and $118,177,000 at June 30, 2012 and 2011, respectively, and was recorded as an asset and corresponding liability on the university's Statement of Net Assets. The university had securities involved in loans with fair value of $0 and $115,778,000 at June 30, 2012 and 2011, respectively. Credit risk was calculated as the aggregate of the lender's exposure to individual borrowers, or on individual loans. Although the securities being lent were collateralized, the university bore the risk of the cash collateral being impaired.

Note 4—Accounts Receivable

Accounts receivable consisted of the following at June 30, 2012 and 2011:

(dollar amounts presented in thousands)

	June 30, 2012	*June 30, 2011*
Student accounts	$ 36,193	$ 35,066
Auxiliary enterprises and other operating activities	57,870	51,883
State appropriations	–	9,697
Federal, state, and other grants and contracts	21,771	21,760
Capital appropriations and gifts	327	1,599
Other	10,447	10,580
Current accounts receivable, gross	**126,608**	**130,585**
Less allowance for uncollectible accounts	(9,962)	(9,479)
Current accounts receivable, net	**116,646**	**121,106**
Auxiliary enterprises and other operating activities	10,640	12,327
Noncurrent accounts receivable	**$ 10,640**	**$ 12,327**

Note 5—Capital Assets

Fiscal year ended June 30, 2012

(dollar amounts presented in thousands)

	Balance June 30, 2011	*Additions*	*Transfers*	*Retirements*	*Balance June 30, 2012*
Assets not being depreciated:					
Land	$ 54,439	$ 2,646	$ –	$ –	$ 57,085
Art & museum objects	79,059	283	–	–	79,342
Construction in progress	154,340	103,087	(109,345)	1,771	146,311
Total capital assets not being depreciated	287,838	106,016	(109,345)	1,771	282,738
Other capital assets:					
Infrastructure	160,075	3,669	541	–	164,285
Intangibles	2,690	–	–	–	2,690
Land improvements	34,309	3,221	–	–	37,530
Equipment	395,455	27,054	6,271	20,056	408,724
Library books	218,308	24,936	–	19,309	223,935
Buildings	3,061,556	84,557	102,533	4,832	3,243,814
Total other capital assets	3,872,393	143,437	109,345	44,197	4,080,978
Less accumulated depreciation for:					
Infrastructure	126,384	3,658	–	–	130,042
Intangibles	336	673	–	–	1,009
Land improvements	11,266	1,972	–	–	13,238
Equipment	274,166	31,917	–	18,171	287,912
Library books	104,079	22,140	–	19,309	106,910
Buildings	1,221,767	73,122	–	3,646	1,291,243
Total accumulated depreciation, other capital assets	1,737,998	133,482	–	41,126	1,830,354
Capital assets, net	**$ 2,422,233**	**$ 115,971**	**$ –**	**$ 4,842**	**$ 2,533,362**

Fiscal year ended June 30, 2011

(dollar amounts presented in thousands)

	Balance June 30, 2010	*Additions*	*Transfers*	*Retirements*	*Balance June 30, 2011*
Assets not being depreciated:					
Land	$ 53,183	$ 1,256	$ –	$ –	$ 54,439
Art & museum objects	74,215	4,844	–	–	79,059
Construction in progress	168,155	100,254	(113,846)	223	154,340
Total capital assets not being depreciated	295,553	106,354	(113,846)	223	287,838
Other capital assets:					
Infrastructure	155,243	4,601	231	–	160,075
Intangibles	–	2,690	–	–	2,690
Land improvements	30,268	3,074	967	–	34,309
Equipment	398,800	28,805	5,139	37,289	395,455
Library books	211,716	23,405	–	16,813	218,308
Buildings	2,893,943	71,443	107,509	11,339	3,061,556
Total other capital assets	3,689,970	134,018	113,846	65,441	3,872,393
Less accumulated depreciation for:					
Infrastructure	122,369	4,015	–	–	126,384
Intangibles	–	336	–	–	336
Land improvements	9,469	1,797	–	–	11,266
Equipment	275,665	33,412	–	34,911	274,166
Library books	99,381	21,511	–	16,813	104,079
Buildings	1,161,877	69,466	–	9,576	1,221,767
Total accumulated depreciation, other capital assets	1,668,761	130,537	–	61,300	1,737,998
Capital assets, net	**$ 2,316,762**	**$ 109,835**	**$ –**	**$ 4,364**	**$ 2,422,233**

Note 6—Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2012 and 2011:

(dollar amounts presented in thousands)

	June 30, 2012	*June 30, 2011*
Accrued payroll	$ 27,140	$ 40,663
Accrual for compensated absences	44,471	41,585
Interest payable	12,973	17,617
Vendor and other payables	144,374	129,888
Total accounts payable and accrued liabilities	**$ 228,958**	**$ 229,753**

Note 7—Other Liabilities

Noncurrent liability activity for the fiscal years ended June 30, 2012 and 2011 is summarized as follows:

Fiscal year ended June 30, 2012

(dollar amounts presented in thousands)

	Balance June 30, 2011	*Additions*	*Reductions*	*Balance June 30, 2012*	*Current*
Bonds, notes, and capital leases payable	$ 899,340	$ 153,781	$ 68,665	$ 984,456	$ 55,193
Other liabilities:					
Deferred revenue	214,200	–	1,185	213,015	177,913
Assets held in custody for others	76,308	476	–	76,784	401
Compensated absences	65,789	16,035	17,682	64,142	44,471
Other	36,110	3,201	3,258	36,053	–
Total other liabilities	392,407	19,712	22,125	389,994	222,785
Total noncurrent liabilities	**$ 1,291,747**	**$ 173,493**	**$ 90,790**	**$ 1,374,450**	**$ 277,978**

Fiscal year ended June 30, 2011

(dollar amounts presented in thousands)

	Balance June 30, 2010	*Additions*	*Reductions*	*Balance June 30, 2011*	*Current*
Bonds, notes, and capital leases payable	$ 943,970	$ 17,490	$ 62,120	$ 899,340	$ 50,077
Other liabilities:					
Deferred revenue	214,193	7	–	214,200	156,708
Assets held in custody for others	74,884	1,424	–	76,308	516
Compensated absences	64,023	21,111	19,345	65,789	41,586
Other	37,135	5,655	6,680	36,110	–
Total other liabilities	390,235	28,197	26,025	392,407	198,810
Total noncurrent liabilities	**$1,334,205**	**$ 45,687**	**$ 88,145**	**$ 1,291,747**	**$ 248,887**

Note 8 — Bonds and Notes Payable

The university is authorized by acts of the Indiana General Assembly to issue bonds, notes, and other forms of indebtedness for the purpose of financing construction of facilities that include academic and administrative facilities, research facilities on the Bloomington and Indianapolis campuses, athletic facilities, parking facilities, student housing, student union buildings, and energy savings projects. The outstanding bond and note indebtedness at June 30, 2012 and 2011, was $981,065,000 and $896,002,000, respectively. This indebtedness included principal outstanding at June 30, 2012 and 2011, for bonds issued under Indiana Code (IC) 21-34-6 (Student Fee debt) of $463,056,000 and $464,428,000, respectively, and for bonds issued under IC 21-35-3 (Revenue debt) of $428,840,000 and $375,630,000, respectively. The Student Fee Bonds had an additional accreted value of outstanding capital appreciation bonds associated with them of $17,017,000 and $24,142,000, at June 30, 2012 and 2011, respectively. The outstanding bond series include serial, term, and capital appreciation bonds with maturities extending to June 1, 2038.

On a biennial basis, the Indiana General Assembly authorizes a specific state appropriation to the university for the purpose of reimbursing a portion of the debt service payments on bonds issued under IC 21-34-6 for certain academic facilities. Such academic facilities include classrooms, libraries, laboratories, utility infrastructure, and other academic facilities as designated by the Indiana

General Assembly. These specific state appropriations are referred to as "fee replacement" appropriations, and are received from the State of Indiana on a semi-annual basis. This appropriation is renewed and modified on a biennial basis because the Constitution of the State of Indiana prohibits a sitting General Assembly from binding subsequent General Assemblies as to the continuation of any appropriated funds. The State of Indiana has fully funded all fee replacement obligations established by prior General Assemblies since the State began authorizing fee replacement appropriations 40 years ago. The outstanding principal balances which are eligible for fee replacement appropriations, as of June 30, 2012 and 2011, are $411,423,000 and $409,737,000, respectively. As of June 30, 2012, debt service payments to maturity total $1,394,601,000, of which $562,814,000 is from bonds eligible for fee replacement appropriations.

In addition to serial and term bonds, the university has issued capital appreciation bonds (CABs). A CAB is a long-term municipal security, on which the investment return on an initial principal amount is reinvested at a stated compounded rate until maturity, at which time the investor receives a single payment representing both the initial principal amount and the total investment return. A CAB pays no current interest, but accretes in value from the date of issuance to the date of maturity. At maturity, the original par amount plus all of the accreted interest is payable. Total debt service payments to maturity, as of June 30, 2012, include $28,690,000 of CAB payments, of which $6,150,000 is eligible for fee replacement appropriations. Total debt service payments to maturity, as of June 30, 2011, include $42,625,000 of CAB payments, of which $16,325,000 is eligible for fee replacement appropriations.

Consolidated Revenue Bonds (CRB) are unsecured obligations of the university that carry a promise of repayment that will come first from net income generated from certain designated housing facilities, parking facilities and other auxiliary facilities along with certain research revenues and athletic revenues, and second, from other legally available funds of the university.

The Indiana University Building Corporation (IUBC) is an affiliated single-purpose Indiana not-for-profit corporation that was formed by the Trustees of Indiana University in 2008. The sole purpose of this entity is to assist the university in the financing and development of university facilities by owning and leasing such facilities to the university on a lease purchase basis. Certificates of Participation in lease payments between the university as lessee and IUBC as lessor are included in the outstanding indebtedness table under IC 21-33-3-5 and are classified as notes payable.

As of June 30, 2012 and 2011, outstanding indebtedness from bonds and notes is summarized as follows:

(dollar amounts presented in thousands)

Bonding Authority	*Interest Rates*	*Final Maturity Year Ended*	*Principal Outstanding At June 30, 2012*	*Principal Outstanding At June 30, 2011*
Indiana Code 21-34-6 (Bonds: Student Fee Debt)	2.00 to 6.40%	2033	$ 463,056	$ 464,428
Indiana Code 21-35-3 (Bonds: Revenue Debt)	2.00 to 5.64%	2038	428,840	375,630
Indiana Code 21-34-10-7 (Notes: Energy Savings Debt)	3.64 to 4.49%	2018	2,649	3,153
Indiana Code 21-33-3-5 (Notes: Certificates of Participation)	2.00 to 5.95%	2037	43,270	28,015
Subtotal bonds and notes payable			937,815	871,226
Add unamortized bond premium			52,786	28,605
Less deferred charges			(9,536)	(3,829)
Total bonds and notes payable			**$ 981,065**	**$ 896,002**

As of June 30, 2012, the university does not have any variable rate bonds or notes outstanding. The principal and interest requirements to maturity for bonds and notes are as follows:

(dollar amounts presented in thousands)

Fiscal Year Ended June 30	*Bond Principal*	*Note Principal*	*Total Principal*	*Bond Interest*	*Note Interest*	*Total Interest*	*Total Debt Service Payments*
2013	$ 47,690	$ 2,470	$ 50,160	$ 46,444	$ 1,825	$ 48,269	$ 98,429
2014	50,300	2,528	52,828	44,447	1,760	46,207	99,035
2015	53,639	2,596	56,235	40,496	1,689	42,185	98,420
2016	54,097	2,442	56,539	38,175	1,615	39,790	96,329
2017	56,384	2,509	58,893	35,726	1,540	37,266	96,159
2018 – 2022	255,791	11,794	267,585	127,565	6,300	133,865	401,450
2023 – 2027	211,475	10,030	221,505	70,562	3,897	74,459	295,964
2028 – 2032	117,470	7,265	124,735	26,309	1,562	27,871	152,606
2033 – 2037	42,740	4,285	47,025	6,306	453	6,759	53,784
2038	2,310	–	2,310	115	–	115	2,425
Total	**$ 891,896**	**$ 45,919**	**$ 937,815**	**$ 436,145**	**$ 20,641**	**$ 456,786**	**$ 1,394,601**

In prior years, the university has defeased several bond issues either with cash or by issuing new debt. United States Treasury obligations or federal agency securities have been purchased in amounts sufficient to pay principal and interest payments when due, through the maturity or call dates of the defeased bonds. These securities have been deposited in irrevocable trusts as required to defease the bonds. The defeased bonds and the related trusts balances are not reflected on the university's books. As of June 30, 2012, the previously defeased bonds that remain outstanding are Student Fee Bonds, Series O with principal outstanding of $41,710,000 and a call date of August 1, 2013; Student Fee Bonds, Series P with principal outstanding of $14,725,000 and a call date of August 1, 2014; Facility Revenue Bonds, Series 2004 with principal outstanding of $9,705,000 and a call date of November 15, 2014; Student Resident System Bonds, Series 2004B with principal outstanding of $16,400,000 and a call date of November 1, 2014; and Certificates of Participation, Series 2003A with principal outstanding of $6,830,000 to final maturity of June 30, 2013.

In February 2009, the United States Congress enacted the American Recovery and Reinvestment Act of 2009 (ARRA). The ARRA allows certain tax advantages to state and local governmental entities when such entities issue qualifying taxable obligations, referred to as Build America Bonds (BABs). Issuers of BABs are eligible to receive subsidy payments from the U.S. Treasury equal to 35 percent of the corresponding interest payable on the related BABs. The BABs provisions in ARRA expired as of January 1, 2011. The obligation of the U.S. Treasury to make subsidy payments on BABs will remain in effect through the final maturity date of BABs that are issued prior to the expiration of the program. Bond and note interest shown above has not been reduced by any federal interest subsidy due on taxable BABs. The total federal interest subsidy scheduled to be received over the life of the BABs debt outstanding as of June 30, 2012, is $34,993,000.

On July 26, 2011, the university issued Student Fee Bonds, Series U with a par amount of $94,460,000. The purpose of the issue was to provide financing for the construction of the Neurosciences Research Building on the Indianapolis campus and for certain land acquisitions on the South Bend campus. The proceeds of the bonds also partially refunded Indiana University Student Fee Bonds, Series N, Series O, and Series P. The true interest cost for the bonds is 2.96%. The refunding portion of the transaction generated future debt service savings of $6,646,000, which equated to a net present value savings of $5,663,000.

On January 25, 2012, the university issued Consolidated Revenue Bonds, Series 2012A with a par amount of $94,490,000. The purpose of the issue was to provide financing for the construction of the Rose Residence Hall (previously referred to as the New Third and Union Residence Hall Complex) and the Forest Hall Dining Renovation and Expansion on the Bloomington campus, the Science and Engineering Lab Building on the Indianapolis campus, and the Residence Hall Expansion on the Southeast campus. The proceeds of the bonds also partially refunded Facility Revenue Bonds, Series 2004 and Student Residence System Bonds, Series 2004B. The true interest cost for the bonds is 3.27%. The refunding portion of the transaction generated future debt service savings of $2,499,000, which equated to a net present value savings of $2,391,000.

On February 9, 2012, the university issued Certificates of Participation, Series 2012A with a par amount of $23,750,000. The purpose of the issue was to provide financing for the construction of the Baseball and Softball Complex on the Bloomington campus. The proceeds of the bonds also refunded Certificates of Participation, Series 2003A. The true interest cost for the certificates is 3.26%. The refunding portion of the transaction generated future debt service savings of $1,080,000, which equated to a net present value savings of $896,000.

Note 9—Lease Obligations

The university leases certain facilities. The majority of the facility leases include renewal options and some provide for escalation of rent based on changes in operating costs. Some leases are in substance lease-purchases and, as such, are recorded as capital lease obligations.

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

(dollar amounts presented in thousands)

	Capital	*Operating*
2013	$ 1,685	$ 13,382
2014	1,179	8,198
2015	510	6,951
2016	230	6,278
2017	48	3,185
2018-2022	–	3,436
2023-2027	–	1,162
2028	–	38
Total future minimum payments	3,652	**$ 42,630**
Less: interest	(261)	
Total principal payments outstanding	**$ 3,391**	

Note 10—Federal Obligations Under Student Loan Programs

Campus based student loans are funded by new allocations received from the federal government, as well as principal and interest collected from previous student loan recipients. The federal government advanced $214,000 and $705,000 for health professions and nursing loan programs for fiscal years ended June 30, 2012 and 2011, respectively.

Liabilities at June 30, 2012 and 2011, for loan programs were as follows:

(dollar amounts presented in thousands)

	June 30, 2012	*June 30, 2011*
Current portion of assets held in custody for others	$ 401	$ 516
Noncurrent liabilities:		
Federal share of interest	40,286	38,896
Perkins loans	17,942	18,935
Health professions loans	16,204	16,617
Nursing loans	1,951	1,344
Total noncurrent portion of assets held in custody for others	76,383	75,792
Total assets held in custody for others	**$ 76,784**	**$ 76,308**

Note 11—Risk Management

The university is exposed to various risks of loss, including torts, theft, damage or destruction of assets, errors or omissions, job-related illnesses or injuries to employees, and health care claims on behalf of employees and their dependents. The university manages these risks through a combination of risk retention and commercial insurance, including coverage from internally maintained funds as well as from a wholly-owned captive insurance company, Old Crescent Insurance Company (OCIC). The university is self-funded for damage to buildings and building contents for the first $100,000 per occurrence with an additional $400,000 per occurrence covered by OCIC, with commercial excess property coverage above this amount. The university is self-funded for comprehensive general liability and automobile liability for the first $100,000 per occurrence with an additional $900,000 per occurrence covered by OCIC and with supplementary commercial liability umbrella policies. The university has a malpractice and professional liability policy in the amount of $250,000 for each claim and $750,000 annually in aggregate provided by OCIC. The university is self-funded for the first $750,000 of any worker's compensation claim. Excess commercial coverage for up to $1,000,000 is in place for employer liability claims. Worker's compensation claims above $750,000 are subject to statutory limits.

The university has four health care plans for full-time appointed employees, one of which is also available to retirees not eligible for Medicare. All of the employee plans are self-funded. The university records a liability for incurred but unpaid claims for university-sponsored, self-funded health care plans. This liability is estimated to be no more than 15% of the paid self-funded claims during the fiscal year, and totals $26,990,000 and $26,435,000 at June 30,

2012 and 2011, respectively. In addition, a potential claims fluctuation liability of $9,876,000 has been recorded at June 30, 2012 and 2011.

Separate funds have been established to account for the liability of incurred but unpaid health care claims, as well as any unusual catastrophic claims fluctuation experience. All organizational units of the university are charged fees based on estimates of the amounts necessary to pay health care coverage costs, including premiums and claims.

Note 12—Retirement Plans

The university provided retirement plan coverage to 18,441 and 18,645 active employees, as of June 30, 2012 and 2011, respectively, in addition to contributing to the Federal Insurance Contributions Act (FICA) as required by law.

Indiana Public Employees' Retirement Fund

The university contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan with an annuity savings account provision. Indiana Public Retirement System (INPRS) administers the multiple-employer public employee retirement plans, which provide retirement benefits to plan members and beneficiaries. All support, technical, and service employees with at least a 50% full-time equivalent (FTE) appointment participate in the PERF plan. There were 6,352 and 6,678 active university employees covered by this retirement plan as of June 30, 2012 and 2011, respectively. State statutes authorize the university to contribute to the plan and govern most requirements of the system. The PERF retirement benefit consists of the pension and an annuity savings account, both of which are funded by employer contributions. The annuity savings account consists of contributions set by state statute at three percent of compensation plus the earnings credited to members' accounts. The university has elected to make the contributions on behalf of the members. 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. This report may be obtained by writing the Public Employees Retirement Fund, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling 1-888-526-1687, or by reviewing the Annual Report online at www.in.gov/inprs/annual reports.htm.

Contributions made by the university totaled $23,972,000 and $21,404,000 for fiscal years ended June 30, 2012 and 2011, respectively. This represented an 8.6% and 7.0% university pension benefit contribution for fiscal years ended June 30, 2012 and 2011, respectively, and a 3% university contribution for the annuity savings account provisions each year.

PERF Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The university's annual pension cost and related information, as provided by the actuary, is presented below.

The employer contributions required by the funding policy at actuarial determined rates are sufficient to fund the pension portion of the retirement benefit (normal cost) and the amortization of unfunded liabilities. The amortization method and period are level dollar closed over 30 years. The actuarial cost method is entry age normal cost. The employer required contribution is determined using an asset smoothing method. The actuarial valuation date is June 30, 2010.

Actuarial assumptions include: (a) an investment rate of return of 7.0%, (b) projected salary increases of 4%, and (c) a 1% cost of living increase granted in each future year, applying to current and future retirees.

(dollar amounts presented in thousands)

	Fiscal Year Ended	
	June 30, 2011[1]	*June 30, 2010*
Annual required contribution	$ 21,855	$ 14,699
Interest on net pension obligation	(251)	(312)
Adjustment to annual required contribution	289	355
Annual pension cost	21,893	14,742
Contributions made	(14,790)	(14,016)
Increase/(decrease) in net pension obligation	7,103	726
Net pension obligation, beginning of year	(3,581)	(4,307)
Net pension obligation, end of year	**$ 3,522**	**$ (3,581)**

[1]*Actuarial data for 2012 not available at the time of this report.*

(dollar amounts presented in thousands)

Fiscal Year Ended	*Annual Pension Cost (APC)*[2]	*Percentage of APC Net Pension Contributed*	*Net Pension Obligation*
June 30, 2009	$ 13,370	102%	$ (4,307)
June 30, 2010	14,742	95%	(3,581)
June 30, 2011	21,893	68%	3,522

[2]*Does not reflect costs attributable to the university's 3% defined contribution benefit. See Indiana Public Employees' Retirement Fund above.*

Academic and Professional Staff Employees

Appointed academic and professional staff employees with at least 50% FTE are covered by the IU Retirement Plan. This is a defined contribution plan under IRC 403(b) with four contribution levels. The university contributed $62,833,000 during fiscal year ended June 30, 2012, and $66,860,000 during fiscal year ended June 30, 2011, to TIAA-CREF for the IU Retirement Plan. The university contributed $26,854,000 during fiscal year ended June 30, 2012, and $21,804,000, during fiscal year ended June 30, 2011, to Fidelity Investments for the IU Retirement Plan. Under this plan, 8,081 and 8,504 employees directed university contributions to TIAA-CREF as of June 30, 2012 and 2011, respectively. In addition, 4,711 and 4,138 employees directed university contributions to Fidelity Investments as of June 30, 2012 and 2011, respectively.

In addition to the above, the university provides early retirement benefits to full-time appointed academic and professional staff employees Grade 16 and above. There were 1,093 and 1,173 active employees on June 30, 2012 and 2011, respectively, covered by the IU Supplemental Early Retirement Plan (IUSERP), a defined contribution plan in compliance with IRC 401(a), with participant accounts at TIAA-CREF and Fidelity Investments. The university contributed $2,336,000 and $2,695,000 to IUSERP during fiscal years ended June 30, 2012 and 2011, respectively. The same class of employees covered by the IU Retirement Plan 15% Level of Contributions on or before July 14, 1988, is covered by the IU 18/20 Retirement Plan, a combination of IRC Section 457(f) and Section 403(b) provisions. The IU 18/20 Retirement Plan allows this group of employees to retire as early as age 64, provided the individual has at least 18 years of participation in the IU Retirement Plan and at least 20 years of continuous university service. During the fiscal year ended June 30, 2012, the university made total payments of $33,601,000 to 405 individuals receiving IU 18/20 Retirement Plan payments. During the fiscal year ended June 30, 2011, the university made total payments of $33,153,000 to 386 individuals receiving IU 18/20 Retirement Plan payments.

TIAA-CREF issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing the Teachers Insurance and Annuity Association/College Retirement Equities Fund, 8500 Andrew Carnegie Blvd, Charlotte, NC 28262, by calling 1-800-842-2252, or by reviewing the annual report online at www.tiaa-cref.org/public/about/governance/corporate/annual-reports.

Fidelity Investments issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing Fidelity Investments, 82 Devonshire Street, Boston, MA 02109, or by calling 1-800-343-0860.

IU Replacement Retirement Plan Funding Policy and Annual Pension Cost

The university has established an early retirement plan for eligible employees to accommodate IRS requirements and as authorized by the Trustees of Indiana University. This plan is called the IU Replacement Retirement Plan. It is a single-employer plan and is qualified under IRC Section 401(a), with normal benefits payable for the participant's lifetime. Trust and recordkeeping activities are outsourced to the TIAA-CREF Trust Company. As of June 30, 2012 and 2011, 96 and 98 employees, respectively, were eligible to participate. University contributions related to this plan totaled $1,571,000 and $1,677,000, for fiscal years ended June 30, 2012 and 2011, respectively, with no employee contributions. These amounts represent 100% of the funding policy contribution.

The following schedule shows the funding policy contributions for the fiscal years indicated for the IU Replacement Retirement Plan as provided by the actuarial valuation report prepared as of July 1, 2011, for the fiscal year ended June 30, 2012, prepared as of July 1, 2010, for the fiscal year ended June 30, 2011, and prepared as of July 1, 2009, for the fiscal year ended June 30, 2010:

(dollar amounts presented in thousands)

	Fiscal Year Ended		
	June 30, 2012	*June 30, 2011*	*June 30, 2010*
Cost of benefits earned during the year	$ 811	$ 808	$ 659
Amortization of unfunded actuarial accrued liabilities	664	767	710
Interest	96	102	110
Funding policy contribution	**$ 1,571**	**$ 1,677**	**$ 1,479**

The funded status of the IU Replacement Retirement Plan as provided by the actuarial valuation reports for fiscal years ended June 30, 2012, 2011, and 2010, are as follows:

(dollar amounts presented in thousands)

Actuarial Valuation Date	*July 1, 2011*	*July 1, 2010*	*July 1, 2009*
Actuarial accrued liability (AAL)	$ 23,034	$ 21,497	$ 17,713
Actuarial valuation of plan assets	14,558	11,541	9,422
Unfunded actuarial liability	8,476	9,956	8,291
Actuarial value of assets as a percentage of (AAL) (funded ratio)	63.2%	53.7%	53.2%
Annual covered payroll	$ 8,679	$ 8,643	$ 8,446
Ratio of unfunded actuarial liability to annual covered payroll	97.7%	115.2%	98.2%

Actuarial assumptions include a 6.5% asset rate of return and future salary increases of 3% for the fiscal years ended June 30, 2012 and 2011. Liabilities are based on the projected unit credit method. The actuarial value of assets is equal to the fair value on the valuation date adjusted for employer contributions receivable. Actuarial assumptions of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events including future employment and mortality, and are based on the substantive plan provisions.

Additional multiyear trend information regarding the funding progress of the IU Replacement Retirement Plan is provided immediately following the notes to the financial statements.

TIAA-CREF issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. This report may be obtained by writing the Teachers Insurance and Annuity Association/College Retirement Equities Fund, 8500 Andrew Carnegie Blvd, Charlotte, NC 28262, by calling 1-800-842-2252, or by reviewing the annual report online at www.tiaa-cref.org/public/about/governance/corporate/annual-reports.

Note 13 – Postemployment Benefits

Plan Description

The university provides certain postemployment benefits for retired employees. The IU 18/20 Plan, Medical, and Life Insurance benefits are presented for financial statement purposes as a consolidated plan (the Plan) under the requirements for reporting Other Postemployment Benefit Plans (OPEB) required by GASB Statement No.45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The Plan is a single-employer defined benefit plan administered by Indiana University.

The 18/20 Plan provides interim benefits to full-time appointed academic and professional staff employees who meet the following eligibility requirements: 18 years of participation in the IU Retirement Plan 15% level, at least 20 years of continuous full-time university service, and at least 64 years of age. This group of employees is eligible to receive monthly payments based on a hypothetical monthly annuity amount at age 70, up to the amount of terminal base salary, calculated as the average budgeted base salary for the five 12-month periods immediately preceding retirement. The 18/20 Plan was adopted by the Trustees of Indiana University. The university provides medical care coverage to individuals with retiree status and their eligible dependents. The cost of the coverage is borne fully by the individual. However, retiree medical care coverage is implicitly more expensive than active-employee coverage, which creates an implicit rate subsidy. The university provides retiree life insurance benefits in the amount of $6,000 to terminated employees with retiree status. The health and life insurance plans have been established and may be amended under the authority of the trustees. The Plan does not issue a stand-alone financial report.

Funding Policy

The contribution requirements of plan members and the university are established and may be amended by the trustees. The university contribution to the 18/20 Plan and retiree life insurance is based on pay-as-you-go financing requirements. Plan members do not make contributions. The medical plans are self-funded and each plan's premiums are updated annually based on actual claims. Retirees receiving medical benefits paid $1,330,000 and $1,088,000 in premiums in the fiscal years ended June 30, 2012 and 2011, respectively. The university contributed $53,851,000 and $52,512,000 to the consolidated OPEB Plan in fiscal years ended June 30, 2012 and 2011, respectively.

Annual OPEB Cost and Net OPEB Obligation

The university's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of twenty-five years.

The following table shows the university's annual OPEB cost for the year, the amount actually contributed to the plan, and the university's net OPEB obligation as provided by the actuarial results for the fiscal year ended June 30, 2012:

(dollar amounts presented in thousands)

	Fiscal Year Ended	
	June 30, 2012	*June 30, 2011*
Annual required contribution (ARC)/Annual OPEB cost	$ 57,052	$ 58,166
Less employer contributions	53,851	52,512
Increase in OPEB obligation	3,201	5,654
Net OPEB obligation, beginning of year	19,557	13,903
Net OPEB obligation, end of year	$ 22,758	$ 19,557
Percentage of annual OPEB cost contributed	**94.39%**	**90.28%**

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the Plan was unfunded. The schedule of funding progress is below:

(dollar amounts presented in thousands)

Actuarial Valuation Date	*Actuarial Value of Assets (a)*	*Actuarial Accrued Liability (AAL) (b)*	*Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)*	*Funded Ratio (a/b)*	*Covered Payroll (c)*	*UAAL as Percentage of Covered Payroll ((b-a) / c)*
July 1, 2011	–	$ 414,985	$ 414,985	0.0%	$ 984,200	42.2%
July 1, 2010	–	441,968	441,968	0.0%	959,198	46.1%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the university are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, represents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the university and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the university and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The projected unit credit cost method was used in the June 30, 2012, actuarial valuation. The actuarial assumptions include a 4.5% investment rate of return, which is a blended rate of (a) the expected long-term investment returns on plan assets and (b) the university's investments which is calculated based on the funded level of the Plan at June 30, 2012; and an annual healthcare cost trend rate that ranges

from 10% in fiscal year 2013 to 5% in fiscal year 2023. The rate includes a 3% inflation assumption. The Unfunded Actuarial Accrued Liability is being amortized over 25 years using level dollar amounts on an open group basis.

Note 14—Termination Benefits

In fiscal year 2011 the university offered an Early Retirement Incentive Plan (ERIP).

Depending on the eligibility criteria of the participating employees, the early retirement became effective from one of three dates, as shown in the table below:

Retirement Date	*Number of ERIP Participants*
June 30, 2011	321
August 31, 2011	137
December 31, 2011	25
Total	**483**

The ERIP provided three benefits not normally provided to separating employees:

a. A lump sum income replacement payment.
b. Five years of annual contributions to a health reimbursement account (HRA) that reimburses employees, based on their current medical plan enrollment, for some healthcare expenses such as premiums, deductibles, and copays.
c. The option to continue in an IU-sponsored medical plan until age 65. Employees with IU Retiree Status could opt to participate in a post-65 Medicare supplement medical plan. The opting employees would need to pay their respective full premium amounts to receive this benefit.

In fiscal year 2011, the university recognized the expense and liability for the income replacement payments for all employees participating in the ERIP. The actuarial accrued liability associated with Other Post-Employment Benefits was increased by $15,669,000 for health reimbursement account contributions.

In fiscal year 2012, the actuarial accrued liability associated with Other Post-Employment Benefits was increased by $10,931,000 for health reimbursement account contributions.

Note 15—Related Organization

The university is a major beneficiary of the Riley Children's Foundation, of which a majority of the board of directors is appointed by, or serve by virtue of position with, Indiana University. Riley Children's Foundation net assets were $289,907,000 and $284,848,000 at June 30, 2012 and 2011, respectively. Riley Children's Foundation net assets are not included in the financial statements of the university.

Note 16—Functional Expenses

The university's operating expenses by functional classification were as follows:

Fiscal year ended June 30, 2012
(dollar amounts presented in thousands)

	Natural Classification						
Functional Classification	*Compensation & Benefits*	*Utilities*	*Supplies & Expenses*	*Scholarships & Fellowships*	*Depreciation*	*Travel*	*Total*
Instruction	$ 839,533	$ 836	$ 99,882	$ 14,599	$ –	$ 17,467	$ 972,317
Research	159,814	56	80,017	3,269	–	6,700	249,856
Public service	83,837	388	62,237	3,196	–	4,401	154,059
Academic support	223,927	52	45,328	2,365	–	6,896	278,568
Student services	73,212	11	21,393	1,551	–	2,242	98,409
Institutional support	95,035	602	35,126	2,731	–	2,351	135,845
Physical plant	77,216	65,306	61,433	4	–	181	204,140
Scholarships & fellowships	10,881	–	1,166	130,102	–	30	142,179
Auxiliary enterprises	181,154	4,310	71,879	5,748	–	7,181	270,272
Depreciation	–	–	–	–	133,482	–	133,482
Total operating expenses	**$ 1,744,609**	**$ 71,561**	**$ 478,461**	**$ 163,565**	**$ 133,482**	**$ 47,449**	**$ 2,639,127**

Fiscal year ended June 30, 2011

(dollar amounts presented in thousands)

Functional Classification	Natural Classification: Compensation & Benefits	Utilities	Supplies & Expenses	Scholarships & Fellowships	Depreciation	Travel	Total
Instruction	$ 818,630	$ 735	$ 100,123	$ 15,119	$ –	$ 15,041	$ 949,648
Research	161,397	25	81,899	3,396	–	6,145	252,862
Public service	86,779	416	57,197	3,527	–	3,760	151,679
Academic support	199,436	57	33,312	3,322	–	5,128	241,255
Student services	70,135	10	20,554	709	–	1,424	92,832
Institutional support	117,171	598	12,343	3,585	–	1,876	135,573
Physical plant	75,363	62,873	56,336	6	–	149	194,727
Scholarships & fellowships	12,056	–	1,026	129,786	–	118	142,986
Auxiliary enterprises	190,075	3,820	80,709	5,849	–	6,578	287,031
Depreciation	–	–	–	–	130,538	–	130,538
Total operating expenses	**$ 1,731,042**	**$ 68,534**	**$ 443,499**	**$ 165,299**	**$ 130,538**	**$ 40,219**	**$ 2,579,131**

Note 17—Segment Information

A segment is an identifiable activity reported as a stand-alone entity for which one or more bonds are outstanding, with a revenue stream pledged in support of the debt. The primary source of repayment of these bonds is pledged net income from certain parking and housing operations, including campuses for which bonds are no longer outstanding. Facilities Revenue Bonds carry a pledge of net income from the Parking System. Student Residence System Bonds carry a pledge of net income from the Student Residence System. The university has Facilities Revenue Bonds and Student Residence System Bonds outstanding related to the following auxiliary enterprise activities:

- Parking operations on the IUPUI and South Bend campuses providing parking services to students, staff, faculty, and the general public.
- Housing operations on the IUPUI campus providing housing primarily to students.

Condensed financial statements for Parking and Housing Operations are as follows:

(dollar amounts presented in thousands)

Condensed Statement of Net Assets	Parking Operations: June 30, 2012	Parking Operations: June 30, 2011	Housing Operations: June 30, 2012	Housing Operations: June 30, 2011
Assets				
Current assets	$ 27,228	$ 39,876	$ 82,018	$ 112,002
Capital assets, net	92,927	79,740	215,325	168,011
Total assets	**120,155**	**119,616**	**297,343**	**280,013**
Liabilities				
Current liabilities	7,022	6,263	8,928	10,377
Noncurrent liabilities	58,764	64,213	111,553	116,431
Total liabilities	**65,786**	**70,476**	**120,481**	**126,808**
Net assets				
Invested in capital assets, net of related debt	30,095	26,505	101,007	81,636
Unrestricted	24,274	22,635	75,855	71,569
Total net assets	**54,369**	**49,140**	**176,862**	**153,205**
Total liabilities and net assets	**$ 120,155**	**$ 119,616**	**$ 297,343**	**$ 280,013**

(dollar amounts presented in thousands)

Condensed Statement of Revenues, Expenses, and Changes in Net Assets	*Parking Operations*		*Housing Operations*	
	Fiscal Year Ended		*Fiscal Year Ended*	
	June 30, 2012	*June 30, 2011*	*June 30, 2012*	*June 30, 2011*
Operating revenues	$ 24,887	$ 22,742	$ 69,243	$ 63,396
Depreciation expense	(3,722)	(3,291)	(4,795)	(4,292)
Other operating expenses	(13,078)	(12,976)	(43,455)	(41,070)
Net operating income	**8,087**	**6,475**	**20,993**	**18,034**
Nonoperating revenues (expenses)				
Grants, contracts, and other revenues	190	192	1,170	1,183
Interest expense	(2,009)	(1,726)	(1,597)	(1,931)
Net nonoperating revenues (expenses)	**(1,819)**	**(1,534)**	**(427)**	**(748)**
Other revenues				
Capital gifts	–	–	–	15
Net other revenues	**–**	**–**	**–**	**15**
Net transfers from (to) university funds	(1,039)	(473)	3,091	448
Increase in net assets	**5,229**	**4,468**	**23,657**	**17,749**
Net assets				
Net assets, beginning of year	49,140	44,672	153,205	135,456
Net assets, end of year	**$ 54,369**	**$ 49,140**	**$ 176,862**	**$ 153,205**

(dollar amounts presented in thousands)

Condensed Statement of Cash Flows	*Parking Operations*		*Housing Operations*	
	Fiscal Year Ended		*Fiscal Year Ended*	
	June 30, 2012	*June 30, 2011*	*June 30, 2012*	*June 30, 2011*
Operating activities	$ 12,605	$ 9,551	$ 23,740	$ 26,007
Noncapital financing activities	190	192	1,170	1,183
Capital and related financing activities	(24,895)	1,593	(55,420)	(50,919)
Net increase (decrease) in cash	(12,100)	11,336	(30,510)	(23,729)
Beginning cash and cash equivalent balances	38,171	26,835	111,306	135,035
Ending cash and cash equivalent balances	**$ 26,071**	**$ 38,171**	**$ 80,796**	**$ 111,306**

In January 2012, $26,105,000 of the revenue-backed debt was refunded into Consolidated Revenue Bonds causing a significant drop in the outstanding principal of the revenue-backed debt and the number of years to maturity. Total revenue-backed debt for capital financing of parking and housing auxiliary activities was outstanding in the amount of $10,625,000 at June 30, 2012, with remaining terms of 2 years. Total revenue-backed debt for capital financing of parking and housing auxiliary activities was outstanding in the amount of $39,895,000 at June 30, 2011, with remaining terms of 12 to 18 years. Revenues of the activities are sufficient to meet the principal and interest requirements for the debt.

Note 18—Commitments and Loss Contingencies

Construction Projects

The university had outstanding commitments for capital construction projects of $145,603,000 and $146,604,000 at June 30, 2012 and 2011, respectively.

Note 19—Subsequent Event

On October 26, 2012, the university will issue Indiana University Tax Exempt Student Fee Bonds, Series V-1 and Taxable Student Fee Bonds, Series V-2 in the total par amount of $107,750,000, of which $95,875,000 will be refunding bonds and $11,875,000 will be new money bonds. The bonds will be issued as natural fixed rate debt under Indiana Code sections IC 21-34-6 through 10 and have been approved by all appropriate state authorities. The proceeds will be used to pay for (a) refunding all or a portion of Student Fee Bonds, Series P, Q, and R; (b) financing for qualified energy savings projects on the Indianapolis and South Bend campuses; (c) refunding Qualified Energy Savings Notes, Series 2005, 2007 and 2008; and (d) costs to issue the bonds including underwriters' discount. The new money bonds for the qualified energy savings projects will have a final maturity of 10 years. The refunding bonds will produce a net present value savings of $7,961,000, or 8.37% of refunded bonds.

Refer to Note 8, Bonds and Notes Payable, for more information on long-term debt.

Required Supplementary Information

Schedule of Funding Progress for IU Replacement Retirement Plan:
(dollar amounts presented in thousands)

Actuarial Valuation Date	*Actuarial Value of Assets (a)*	*Actuarial Accrued Liability (AAL) (b)*	*Unfunded AAL (UAAL) (b - a)*	*Funded Ratio (a/b)*	*Covered Payroll (c)*	*UAAL as Percentage of Covered Payroll ((b-a) / c)*
7/1/2011	$ 14,558	$ 23,034	$ 8,476	63.2%	$ 8,679	97.7%
7/1/2010	11,541	21,497	9,956	53.7%	8,643	115.2%
7/1/2009	9,422	17,713	8,291	53.2%	8,446	98.2%

Schedule of Funding Progress for Other Postemployment Benefit Plans:
(dollar amounts presented in thousands)

Actuarial Valuation Date	*Actuarial Value of Assets (a)*	*Actuarial Accrued Liability (AAL) (b)*	*Unfunded AAL (UAAL) (b - a)*	*Funded Ratio (a/b)*	*Covered Payroll (c)*	*UAAL as Percentage of Covered Payroll ((b-a) / c)*
7/1/2011	–	$ 414,985	$ 414,985	0.0%	$ 984,200	42.2%
7/1/2010	–	441,968	441,968	0.0%	959,198	46.1%
7/1/2009	–	443,276	443,276	0.0%	967,369	45.8%

Schedule of Funding Progress for Public Employees' Retirement Fund:
(dollar amounts presented in thousands)

Actuarial Valuation Date	*Actuarial Value of Assets (a)*	*Actuarial Accrued Liability (AAL) (b)*	*Unfunded AAL (UAAL) (b - a)*	*Funded Ratio (a/b)*	*Covered Payroll (c)*	*UAAL as Percentage of Covered Payroll ((b-a) / c)*
6/30/2011	$ 214,453	$ 379,812	$ 165,359	56.5%	$ 215,496	76.7%
6/30/2010	215,702	320,269	104,567	67.4%	214,529	48.7%
6/30/2009	263,017	302,873	39,856	86.8%	222,902	17.9%

Note 1 - Organization and Operations

The Indiana University Foundation, Inc. (Foundation) is a not-for-profit corporation organized under the laws of the State of Indiana. The corporate purposes of the Foundation are to raise, receive, hold, invest and administer property and to make expenditures to or for the benefit of Indiana University, including its regional campuses and associated entities (such as the Purdue University schools housed at the Indiana University-Purdue University Indianapolis campus, the Indiana University Building Corporation (IUBC), Riley Children's Foundation, the Indiana University Research & Technology Corporation, Indiana University Health, the Indiana University Alumni Association, and certain medical practice plans), herein referred to as the "University."

The mission of the Foundation is to inspire donors to invest in Indiana University's power to transform lives and better the state, nation and world. The Foundation was originally incorporated in 1936 and is empowered to perform a wide range of services and conduct a variety of activities that support the University as it carries out its missions of teaching, research, and public service. The Foundation conducts general and special purpose fund raising programs, receives and acknowledges gifts for the benefit of the University, administers those gifts to ensure that they are used as specified by the donor, invests those gifts, serves as trustee for certain types of planned gift arrangements, and provides other services for the benefit of the University as requested from time to time.

Note 4 - Investments

A summary of total investment income, including net gains (losses) net of outside management fees for the year ended June 30, 2012 and 2011 consist of the following:

	2012	2011
Dividend, interest and other investment income	$ 9,920,514	$ 8,766,433
Net realized and unrealized gains (losses) on investments	(21,571,091)	249,785,736
Outside investment management fees	(4,710,704)	(4,809,298)
Total investment income, including net gains, net of outside investment management fees	$ (16,361,281)	$ 253,742,871

The Foundation's investments recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. The following tables present information about the Foundation's investments by security type measured at fair value as of June 30, 2012 and 2011:

	2012			
	Level 1	Level 2	Level 3	Total
Domestic equities	$ 216,328,769	$ 63,877,854	$ 480,957	$ 280,687,580
International equities	275,090,775	9,034	-0-	275,099,809
Domestic fixed income	70,941,499	130,956,163	3,075,523	204,973,185
International fixed income	-0-	18,208,525	-0-	18,208,525
Cash equivalents	8,391,823	-0-	-0-	8,391,823
Alternative investments:				
Hedged equity funds	-0-	75,582,024	203,752	75,785,776
Absolute return funds	-0-	112,035,004	111,415,599	223,450,603
Venture capital funds	-0-	551,832	92,686,612	93,238,444
Buyout funds	-0-	-0-	113,709,268	113,709,268
Distressed/special situation funds	-0-	-0-	55,972,168	55,972,168
Real estate funds	8,627,769	-0-	80,563,458	89,191,227
Natural resource funds	-0-	-0-	78,748,874	78,748,874
Public inflation hedge	-0-	20,842,156	-0-	20,842,156
Direct commercial real estate	-0-	-0-	19,678,883	19,678,883
Mortgage securities	-0-	-0-	695,381	695,381
Total	$ 579,380,635	$ 422,062,592	$ 557,230,475	$ 1,558,673,702

	2011			
	Level 1	Level 2	Level 3	Total
Domestic equities	$ 289,114,491	$ 69,554,088	$ 484,298	$ 359,152,877
International equities	316,897,620	6,486	-0-	316,904,106
Domestic fixed income	44,635,780	105,539,966	2,981,685	153,157,431
International fixed income	-0-	23,746,554	-0-	23,746,554
Cash equivalents (includes securities in-transit of $18 million)	41,083,431	-0-	-0-	41,083,431
Alternative investments:				
Hedged equity funds	-0-	87,762,261	27,082,944	114,845,205
Absolute return funds	-0-	75,137,301	120,592,499	195,729,800
Venture capital funds	-0-	-0-	96,886,470	96,886,470
Buyout funds	-0-	-0-	104,916,485	104,916,485
Distressed/special situation funds	-0-	-0-	47,714,669	47,714,669
Real estate funds	8,877,246	-0-	69,246,866	78,124,112
Natural resource funds	-0-	-0-	75,981,990	75,981,990
Direct commercial real estate	-0-	-0-	15,682,812	15,682,812
Mortgage securities	-0-	-0-	722,006	722,006
Total	$ 700,608,568	$ 361,746,656	$ 562,292,724	$ 1,624,647,948

Changes in Level 3 assets measured at fair value as of and for the years ended June 30, 2012 and 2011 follow. The 2012 presentation has been expanded to reflect the disclosure requirements of ASU No. 2010-06. There were no significant transfers between levels 1, 2 and 3 for the years ended June 30, 2012 and 2011.

	2012
Beginning balance	$ 562,292,724
Realized and unrealized gains (losses)	12,124,593
Purchases	99,083,787
Sales	(111,925,455)
Transfers in	138,000
Transfers out	(4,483,174)
Ending balance	$ 557,230,475

	2012		2011		
	Fair Value	Unfunded Commitments	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedged equity funds (a)	$ 75,785,776	$ -0-	$ 114,845,205	monthly, quarterly, semi-annually, annually	45-100 days
Absolute return funds (b)	223,450,603	5,272,254	195,729,800	monthly, quarterly, semi-annually, annually	45-90 days
Venture capital funds (c)	93,238,444	34,499,016	96,886,470		
Buyout funds (d)	113,709,268	56,799,810	104,916,485		
Distressed/special situation funds (e)	55,972,168	34,045,445	47,714,669		
Real estate funds (f)	80,563,458	34,396,007	78,124,112		
Natural resources funds (g)	78,748,874	34,857,185	75,981,990		
Public Inflation Hedge (h)	20,842,156	-0-	-0-	monthly	10 days
Total	$ 742,310,747	$ 199,869,717	$ 714,198,731		

(a) This category includes investments in hedge funds that invest globally in both long and short common stocks across all market capitalizations. Management of the hedge funds may opportunistically shift investments across sectors, geographies, and net market exposures. The fair values of the investments in this category are based on the net asset value per share of the investment.

(b) This category includes investments in hedge funds that invest opportunistically across various strategies including long/short equity, fixed income, distressed credit, merger arbitrage, convertible arbitrage, etc. The fair values of the investments in this category are based on the net asset value per share of the investment. As of June 30, 2012, 58% of the total Marketable Alternative Investments (hedged equity and absolute return) could be redeemed in 0-6 months, 67% could be redeemed within 12 months, 81% could be redeemed within 24 months, and 85% could be redeemed within 36 months. The remaining 15% is designated as illiquid investments.

(c) This category includes funds which invest primarily in early-stage companies in the technology and life science sectors. The nature of investments in this category is that money is distributed as underlying companies are exited via acquisition or IPO. Partnerships are typically structured to be fully liquidated after 10 years but may be extended. It is probable that the investments in this category will ultimately be sold at a value that is different from the net asset value of the Foundation's ownership interest as of June 30, 2012.

(d) This category includes private equity funds that invest across sectors primarily in the United States, but also Asia and Europe. The nature of investments in this category is that money is distributed as underlying companies are recapitalized or exited via acquisition or IPO. Partnerships are typically structured to be fully liquidated after 10 years but may be extended. It is probable that the investments in this category will ultimately be sold at a value that is different from the net asset value of the Foundation's ownership interest as of June 30, 2012.

(e) This category includes funds that are focused on distressed, mezzanine, or secondary investments, primarily in the United States. Partnerships are typically structured to be fully liquidated after 10 years but may be extended. It is probable that the investments in this category will ultimately be sold at a value that is different from the net asset value of the Foundation's ownership interest as of June 30, 2012.

(f) This category includes funds that invest primarily in U.S. commercial real estate, but also include real estate funds focused on Europe and Asia. The real estate exposure consists of publicly traded REIT funds (11.4%) and private partnerships (88.6%). Publicly traded REIT funds have daily liquidity. Partnerships are typically structured to be fully liquidated after 10 years but may be extended. It is probable that the investments in this category will ultimately be sold at a value that is different from the net asset value of the Foundation's ownership interest as of June 30, 2012.

(g) This category includes several funds that are focused on direct energy and timber. Partnerships are typically structured to be fully liquidated after 10 years but may be extended. Certain funds in this category will provide an income stream as the underlying commodity is harvested/sold. It is probable that the investments in this category will ultimately be sold at a value that is different from the net asset value of the Foundation's ownership interest as of June 30, 2012.

(h) This category includes several funds that invest in equity and equity-related securities, commodity derivatives, fixed income obligations, and derivatives related to equity, fixed income, and commodity securities.

Note 8 – Restricted Net Assets

The income generated from restricted net assets is used in accordance with the donors' time or purpose restrictions. Foundation and University permanently restricted assets are held in perpetuity. A summary of restricted net assets and the related donor imposed restrictions as of June 30, 2012 and 2011 are as follows:

	2012			
	Temporarily Restricted		Permanently Restricted	
	Foundation	University	Foundation	University
Foundation operations	$ 7,638,802	$ -0-	$ 20,518,576	$ -0-
University Programs:				
Awards	-0-	6,462,179	-0-	7,643,380
Capital and capital improvements	-0-	81,714,502	-0-	2,143,383
Fellowships/lectureships	-0-	20,960,628	-0-	80,896,984
General endowments	-0-	228,179,220	-0-	221,330,071
Medical practice plans	-0-	31,053,837	-0-	-0-
Operations	-0-	71,462,141	-0-	3,439,699
Professorships/chairs	-0-	106,354,539	-0-	253,336,864
Research	-0-	28,786,485	-0-	40,427,466
Scholarships	-0-	117,269,456	-0-	363,104,975
Total	$ 7,638,802	$ 692,242,987	$ 20,518,576	$ 972,322,822

	2011			
	Temporarily Restricted		Permanently Restricted	
	Foundation	University	Foundation	University
Foundation operations	$ 7,768,701	$ -0-	$ 22,634,801	$ -0-
University Programs:				
Awards	-0-	6,486,245	-0-	8,025,341
Capital and capital improvements	-0-	77,268,183	-0-	2,344,855
Fellowships/lectureships	-0-	21,100,010	-0-	81,469,916
General endowments	-0-	229,753,800	-0-	224,798,229
Medical practice plans	-0-	33,096,842	-0-	-0-
Operations	-0-	69,800,767	-0-	5,016,297
Professorships/chairs	-0-	103,359,243	-0-	261,991,574
Research	-0-	30,100,572	-0-	37,382,524
Scholarships	-0-	114,319,028	-0-	369,647,802
Total	$ 7,768,701	$ 685,284,690	$ 22,634,801	$ 990,676,538

Excerpts from Indiana University Foundation Notes to the Financial Statements

Note 10 - Contingencies and Commitments

The Foundation has borrowed $125,016,119 and $104,313,514 of restricted cash and cash equivalents as displayed in its Foundation Unrestricted, Foundation Temporarily Restricted, and Permanently Restricted assets as of June 30, 2012 and 2011, respectively, and has reported this interfund borrowing as "due to (from)" on the Statement of Financial Position. The Foundation assumes all risk associated with the composition of assets related to the Foundation's reinvestment of the temporarily restricted University monies. These borrowings were used to (1) acquire property, plant and equipment for the benefit of the University, (2) purchase investment securities, and (3) support on-going Foundation operations. Repayment of the borrowings is primarily dependent on the Foundation's ability to (1) generate future appreciation and income from investment securities, (2) receive future revenue from existing property leases arrangements with the University and (3) receive future unrestricted gifts. Management has currently developed initiatives to reduce such borrowings in the future and maintain an appropriate composition of assets to comply with all donor restrictions.

Interfund financing of $1,900,000 and $2,400,000 as of June 30, 2012 and 2011, respectively, represents amounts financed by the Foundation unrestricted net assets to the agency and temporarily restricted University net assets. The carrying value of interfund financing approximates fair market value, as the borrowing rates currently available to the Foundation are similar to the terms on remaining maturities. Interest rates are from 4.0% to 4.95% as of June 30, 2012 and June 30, 2011.

Note 11 - Program Expenditures

Program expenditures include support for Foundation and University programs. Foundation programs include: real estate, air services, Student Foundation, cultural center, women's programs and other miscellaneous programs. These University related program expenditures primarily support "Grants and aid to the University" and "Endowment and capital additions for the University." For the years ended June 30, 2012 and 2011, a summary of these expenditures follows:

	2012 Unrestricted		
Program expenditures:	**Foundation**	**University***	**Total**
Foundation programs:			
Real estate	$ 2,190,814	$ -0-	$ 2,190,814
Student Foundation	528,518	-0-	528,518
Air Services	622,297	-0-	622,297
Women's programs	37,895	-0-	37,895
Miscellaneous	47,855	-0-	47,855
	3,427,379	-0-	3,427,379
Grants and aid to the University:			
Operating support:			
University support	1,610,263	33,749,453	35,359,716
Student scholarship and financial aid	8,037	33,025,994	33,034,031
Faculty support	153,168	13,709,730	13,862,898
Faculty research	-0-	8,699,702	8,699,702
	1,771,468	89,184,879	90,956,347
Endowment and capital additions for the University:			
Land, building and equipment purchases	17,948	17,872,211	17,890,159
Total program expenditures	$ 5,216,795	$ 107,057,090	$ 112,273,885

	2011 Unrestricted		
Program expenditures:	**Foundation**	**University***	**Total**
Foundation programs:			
Real estate	$ 1,863,040	$ -0-	$ 1,863,040
Student Foundation	520,220	-0-	520,220
Cultural center	150,619	-0-	150,619
Air Services	526,112	-0-	526,112
Women's programs	126,634	-0-	126,634
Miscellaneous	19,680	-0-	19,680
	3,206,305	-0-	3,206,305
Grants and aid to the University:			
Operating support:			
University support	1,742,198	33,192,348	34,934,546
Student scholarship and financial aid	12,300	30,562,306	30,574,606
Faculty support	92,283	13,281,190	13,373,473
Faculty research	-0-	8,972,395	8,972,395
	1,846,781	86,008,239	87,855,020
Endowment and capital additions for the University:			
Land, building and equipment purchases	81,103	15,745,209	15,826,312
Library and art acquisitions	300	420,100	420,400
	81,403	16,165,309	16,246,712
Total program expenditures	$ 5,134,489	$ 102,173,548	$ 107,308,037

*These expenditures relate to temporarily restricted University net assets reclassified to unrestricted as the time or purpose restrictions are met. These amounts are included in the Statement of Activities as net assets released from restriction.

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for fiscal year ended June 30, 2012

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for fiscal year ended June 30, 2012

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Additional copies of this report may be obtained from:

Office of the Senior Vice President and Chief Financial Officer
Bryan Hall 212
Indiana University
Bloomington, IN 47405-7000
http://www.indiana.edu/~vpcfo/

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For additional information:

General Information
Vice President for Public Affairs and Government Relations
Bryan Hall 300
107 S. Indiana Avenue
Bloomington, IN 47405-7000
http://www.indiana.edu/~pagr/

Financial Reporting
Associate Vice President and University Controller
Financial Management Services
Poplars 519
Indiana University
Bloomington, IN 47405-3085
http://www.fms.indiana.edu/avpfms/

Admissions
Vice Provost for Enrollment Management
Office of Admissions
300 N. Jordan Ave.
Indiana University
Bloomington, IN 47405-1106
http://www.admit.indiana.edu

Gifts
Indiana University Foundation
Showalter House
P.O. Box 500
Bloomington, IN 47402-0500
http://iufoundation.iu.edu/

Grants
Vice President for Research
Carmichael Center Suite 202, 530 E. Kirkwood Avenue
Bloomington, IN 47408-4003
http://www.iu.edu/~vpr/contact.shtml

Athletics
Athletics Publicity Office
Assembly Hall
1001 East 17th Street
Indiana University
Bloomington, IN 47408
http://www.iub.edu/athletic/

Alumni
Alumni Association
1000 East 17th Street
Indiana University
Bloomington, IN 47408
http://alumni.indiana.edu

Acknowledgements

The following members of Financial Management Services prepared the *2011-2012 Financial Report* and the included financial statements:

Joan Hagen, Associate Vice President and University Controller
Dave Gooptu, Chief Accountant and Managing Director, Financial Management Services
William Overman, Manager of External Financial Reporting and University Chart
Melody Amato, External Reporting and Compliance
Aaron Pritchett, External Reporting and Compliance
Phyllis Taylor, Senior Communications Specialist

The following entities provided data essential in the preparation of the financial statements:

Construction Management
Indiana University Foundation
Office of the Treasurer
Real Estate
Risk Management
Student Information and Fiscal Services
University Architect's Office
University Human Resource Services

Photos courtesy of Office of University Communications and Financial Management Services.

(Highlights continued from inside front cover.)

Michael A. McRobbie

15-year IU highlights 1997-2012

- As vice president for information technology, initiated the development of IU's original Information Technology Strategic Plan, launched in 1998 to enable IU to become a leader in the use and application of IT and today considered a model for educational institutions across the nation.
- Played an important role in establishing IU's School of Informatics and Computing, the first such school in the nation, as well as in securing two of the largest grants in IU history—totaling more than $80 million—to establish technology-related laboratories and initiatives at the university.
- Directed the development of I-Light, the first higher education-owned optical fiber network, which provides high-speed broadband Internet capability to colleges and universities across Indiana.

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APPENDIX C

SUMMARY OF LEGAL DOCUMENTS:
INDENTURE, 2003 LEASE, 2009 LEASES, 2012 LEASE AND 2013A LEASE

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, THE 2003 LEASE, THE 2009 LEASES, THE 2012 LEASE AND THE 2013A LEASE

The Indenture

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

Definitions

As used in this Appendix the following definitions shall apply:

"2003 Lease" means the Amended and Restated Lease-Purchase Agreement dated as of February 15, 2003, by and between the Corporation and IUBC (as successor to the Foundation), as supplemented by the Addendum, and as the same may be amended, modified or supplemented by any amendments or modifications thereof and supplements thereto entered into in accordance with the provisions thereof.

"2003 Project" means the land, buildings, structures, furnishings, equipment and other improvements and facilities constituting the improvements to the Biotechnology Research and Training Center, financed with the 2003A Certificates and leased under the 2003 Lease.

"2009 Certificates" or "2009 Participation Certificates" or "Series 2009 Certificates" means, collectively, the 2009A Certificates and the 2009B Certificates.

"2009 Leases" means the ALF-II Lease, the Cinema-Theatre Lease and the HPER Lease.

"2009 Prime Leases" means the three Leases, each dated as of November 15, 2009, by and between the Corporation and IUBC relating to the 2009 Projects, as the same may be amended, modified or supplemented by any amendments or modifications thereof and supplements thereto entered into in accordance with the provisions thereof.

"2009 Projects" means the ALF-II Project, the Cinema-Theatre Project and the HPER Project.

"2009A Certificates" or "2009A Participation Certificates" means the $3,545,000 Tax-Exempt Certificates of Participation, Series 2009A, evidencing a proportionate interest of the owners thereof in rental payments under the 2009 Leases to be made by the Corporation, as Lessee.

"2009B Certificates" or "2009B Participation Certificates" means $18,420,000 Taxable Certificates of Participation, Series 2009B (Build America Certificates - Direct Pay Option) evidencing a proportionate interest of the owners thereof in rental payments under the 2009 Leases to be made by the Corporation, as Lessee.

"2012 Lease" means the Lease Purchase and Sublease Agreement dated as of January 1, 2012 between IUBC as Lessor and the Corporation as Lessee regarding the 2012 Project.

"2012 Prime Lease" means the Lease dated as of January 1, 2012 between the Corporation and IUBC relating to the 2012 Project, as the same may be amended, modified or supplemented by any amendments or modifications thereof and supplements thereto entered into in accordance with the provisions thereof.

"2012 Project" means the building, structures and improvements constituting the Baseball and Softball Complex on the Bloomington Campus of Indiana University financed by the 2012A Certificates and leased under the 2012 Lease.

"2012A Certificates or "Series 2012A Certificates" means the $23,750,000 Certificates of Participation, Series 2012A, evidencing a proportionate interest of the owners thereof in certain rental payments under the 2003 Lease and the 2012 Lease to be made by the Corporation, as Lessee.

"2013A Certificates" or "Series 2013A Certificates" means the Certificates of Participation, Series 2013A, evidencing a proportionate interest of the owners thereof in certain rental payments under the 2013A Lease to be made by the Corporation, as Lessee.

"2013A Lease" means the Lease Purchase and Sublease Agreement dated as of March 1, 2013 between IUBC as Lessor and the Corporation as Lessee regarding the 2013A Project.

"2013A Prime Lease" means the Lease dated as of March 1, 2013 between the Corporation and IUBC relating to the 2013A Project, as the same may be amended, modified or supplemented by any amendments or modifications thereof and supplements thereto entered into in accordance with the provisions thereof.

"2013A Project" means the building, structures and improvements constituting the International Studies Building on the Bloomington Campus of Indiana University financed by the 2013A Certificates and leased under the 2013A Lease.

"ALF-II Lease" means the Lease Purchase and Sublease Agreement dated as of November 15, 2009 between IUBC as lessor and the Corporation as lessee regarding the ALF-II Project, as described therein.

"Addendum" means the Addendum dated as of January 1, 2012, to the 2003 Lease.

"Additional Leases" means additional lease-purchase agreements from IUBC to the Corporation which are assigned to the Trustee pursuant to supplements to the Indenture and in connection with Additional Certificates.

"Additional Certificates" means Certificates in addition to the 2009A Certificates, the 2009B Certificates, the 2012A Certificates and the 2013A Certificates issued pursuant to the Indenture under Section 1.04 of the Amended Indenture.

"Amended Indenture" means the Amended and Restated Trust Indenture between IUBC and the Trustee dated as of June 1, 2009, as the same may be amended, modified or supplemented by any amendments or modifications thereof and supplements thereto entered into in accordance with the provisions thereof.

"Architect" means Polshek Partnership Architects, with respect to the 2013A Project.

"Assignment" means the Assignment of each Lease to the Trustee in substantially the form of Exhibit B to the Indenture.

"Authorized Denomination" has the meaning set forth in Section 3.01 of the Indenture.

"Certificates" means the 2009A Certificates, the 2009B Certificates, the 2012A Certificates, the 2013A Certificates and any Additional Certificates.

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

"Certificate Fund" means the fund created in Section 4.02 of the Indenture.

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

"Certificate Purchase Agreement" means, with respect to the 2013A Certificates, the agreement by that name among IUBC, the Trustee and the Original Purchaser dated February 27, 2013.

"Cinema-Theatre Lease" means the Lease Purchase and Sublease Agreement dated as of November 15, 2009 between IUBC as lessor and the Corporation as lessee regarding the Cinema-Theatre Project, as described therein.

"Completion Certificate" means, with respect to the 2013A Project, a certificate in the form of Exhibit D to the Fourth Supplemental Indenture.

"Completion Date" means, with respect to the 2013A Project, the date on which the construction of the 2013A Project is substantially completed as endorsed on the 2013A Lease, and the date of delivery of the Completion Certificate therefor.

"Construction Account" means the Construction Account of the Project Fund created pursuant to Section 5.01 of the Amended Indenture.

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

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

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

"First Supplemental Indenture" means the First Supplemental Indenture dated as of November 15, 2009 to the Amended Indenture as it may subsequently be amended and supplemented.

"Foundation" means Indiana University Foundation as the original lessor and its lawful successors and assigns, including any surviving, resulting or transferee corporation.

"Fourth Supplemental Indenture" means the Fourth Supplemental Indenture dated as of March 1, 2013, as it may subsequently be supplemented or amended.

"HPER Lease" means the Lease Purchase and Sublease Agreement dated as of November 15, 2009 between IUBC as lessor and the Corporation as lessee regarding the HPER Project, as described therein.

"IUBC" means the Indiana University Building Corporation, an Indiana non-profit corporation, as successor to the Foundation, and its lawful successors and assigns.

"Indenture" means the Original Indenture as amended and restated by the Amended Indenture, as the same may be amended, modified or supplemented by any amendments or modifications thereof and supplements thereto entered into in accordance with the provisions thereof.

"Lease" or "Leases" means, collectively, (1) the 2003 Lease; (2) the 2009 Leases; (3) the 2012 Lease; (4) the 2013A Lease and (5) any Additional Leases relating to additional project facilities financed or refinanced by supplements to the Indenture.

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

"Moody's" means Moody's Investors Service, Inc., a corporation duly organized and validly existing under the laws of the State of Delaware, and its successors and assigns.

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

"Original Date" with regard to the 2013A Certificates means the date of delivery thereof.

"Original Indenture" means the original Trust Indenture between the Foundation and the Trustee dated as of February 15, 2003, as amended and restated.

"Original Purchaser" or "Underwriter" with respect to the 2013A Certificates means Barclays Capital Inc., as representative of the underwriters specified in the Certificate Purchase Agreement.

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

1. Certificates cancelled on surrender, exchange or transfer or cancelled because of payment or redemption;

2. Certificates for the payment or redemption of which sufficient cash funds shall have been theretofore irrevocably deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Certificates), or which are deemed to have been paid and discharged, pursuant to the provisions of the Indenture; provided that if such Certificates are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee, shall have been filed with the Trustee; and

3. Certificates in lieu of which others have been executed under Section 1.04 of the Amended Indenture.

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

"Project" or "Projects" means, collectively, the 2003 Project, the 2009 Projects, the 2012 Project and the 2013A Project together with any subsequent facilities of the Corporation financed pursuant to supplemental indentures to the Indenture.

"Project Fund" means the fund created in Section 4.07 of the Amended Indenture.

"Project Equipment" means furnishings and equipment, if any, included as part of the Projects.

"Rating Agency" means S&P, Moody's or any nationally recognized securities rating agency which has been requested to and has assigned a rating to the Certificates.

"Rebate Agreement" means the Construction and Rebate Agreement among the Corporation, IUBC and the Trustee dated as of March 1, 2013.

"Rebate Fund" means the fund created in Section 4.09 of the Amended Indenture.

"S&P" means Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

"Second Supplemental Indenture" means the Second Supplemental Indenture dated as of November 15, 2009 to the Amended Indenture as it may subsequently be amended and supplemented.

"Third Supplemental Indenture" means the Third Supplemental Indenture dated as of January 1, 2012 as it may subsequently be supplemented or amended.

"Trust Estate" has the meaning set forth in the Granting Clauses of the Indenture.

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

"Undertaking" means, collectively, the Amended and Restated Continuing Disclosure Undertaking Agreement dated as of March 1, 2011, as previously supplemented, and as further supplemented by a Supplement dated as of March 1, 2013, by the Corporation, as further supplemented and amended from time to time.

Application of Series 2013A Certificate Proceeds and Project Fund

The proceeds of the 2013A Certificates (net of proceeds used for payment of underwriter's discount) shall be deposited by the Trustee as follows:

(i) A portion of 2013A Certificates proceeds shall be deposited in the 2013A Certificate Expense Account of the Project Fund to be used to pay costs of issuance of the 2013A Certificates.

(ii) The balance of the 2013A Certificate proceeds shall be deposited in the Construction Account for the 2013A Project, to be used to pay certain costs of the 2013A Project.

The Project Fund after the transfer described in (ii) above, shall be held by IUBC (or its agents). Moneys in the Construction Account and the Certificate Expense Account shall be used by IUBC and the Corporation to pay costs of the 2013A Project, and to pay costs of issuance, all as more specifically provided in the Indenture. IUBC (or its agents) may make disbursements from the Construction Account for the following purposes:

(a) Payment or reimbursement of expenses incurred in obtaining insurance or bonds (if any) for the purpose of providing for timely payment of rent under the Leases.

(b) Payment for labor, services and materials used or furnished in site improvement and in the construction of the 2013A Project, including demolition, all as provided in the specifications therefor; for the cost of the construction, acquisition and installation of utility services for the 2013A Project, and all real and personal property deemed necessary in connection with the 2013A Project; and for the miscellaneous expenses incidental to any of the foregoing including the premium on each surety bond, if any.

(c) Payment of the fees, if any, for architectural, legal, financial, engineering and supervisory services with respect to the 2013A Project or the financing thereof.

(d) Payment of expenses incurred in seeking to enforce any remedy against any contractor or subcontractor in respect of any default under a contract relating to the 2013A Project.

(e) Payment or reimbursement of any other costs and expenses relating to the 2013A Project, including Project Equipment, that may be approved as provided in the Indenture.

(f) Transfer to the Rebate Fund of an amount equal to the rebate amount calculated pursuant to the Rebate Agreement.

(g) With respect to 2013A Certificate proceeds, transfer of 2013A Certificates to the Certificate Fund for the payment of interest due on the 2013A Certificates during construction of the 2013A Project and for a period not to exceed six months.

(h) Redemption of 2013A Certificates with proceeds of the 2013A Certificates.

(i) Payment or reimbursement of any other costs and expenses relating to any Projects, including Project Equipment, that may be approved as provided in the Indenture.

Each of the payments referred to in the preceding subsections shall be made only upon a written order signed by the Lessor Representative, specifying the amount and purpose of such payment.

Certificate Fund and Rebate Fund

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

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

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

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

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

No later than 60 days after March 8, 2018 and every five years thereafter, the Trustee shall, upon written request of IUBC, pay to the United States of America 90% of the amount required to be on deposit in the Rebate Fund with respect to the 2013A Certificates as of such payment date. Not later than 60 days after final retirement of the Certificates, the Trustee shall, upon written request from IUBC, pay to the United States of America 100% of the balance remaining in the Rebate Fund with respect to the Certificates.

Investment of Funds

The original proceeds of the 2013A Certificates held as a part of the Project Fund shall be invested by IUBC in Eligible Investments. All moneys in the Certificate Fund of the Project Fund shall be invested by the Trustee in Eligible Investments. The type, amount and maturity shall be such that the moneys invested will be available to make payments from the respective funds in accordance with the provisions of the Leases and the Indenture as applicable. Any such investment may be purchased from the Trustee, and such investments shall be deemed at all times a part of the Project Fund or the Certificate Fund, as appropriate, and the interest accruing thereon, and any profit realized therefrom shall be credited to the respective fund or account and any loss resulting from such investments shall be charged to the respective fund or account. The Trustee shall sell and reduce to cash a sufficient portion of investments in the Certificate Fund whenever the cash balance in the Certificate Fund is insufficient to pay the current interest and principal requirements on the Certificates when due. The Trustee shall not be liable for any losses occurring as a result of any such sales of investments.

Covenants of IUBC and the Trustee

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

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

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

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

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

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

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

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

(h) The 2013A Lease, a duly executed counterpart of which has been filed with the Trustee, sets forth the covenants and obligations of the Corporation, and subsequent to the issuance of the 2013A Certificates and prior to payment of the 2013A Certificates in full or provision for payment thereof in

accordance with the provisions thereof, the 2013A Lease may not be effectively amended, changed, modified, altered or terminated (other than as provided in the Indenture) without the prior written consent of the Trustee.

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

(j) IUBC covenants that it will restrict the use of the proceeds of the 2013A Certificates and moneys in the Certificate Fund in such manner and to such extent, if any, as may be necessary, after taking into account reasonable expectations at the time of the delivery of and payment for the 2013A Certificates, so that they will not constitute arbitrage bonds under Section 148 of the Code and the regulations relating thereto. The Treasurer of IUBC and any officer of the Trustee having responsibility with respect to the 2013A Lease or issuance of the 2013A Certificates is authorized and directed, alone or in conjunction with any other officer, employee, consultant or agent of IUBC or the Trustee, to give an appropriate certificate for inclusion in the transcript of proceedings, setting forth the reasonable expectations on the date of delivery of and payment for the 2013A Certificates regarding the amount and use of the proceeds of the 2013A Certificates pursuant to said Section 148 and any applicable regulations.

(k) IUBC covenants that it will not permit the 2013A Project to be used by nongovernmental persons in such a manner as to cause the 2013A Certificates to be or become "private activity bonds" within the meaning of Section 141 of the Code, unless expressly contemplated in the Indenture or in the supplemental indenture pursuant to which a series is issued.

(1) IUBC covenants that it will not take any action nor fail to take any action that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the 2013A Certificates pursuant to Section 103 of the Code, nor will IUBC act in any other manner which would adversely affect such exclusion. The foregoing covenant is based solely on existing law in effect and in existence on the date of delivery of the 2013A Certificates.

(m) IUBC covenants to enter into the construction contracts and covenants to obtain payment and performance bonds from each of the contractors for the construction of the 2013A Project in accordance with the plans and specifications prepared by the respective Architects.

Representations and Warranties of IUBC

IUBC represents, warrants and agrees in the Indenture, as follows:

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

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

(c) Neither the construction of the 2013A Project nor the execution and delivery of the Indenture, the 2013A Lease or any other documents connected therewith to which IUBC is a party, nor the consummation of the transactions therein contemplated, nor the compliance with the terms and provisions thereof, will contravene any provision of present law, statute, rule or regulation to which it is subject or any judgment, decree, order, franchise or permit applicable to it, or will conflict or will be inconsistent with, or will result in any breach of, any of the terms,

covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, security interest or encumbrance upon any property or assets of it pursuant to the terms of any indenture, mortgage, deed of trust, agreement or other instrument to which it is a party or by which it or its property may be subject, or violate any provision of its articles of incorporation or by-laws.

(d) There are no actions, suits or proceedings pending, or to IUBC's knowledge threatened, against or affecting it or its property before any court or before any governmental or administrative body or agency (domestic or foreign), the outcome of which might have a material adverse effect upon IUBC's ability to meet and carry out its obligations under the Indenture, the 2013A Lease or any other documents connected therewith to which it is a party, or which might prevent or interfere with the execution or delivery of, or carrying out the provisions of, the foregoing instruments or agreements.

(e) No consent or approval of, or exemption by, any governmental or public body or authority, which has not now been obtained, is required to authorize, or is required in connection with, the execution, delivery and performance by IUBC of the Indenture, the 2013A Lease or the taking of any action thereby contemplated; nor is any filing, recording, registration, giving of notice or other similar action required or permitted by law, which has not now been performed, to establish, perfect, protect or preserve the rights and titles, interests, remedies, powers or privileges of the Trustee thereunder.

(f) IUBC is the owner of a leasehold interest on the real estate and improvements as described in the Indenture, and of the improvements constituting the 2013A Project located on the real estate described in the Indenture, subject to the Indenture and the 2013A Lease. Neither the 2013A Project, nor any part thereof, is subject to any lien or encumbrance of any character except for (i) easements and restrictions of record, including existing streets and alleys, (ii) current real and personal property taxes and non-delinquent assessments, and (iii) the 2013A Lease and the Indenture.

(g) To the best of IUBC's knowledge, there are no pending or threatened condemnation proceedings affecting the real estate upon which the 2013A Project are or will be located.

(h) IUBC represents, warrants and covenants that it has obtained already all the necessary governmental approvals to permit the construction of the 2013A Project on the real estate on which it is or will be located in accordance with the plans and specifications and the use of such real estate for the purpose described in the Indenture.

(i) IUBC represents, warrants and covenants that the additional costs of the 2013A Project exceeding available proceeds of the 2013A Certificates will be funded by gifts, grants, and bequests allocable to or otherwise available for such use, or by Corporation reserves and the reallocation of Indirect Cost Recovery, and further that such gifts, etc. have been allocated previously to costs of the 2013A Project prior to proceeds of the 2013A Certificates.

Insurance

During construction of the 2013A Project, IUBC will carry or will cause other persons to carry for its benefit (i) builder's risk insurance in the amount of 100% of the insurable value of the 2013A Project against physical loss or damage thereto, however caused, with such exceptions as are ordinarily required by insurers of buildings or facilities of a similar type and (ii) such other insurance coverage with respect to the 2013A Project as the Corporation would customarily maintain with respect to its other properties, including but not limited to that commonly known as fire and extended coverage and comprehensive general liability coverage.

IUBC covenants that it will carry or will cause other persons to carry for its benefit, with respect to the 2013A Project, but only after the Completion Date with respect to the 2013A Project, such insurance coverage as the Corporation would customarily maintain with respect to its other properties, including but not limited to that commonly known as fire and extended coverage and comprehensive general liability coverage.

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

Events of Default and Remedies

Events of default under the Indenture include:

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

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

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

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

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

(f) default in the performance of any obligation or in the observance of any covenant imposed on IUBC under the Leases giving effect to applicable cure period thereon; or

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

Upon the happening and continuance of any event of default, the Trustee may, in its discretion, declare the principal amount of and interest accrued on all Outstanding Certificates immediately due and payable; subject, however, to the rights of the holders of 51 % in principal amount of all the Outstanding Certificates to annul such declaration if all such events have been cured, all arrears of interest have been paid and all other indebtedness secured by the Indenture (except the principal and interest not then due) has also been paid.

Surrender of Possession of Project; Rights and Duties of Trustee in Possession

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

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

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

Other Remedies; Rights of Certificate Holders

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

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

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

Right of Certificate Holders to Direct Proceedings

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

Waiver of Events of Default

The Trustee may in its discretion waive any event of default under the Indenture and its consequences and rescind any declaration of maturity of principal, and shall do so upon the written request of the holders of at least (1) 51% in aggregate principal amount of all the Certificates then outstanding in respect of which default in the payment of principal and/or interest exists, or (2) 51% in principal amount of all Certificates then outstanding in case of any other default; provided, however, that there shall not be waived (a) any event of default in the payment of the principal of any Outstanding Certificates at the date of maturity specified therein or (b) any default in the payment when due of the interest on any such Certificates and there shall be no rescission of a declaration of maturity unless prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Certificates in respect of which such default shall have occurred on overdue installments of interest or all arrears of payments of principal when due, as the case may be, and all expenses of the Trustee, in connection

with such default, shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Corporation, IUBC, the Trustee and the Certificate Holders shall be restored to their former positions and rights under the Indenture respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Application of Moneys

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

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

First -- To the payment of the persons entitled thereto of all installments of interest then due on the Certificates, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, of the persons entitled thereto, without any discrimination or privilege; and

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

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

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

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

Supplemental Indentures

IUBC and the Trustee may, without obtaining the approval of the holders of the Certificates, enter into supplemental indentures to cure any ambiguity or formal defect or omission in the Indenture; or to grant to the Trustee for the benefit of such holders any additional rights, remedies, powers, authority or security that may be lawfully granted; or to convert variable rate Certificates from taxable to tax exempt interest rates, pursuant to provision therefor in the applicable supplemental indenture; or to provide for the issuance of Additional Certificates on a parity to finance a refunding of the Certificates or the cost of completing the Projects.

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

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

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

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

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

Lease Amendments

The Corporation and the Trustee may without the consent of or notice to the Certificate Holders consent to any amendment, change or modification of the Leases or any other documents in connection therewith, as may be required (i) by the provisions of the Leases and the Indenture, (ii) for the purpose of curing any ambiguity, inconsistency or formal defect or omission or (iii) in connection with any other change therein which, in the judgment of the Trustee, having relied on an opinion of Bond Counsel, is not to the prejudice of the Trustee or the holders of the Certificates.

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

Possession Until Default, Defeasance Payment, Release

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

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

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

(ii) if the Trustee shall hold, in trust for and irrevocably committed to the payment of the principal of and premium, if any, and interest on the Certificates, noncallable direct obligations of the United States of America certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (likewise to be held in trust and committed), be sufficient together with moneys referred to in subsection (i) above, for the payment, at their maturity or redemption date, of the principal of the Certificates together with the redemption premium, if any, and interest accrued to the date of maturity or redemption, as the case may be, or if default in such payment shall have occurred on such date then to the date of the tender of such payment; provided, that if any Certificates are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been duly made for the giving of such notice. Any income or interest earned by, or increment to, the investments held under this section shall, to the extent not required for the purposes of this section, be transferred to the Certificate Fund.

Release of Indenture and Payment of Certificates

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

Additional Certificates

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

Trustee's Fees, Charges and Expenses

On or after the date on which the Certificates are first delivered to the original purchaser, the Ordinary Services and Ordinary Expenses of the Trustee to be performed under the Indenture in connection with the authorization, issuance, delivery and payment of such series of Certificates shall be withdrawn by the Trustee from the Certificate Fund in payment of such Ordinary Services and Ordinary Expenses. The Trustee shall be entitled to reasonable fees and charges of the Trustee for necessary Extraordinary Services and Extraordinary Expenses under

the Indenture. Amounts equal to the necessary Extraordinary Services and Extraordinary Expenses of the Trustee under the Indenture shall be withdrawn by the Trustee from the Certificate Fund in payment of such Extraordinary Services and Extraordinary Expenses; provided, however, that in the event the amount of money in the Certificate Fund is insufficient to satisfy in full the amount due with respect to such Extraordinary Services and Extraordinary Expenses, then the amount unsatisfied shall be cumulated and paid in succeeding years from the balance remaining in the Certificate Fund after first having paid all principal of and premium, if any, and interest on the Certificates which is then next due and payable and its annual fee for its Ordinary Services and Ordinary Expenses then due at the time payment is sought by the Trustee.

Appointment of Successor Trustee

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

The 2003 Lease

The following is a brief summary of certain provisions of the 2003 Lease, and does not purport to comprehensively describe the document in its entirety.

Source of Rental Payments

Rental Payments. The Corporation will pay rental under the 2003 Lease during its term in semi-annual amounts equal to IUBC's debt service on the related Series 2012A Certificates, plus fees for the Trustee. The Corporation will receive a credit toward each rental payment in an amount equal to monies held in the Certificate Fund by the Trustee under the Trust Indenture between it and IUBC. All rentals payable under the terms of the 2003 Lease will be paid by the Corporation to the Trustee, or to such other bank or trust company as may from time to time succeed such bank as Trustee. All payments so made by the Corporation will be considered as payment to IUBC of the rentals payable thereunder.

Corporation's Obligations Payable From and Subject to Available Funds

The Corporation has covenanted and agreed that it will use and apply any Available Funds (as described in the 2003 Lease), to the extent necessary, for the purpose of satisfying its obligations under the 2003 Lease. Notwithstanding any other provisions of the 2003 Lease, the obligations imposed upon the Corporation for the payment of rent or making of other expenditures of money shall be and remain subject to the availability of Available Funds which may lawfully be used by the Corporation for such purposes. No obligation imposed on the Corporation under the 2003 Lease shall be or become an obligation, indebtedness or liability of the State of Indiana.

Additional Rental Payments and Other Charges

Additional Rental Payments. The Corporation made a one time payment of additional rent to IUBC upon completion of "Foundation Work" as described in the 2003 Lease. The Corporation will pay as further rental the amount calculated for the Trustee as the amount required to be rebated to the United States of America after taking into account other available monies to prevent the COPs from becoming arbitrage bonds. The Corporation will further pay (or reimburse IUBC for any payments made) for any other expenses in connection with the COPs on a periodic basis, including fees and expenses of the Trustee.

Public Utility Charges. The Corporation will pay charges for all utilities used on the premises during the term of the 2003 Lease.

Repairs, Maintenance, Operating Expenses and Improvements

The Corporation agrees to be responsible for all repairs, maintenance and operating expenses and capital improvements for the Leased Premises. IUBC shall complete the building and related improvements in accordance with the construction documents approved by the Corporation Architect. IUBC shall complete the building and related improvements. Construction shall be completed in a timely and workmanlike manner in accordance with best practices of the commercial and institutional construction industries and in compliance with all applicable building codes, laws and governmental regulations.

The Corporation is authorized to install fixtures and equipment and make any improvements to the premises, except that any improvements affecting the roof or structural walls shall require written notice to IUBC and the Trustee. If the Corporation undertakes improvements, the Corporation covenanted and agreed that it shall not suffer or permit any mechanics' liens to be filed against the Leased Premises and shall hold IUBC harmless therefrom.

General Covenants

The Corporation and IUBC consent to the assignment by IUBC of certain rights under the 2003 Lease. Neither IUBC nor the Corporation may otherwise assign the 2003 Lease without the express written approval of the other party. The Corporation may sublet the Leased Premises at will so long as the sublet is consistent with the covenants in its Federal Tax and Arbitrage Certificate. The 2003 Lease also contains other covenants regarding maintenance, subsequent improvements, damage or destruction, insurance and use of the premises.

Option to Purchase Leased Property by the Corporation

IUBC has granted to the Corporation the right and option, upon sixty (60) days' written notice to IUBC and the Trustee to purchase the Leased Premises at a price equal to an amount sufficient to redeem or defease the COPs issued under the Indenture in accordance with the terms of the 2003 Lease. Upon request of the Corporation, IUBC agreed to furnish an itemized statement setting forth the amount required to be paid by the Corporation in order to purchase the Leased Premises or a portion thereof desired by the Corporation. Upon the exercise of the option to purchase, IUBC will, upon payment of the option price, convey the Leased Premises to the Corporation, subject to liens and encumbrances, if any, to which title to said property was subject when conveyed to IUBC, including any existing streets and alleys, liens and encumbrances created by the Corporation or the creation or sufferance of which the Corporation consented, and liens for taxes or special assessments not then delinquent and liens and encumbrances on its own part contained in the 2003 Lease. In the event of the purchase of the Leased Premises or any portion thereof by the Corporation or conveyance of the same to the Corporation, the Corporation agreed to procure and pay for all surveys, title searches, abstracts, title policies and legal services that may be required, and shall furnish at the Corporation's expense all documentary stamps or tax payments required for the transfer of title.

If the Corporation does not exercise its option to purchase the Leased Premises or a portion of the Leased Premises and upon the full discharge and performance by the Corporation of its obligations under the 2003 Lease, the Leased Premises or the portion remaining shall become the absolute property of the Corporation.

Defaults

IUBC may terminate the 2003 Lease upon the Corporation's failure to pay any installment of rent when due and payable, or to perform any other of its covenants under the 2003 Lease within sixty (60) days after receipt of written notice.

Upon termination of the Lease as described in the preceding paragraph, IUBC or its assignees may re-enter the Leased Premises with or without process of law and remove all persons and property therefrom. Neither IUBC nor its assignees shall be liable for damages or otherwise by reason of re-entry. The exercise by IUBC or its

assignees of the right to terminate the 2003 Lease shall not release the Corporation from the performance of any obligation to make rental or additional rental payments subject only to the availability of Available Funds. No waiver by IUBC of any right to terminate the 2003 Lease upon any such default shall operate to waive such right upon the same or other defaults subsequently occurring.

The 2009 Leases, 2012 Lease and 2013A Lease

The 2009 Leases, the 2012 Lease and the 2013A Lease are subleases issued under and pursuant to the 2009 Prime Leases, the 2012 Prime Lease and the 2013A Prime Lease respectively.

The following is a brief summary of certain provisions of the 2009 Leases, the 2012 Lease, and the 2013A Lease, and does not purport to comprehensively describe the documents in their entirety.

Source of Rental Payments

Rental Payments. The Corporation will pay rental under each of the 2009 Leases, the 2012 Lease and the 2013A Lease during its term in semi-annual amounts equal to the debt service on the related Certificates, plus fees for the Trustee. The Corporation will receive a credit toward each rental payment in an amount equal to monies held in the Certificate Fund by the Trustee under the Trust Indenture between it and IUBC. All rentals payable under the terms of the 2009 Leases, the 2012 Lease and the 2013A Lease will be paid by the Corporation to the Trustee, or to such other bank or trust company as may from time to time succeed such bank as Trustee. All payments so made by the Corporation will be considered as payment to IUBC of the rentals payable thereunder.

Corporation's Obligations Payable From and Subject to Available Funds

The Corporation has covenanted and agreed that it will use and apply any Available Funds (as described in the 2009 Leases, the 2012 Lease and the 2013A Lease), to the extent necessary, for the purpose of satisfying its obligations under the 2009 Leases, the 2012 Lease and the 2013A Lease. Notwithstanding any other provisions of the 2009 Leases, the 2012 Lease and the 2013A Lease, the obligations imposed upon the Corporation for the payment of rent or making of other expenditures of money shall be and remain subject to the availability of Available Funds which may lawfully be used by the Corporation for such purposes. No obligation imposed on the Corporation under the 2009 Leases, the 2012 Lease and the 2013A Lease shall be or become an obligation, indebtedness or liability of the State of Indiana.

Additional Rental Payments and Other Charges

Additional Rental Payments. The Corporation will make a one time payment of additional rent to IUBC upon completion of IUBC Work as described in the 2009 Leases, the 2012 Lease and the 2013A Lease. The Corporation will pay as further rental the amount calculated for the Trustee as the amount required to be rebated to the United States of America after taking into account other available monies to prevent the COPs from becoming arbitrage bonds. The Corporation will further pay (or reimburse IUBC for any payments made) for any other expenses in connection with the COPs on a periodic basis, including fees and expenses of the Trustee.

Public Utility Charges. The Corporation will pay charges for all utilities used on the premises during the term of the 2009 Leases, the 2012 Lease and the 2013A Lease.

Repairs, Maintenance, Operating Expenses and Improvements

The Corporation agrees to be responsible for all repairs, maintenance and operating expenses and capital improvements for the Leased Premises. IUBC shall complete the buildings and related improvements in accordance with the construction documents approved by the Corporation Architect. IUBC shall complete the buildings and related improvements. Construction shall be completed in a timely and workmanlike manner in accordance with best practices of the commercial and institutional construction industries and in compliance with all applicable building codes, laws and governmental regulations.

The Corporation is authorized to install fixtures and equipment and make any improvements to the premises, except that any improvements affecting the roof or structural walls shall require written notice to IUBC and the Trustee. If the Corporation undertakes improvements, the Corporation covenanted and agreed that it shall not suffer or permit any mechanics' liens to be filed against the Leased Premises and shall hold IUBC harmless therefrom.

General Covenants

The Corporation and IUBC consent to the assignment by IUBC of certain rights under the 2009 Leases, the 2012 Lease and the 2013A Lease. Neither IUBC nor the Corporation may otherwise assign the 2009 Leases, the 2012 Lease and the 2013A Lease without the express written approval of the other party. The Corporation may sublet the Leased Premises at will so long as the sublet is consistent with the covenants in its Federal Tax and Arbitrage Certificate. The 2009 Leases, the 2012 Lease and the 2013A Lease also contains other covenants regarding maintenance, subsequent improvements, damage or destruction, insurance and use of the premises.

Option to Purchase Leased Property by the Corporation

IUBC has granted to the Corporation the right and option, upon forty-five (45) days' written notice to IUBC and the Trustee to purchase the Leased Premises at a price equal to an amount sufficient to redeem or defease the Certificates of each series issued under the Indenture in accordance with the terms of the 2009 Leases, the 2012 Lease and the 2013A Lease. Upon request of the Corporation, IUBC agreed to furnish an itemized statement setting forth the amount required to be paid by the Corporation in order to purchase the Leased Premises or a portion thereof desired by the Corporation. Upon the exercise of the option to purchase under any 2009 Leases, the 2012 Lease and the 2013A Lease, IUBC will, upon payment of the option price, convey the Leased Premises to the Corporation, subject to liens and encumbrances, if any, to which title to said property was subject when conveyed to IUBC, including any existing streets and alleys, liens and encumbrances created by the Corporation or the creation or sufferance of which the Corporation consented, and liens for taxes or special assessments not then delinquent and liens and encumbrances on its own part contained in the 2009 Leases, the 2012 Lease and the 2013A Lease. In the event of the purchase of the Leased Premises or any portion thereof by the Corporation or conveyance of the same to the Corporation, the Corporation agreed to procure and pay for all surveys, title searches, abstracts, title policies and legal services that may be required, and shall furnish at the Corporation's expense all documentary stamps or tax payments required for the transfer of title.

If the Corporation does not exercise its option to purchase the Leased Premises or a portion of the Leased Premises and upon the full discharge and performance by the Corporation of its obligations under the respective 2009 Leases, the 2012 Lease and the 2013A Lease, the Leased Premises or the portion remaining shall become the absolute property of the Corporation.

Defaults

IUBC's Default. IUBC's failure to perform or observe any of its obligations under the 2009 Leases, the 2012 Lease and the 2013A Lease within thirty (30) days after IUBC receives written notice from the Corporation that any such performance or observance is due, or IUBC's continuing breach of any representation or warranty herein after thirty (30) days notice thereof, constitutes a default of the 2009 Leases, the 2012 Lease and the 2013A Lease ("IUBC Default"). Upon occurrence of a IUBC Default, the Corporation may exercise all remedies available either at law or in equity; provided, however, that the Corporation shall have no right to terminate the 2009 Leases, the 2012 Lease and the 2013A Lease, and shall have no right to any abatement or reduction of Rent hereunder. IUBC shall defend, indemnify and hold the Corporation harmless from and against any and all claims, actions, damages, liability and expense (including, without limitation, attorneys' fees) arising from any IUBC Default.

Notwithstanding the above, IUBC's failure to perform or observe any of its obligations under the 2009 Leases, the 2012 Lease and the 2013A Lease shall not constitute an IUBC Default if IUBC commences to cure such failure within the thirty (30) day notice period and thereafter diligently continues to cure such failure.

The Corporation's Default. The happening of any one or more of the following events shall be deemed to be an "Event of Default": (a) the Corporation's failure to perform or observe any of its obligations under the 2009

Leases, the 2012 Lease and the 2013A Lease or the Corporation's continuing breach of any representation or warranty herein within thirty (30) days after the Corporation receives written notice from IUBC that any such performance or observance is due; (b) the making by the Corporation of an assignment for the benefit of its creditors; (c) the levying of a writ of execution or attachment on or against the Premises as the property of the Corporation and the same not released or discharged within ninety (90) days thereafter; (d) institution of proceedings in a court of competent jurisdiction for the reorganization, liquidation or dissolution of the Corporation, for its adjudication as a bankrupt or insolvent, or for the appointment of a receiver of the property of the Corporation, and, in the case of involuntary proceedings, said proceedings are not dismissed, and any receiver, trustee or liquidator appointed therein discharged, within ninety (90) days after the institution of said proceedings; and (e) the failure of the Corporation to pay an installment of rent within ten (10) days after written notice from IUBC that the same is due.

Notwithstanding the above, the Corporation's failure to perform or observe any of its non-monetary obligations under the 2009 Leases, the 2012 Lease and the 2013A Lease shall not constitute an Event of Default if the Corporation commences to cure such failure within the applicable period set forth above and thereafter diligently continues to cure such failure.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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March 8, 2013

Barclays Capital Inc., as representative
of the Underwriters
New York, New York

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

Re: Certificates of Participation, Series 2013A, Evidencing a Proportionate Interest of Owners Thereof in Lease Payments to Be Made by The Trustees of Indiana University, as Lessee; Total Issue $22,515,000

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), of Certificates of Participation, Series 2013A, originally dated the date hereof in the aggregate principal amount of $22,515,000 (the "2013A Certificates"). Each of the 2013A Certificates represents a proportionate interest of the owners thereof in lease payments to be made by The Trustees of Indiana University, as Lessee (the "Corporation") under that certain Lease Purchase and Sublease Agreement (International Studies Building Project) dated as of March 1, 2013 (the "2013A Lease") and certain other lease purchase agreements described in the Indenture (as defined below) (collectively, the "Leases"), to the Corporation from the Indiana University Building Corporation, as Lessor ("IUBC") of certain property described in the Leases, all as described in the Fourth Supplemental Indenture dated as of March 1, 2013 (the "Fourth Supplemental Indenture"), which supplemented and amended the Amended and Restated Trust Indenture dated as of June 1, 2009 (collectively, the "Indenture"), between IUBC and the Trustee, pursuant to which the 2013A Certificates are issued and secured. IUBC has assigned its interest in the 2013A Lease to the Trustee under the Assignment of 2013A Lease from IUBC to the Trustee, dated as of March 1, 2013 (the "Assignment"). We have relied upon a certified transcript of proceedings, including the opinion of the Vice President and General Counsel of the Corporation, the opinion of Senior Counsel in the legal department of the Trustee bank, as well as other certificates and representations of the Corporation, IUBC and the Trustee, including the Arbitrage and Federal Tax Certificate of the Corporation, IUBC and the Trustee (the "Tax Covenants"), and have not undertaken to verify any facts by independent investigation.

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

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

2. The 2013A Lease has been duly authorized, executed and delivered by IUBC and the Corporation, and is the valid and binding agreement of IUBC and the Corporation, enforceable in accordance with its terms.

3. The Assignment has been duly authorized, executed and delivered by IUBC, and is the valid and binding agreement of IUBC, enforceable in accordance with its terms.

4. The 2013A Certificates have been duly authorized, executed and issued and are the valid and binding obligations of the Trustee, enforceable in accordance with their terms.

5. Under existing laws, judicial decisions, regulations, and rulings, the interest on the 2013A Certificates is exempt from income taxes imposed by the State of Indiana.

6. Under existing federal statutes, laws, regulations, rulings and judicial decisions, the interest on the 2013A Certificates paid from that portion of the lease rental payments designated as interest is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"), is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining alternative minimum tax imposed on certain corporations. This opinion is conditioned on continuing compliance by the Corporation, IUBC and the Trustee with the Tax Covenants. Failure to comply with the Tax Covenants could cause interest on the 2013A Certificates to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue.

It is to be understood that the rights of the owners of the 2013A Certificates, the Corporation, IUBC and the Trustee and the enforceability of the 2013A Certificates, the Indenture and the Leases may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore and hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity. It is to be understood that the rights of the owners of the 2013A Certificates, the Corporation, IUBC and the Trustee and the enforceability of the 2013A Certificates, the Indenture and the Leases may be subject to the valid exercise of the constitutional powers of the State of Indiana and the United States of America.

Very truly yours,

APPENDIX E

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

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General

Pursuant to continuing disclosure requirements promulgated by the Securities and Exchange Commission (the "SEC") in SEC Rule 15c2-12, as amended (the "Rule"), the Corporation will enter into a Continuing Disclosure Supplement dated as of March 1, 2013, to an Amended and Restated Continuing Disclosure Undertaking Agreement of the Corporation dated as of March 1, 2011, as previously supplemented (collectively, the "Continuing Disclosure Agreement"). The Underwriters, by their agreement to purchase the Series 2013A Certificates, (a) accept and assent to the Continuing Disclosure Agreement and (b) assign all their rights under the Continuing Disclosure Agreement, as promisee, to the holders of the Series 2013A Certificates. Any beneficial owner of any Series 2013A Certificate will, by its payment for and acceptance of such Series 2013A Certificate, be deemed to have accepted and assented to the Continuing Disclosure Agreement and the exchange of (i) such payment and acceptance for (ii) the promises of Corporation contained therein.

Pursuant to the terms of the Continuing Disclosure Agreement, the Corporation will agree to provide the following information while any of the Series 2013A Certificates are outstanding:

(i) To the Municipal Securities Rulemaking Board ("MSRB"), when and if available, the audited financial statements of the Corporation for each fiscal year of the Corporation, beginning with the fiscal year ending June 30, 2013, together with the auditor's report and all notes thereto.

(ii) To the MSRB, within 180 days of the close of each fiscal year of the Corporation, beginning with the fiscal year ending June 30, 2013, annual financial information of the Corporation for such fiscal year (other than the audited financial statements described above), including: (a) unaudited financial statements of the Corporation if audited financial statements are not then available and (b) operating data (excluding any demographic information or forecasts) of the general type included in Appendix A to this Official Statement (the "Annual Information").

(iii) In a timely manner within 10 business days after the occurrence thereof, to the MSRB, notice at the occurrence of any of the following events with respect to the Series 2013A Certificates:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on credit enhancements reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2013A Certificates, or other material events affecting the tax status of the Series 2013A Certificates;

(g) modifications to the rights of owners of the Series 2013A Certificates, if material;

(h) Series 2013A Certificate calls, if material, and tender offers;

(i) defeasances of the Series 2013A Certificates;

(j) release, substitution or sale of property securing repayment of the Series 2013A Certificates, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the Corporation;

(m) the consummation of a merger, consolidation or acquisition involving the Corporation or the sale of all or substantially all of the assets of the Corporation, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

(iv) In a timely manner, to the MSRB, notice of the Corporation's failure to provide the Annual Information as required by the Continuing Disclosure Agreement.

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 relate have been materially changed or discontinued, a statement to that effect, provided by the Corporation to the MSRB, along with any other Annual Information or audited financial statements required to be provided under the Continuing Disclosure Agreement, will satisfy the Continuing Disclosure Agreement. 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 was previously 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 Continuing Disclosure Agreement, will not be deemed to be a breach of the Continuing Disclosure Agreement. The Corporation has further agreed to supplement the Annual Information filing when such data is available.

Dissemination Agent

The Corporation may, at its sole discretion, utilize an agent (a "Dissemination Agent") in connection with the dissemination of any Annual Information or other information required to be provided by the Corporation pursuant to the Rule or the Continuing Disclosure Agreement.

Remedy

The sole remedy against the Corporation for any failure to carry out any provision of the Continuing Disclosure Agreement will be to require specific performance of the Corporation's disclosure obligations under the Continuing Disclosure Agreement, without money damages of any kind or in any amount or any other remedy. Any failure of the Corporation to honor its covenants under the Continuing Disclosure Agreement will not constitute a breach of or default under the Series 2013A Certificates, any Lease or any other agreement to which the Corporation is a party.

In the event the Corporation fails to provide any information required to be provided by the Continuing Disclosure Agreement, any beneficial owner of Series 2013A Certificates may pursue the remedy set forth above in any court of competent jurisdiction in the State. Any challenge to the adequacy of the information provided by the Corporation by the terms of the Continuing Disclosure Agreement may be pursued only by beneficial owners of not less than 25% in principal amount of Series 2013A Certificates then outstanding in any court of competent jurisdiction in the State. An affidavit to the effect that such persons are beneficial owners of Series 2013A

Certificates, supported by reasonable documentation of such claim, will be sufficient to evidence standing to pursue the remedy set forth above.

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

Prior to pursuing any remedy for any breach of any obligation under the Continuing Disclosure Agreement, a beneficial owner of Series 2013A Certificates must give notice to the Corporation, by registered or certified mail, of such breach and its intent to pursue such remedy. Fifteen days after the receipt of such notice, or upon earlier response from the Corporation to this notice indicating continuing noncompliance, such remedy may be pursued under the Continuing Disclosure Agreement if and to the extent the Corporation has failed to cure such breach.

Modification of Continuing Disclosure Agreement

The Corporation may, from time to time, amend or modify the Continuing Disclosure Agreement without the consent of or notice to the Underwriters or any holders of any Series 2013A Certificates, if either (a)(i) such amendment or modification is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Corporation, or type of business conducted, (ii) the Continuing Disclosure Agreement, as so amended or modified, would have complied with the requirements of the Rule on the date of the Continuing Disclosure Agreement, 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 obligations subject to the Continuing Disclosure Agreement, as determined either by (A) any person selected by the Corporation that is unaffiliated with the Corporation (including the trustee under the applicable indenture, or nationally recognized bond counsel) or (B) an approving vote of the holders of the requisite percentage of outstanding obligations of a series subject to the Continuing Disclosure Agreement at the time of such amendment or modification; or (b) such amendment or modification (including an amendment or modification which rescinds the Continuing Disclosure Agreement) is permitted by the Rule, as then in effect.

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