

NEW ISSUE
Book-Entry-Only

RATINGS: Standard & Poor's: "AAA" (Insured)
"A+" (Underlying)
(See "RATINGS" herein)

In the opinion of Baker & Daniels LLP, Indianapolis, Indiana ("Bond Counsel"), under existing law, interest on the Series 2006 C Bonds (as hereinafter defined) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2006 C Bonds. Such excludability is conditioned on continuing compliance by the Bond Bank and the Series 2006 C Qualified Entity (as defined herein) with certain tax covenants described herein. In the opinion of Bond Counsel, under existing law, interest on the Series 2006 C Bonds is exempt from taxation in the State of Indiana for all purposes except the Indiana inheritance tax and the Indiana financial institutions tax. See "TAX MATTERS" herein and Appendix C.

\$20,660,000
INDIANA BOND BANK
Special Program Bonds, Series 2006 C
(Fort Wayne Regional Public Safety Academy Project)

Dated: Date of Delivery

Due: As shown on the inside cover

The Special Program Bonds, Series 2006 C (Fort Wayne Regional Public Safety Academy Project) (the "Series 2006 C Bonds"), are to be issued by the Indiana Bond Bank (the "Bond Bank") pursuant to a Trust Indenture dated as of June 1, 2006, (the "Indenture"), between the Bond Bank and U.S. Bank National Association, as trustee (the "Trustee"), will initially be dated as of the date of delivery and will bear interest from that date at the rates per annum and mature on the dates and in the principal amounts set forth on the inside front cover. The Series 2006 C Bonds are issuable only as fully registered bonds 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 2006 C Bonds will be made in book-entry-only form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Series 2006 C Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interests in the Series 2006 C Bonds. Interest on the Series 2006 C Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2007. The principal of and interest on the Series 2006 C Bonds will be paid directly to DTC by the Trustee under the Indenture so long as DTC or its nominee is the registered owner of the Series 2006 C Bonds. The final disbursement of such payments to the Beneficial Owners of the Series 2006 C Bonds will be the responsibility of DTC's Participants, all as defined and more fully described herein under the caption "THE SERIES 2006 C BONDS-Book-Entry-Only System."

The Series 2006 C Bonds are to be issued by the Bond Bank for the principal purposes of (1) providing funds for the purchase of the Series 2006 C Qualified Obligations of the Series 2006 C Qualified Entity as defined and described herein; (2) paying all costs related to the issuance of the Series 2006 C Bonds, including the premiums for a municipal bond insurance policy and debt service reserve fund surety bond; and (3) paying capitalized interest on the Series 2006 C Bonds; all as more fully described in this Official Statement under "PLAN OF FINANCING" and "ESTIMATED SOURCES AND USES OF FUNDS."

Certain maturities of the Series 2006 C Bonds are subject to optional redemption prior to maturity as described herein under "THE SERIES 2006 C BONDS-Redemption."

The Series 2006 C Bonds and the interest payable thereon are limited obligations of the Bond Bank payable solely out of the Trust Estate (as defined in Appendix E hereto). The Series 2006 C Bonds and the interest payable thereon do not constitute a debt, liability or loan of the credit of the State of Indiana (the "State") or any political subdivision thereof, including the City of Fort Wayne, Indiana (the "City"), or the Series 2006 C Qualified Entity, under the constitution and laws of the State or a pledge of the faith, credit or taxing power of the State or any political subdivision thereof, including the City or the Series 2006 C Qualified Entity. The sources of payment of, and security for the Series 2006 C Bonds and the interest payable thereon are more fully described herein. The Bond Bank has no taxing power.

The scheduled payment of principal of and interest on the Series 2006 C Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2006 C Bonds by Financial Security Assurance Inc. (the "Series 2006 C Bond Insurer"). See "BOND INSURANCE" herein.



(A detailed maturity schedule is set forth on the inside cover)

The Series 2006 C Bonds are offered when, as and if issued by the Bond Bank and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Baker & Daniels LLP, Indianapolis, Indiana, Bond Counsel, and the satisfaction of certain other conditions. Certain legal matters will be passed on for the Bond Bank by its general counsel, Barnes & Thornburg LLP, Indianapolis, Indiana, for the Series 2006 C Qualified Entity by Baker & Daniels LLP, South Bend, Indiana, Qualified Entity Bond Counsel and for the Underwriters by their counsel, Bingham McHale LLP, Indianapolis, Indiana. It is expected that the Series 2006 C Bonds will be available for delivery to DTC on or about June 29, 2006.

JPMorgan

Morgan Keegan & Company, Inc.

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

Dated: June 20, 2006

Maturity Schedule
\$20,660,000
Indiana Bond Bank
Special Program Bonds, Series 2006 C
(Fort Wayne Regional Public Safety Academy Project)

Serial Bonds

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Yield</u>
February 1, 2009	\$ 700,000	4.250%	3.820%
February 1, 2010	730,000	4.250%	3.880%
February 1, 2011	755,000	4.250%	3.930%
February 1, 2012	1,185,000	4.250%	4.000%
February 1, 2013	1,235,000	4.500%	4.080%
February 1, 2014	1,290,000	4.500%	4.160%
February 1, 2015	1,350,000	4.500%	4.220%
February 1, 2016	1,410,000	5.000%	4.280%
February 1, 2017	1,480,000	5.000%	4.360%*
February 1, 2018	1,555,000	5.000%	4.430%*
February 1, 2019	1,640,000	4.550%	4.580%
February 1, 2020	1,710,000	5.000%	4.530%*
February 1, 2021	1,800,000	5.000%	4.560%*
February 1, 2022	1,875,000	5.000%	4.590%*
February 1, 2023	1,945,000	5.000%	4.620%*

*Priced to call date

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Indiana Bond Bank General Counsel

Barnes & Thornburg, LLP
Indianapolis, Indiana

Bond Counsel

Baker & Daniels LLP
Indianapolis, Indiana

Financial Advisor

Crowe Chizek and Company LLC
Indianapolis, Indiana

No dealer, broker, salesperson or other person has been authorized by the Bond Bank, the Series 2006 C Qualified Entity or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Series 2006 C Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2006 C Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there have been no changes in the information presented herein since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2006 C BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SERIES 2006 C BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Other than with respect to information concerning Financial Security Assurance Inc. (“Financial Security”) contained under the caption “Bond Insurance” and in Appendix F, “Specimen Municipal Bond Insurance Policy” and Appendix G “Specimen Debt Service Reserve Fund Surety Bond” herein, none of the information in this official statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; (iii) the tax exempt status of the interest on the Series 2006 C Bonds.

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OFFICIAL STATEMENT
\$20,660,000
Indiana Bond Bank
Special Program Bonds, Series 2006 C
(Fort Wayne Regional Public Safety Academy Project)

INTRODUCTION

Authorization of the Series 2006 C Bonds

The purpose of this Official Statement, including the cover page, the inside cover page, the other preliminary pages and the appendices, is to set forth certain information concerning the issuance and sale by the Indiana Bond Bank (the “Bond Bank”) of its \$20,660,000 aggregate principal amount of Special Program Bonds, Series 2006 C (the “Series 2006 C Bonds”). The Series 2006 C Bonds are authorized by a Resolution adopted by the Board of Directors of the Bond Bank on May 9, 2006 (the “Resolution”), and are issued pursuant to the provisions of a Trust Indenture, dated as of June 1, 2006, between the Bond Bank and the Trustee (as hereinafter defined) (the “Indenture”), and the laws of the State of Indiana (the “State”), including particularly Indiana Code 5-1.5 (as amended from time to time, the “Act”). U.S. Bank National Association is the trustee, registrar and paying agent (the “Trustee”) under the Indenture.

Use of Proceeds of the Series 2006 C Bonds

The proceeds from the sale of the Series 2006 C Bonds will be used to provide funds to (a) purchase the Series 2006 C Qualified Obligations described in this Official Statement (the “Series 2006 C Qualified Obligations”); (b) pay capitalized interest on the Series 2006 C Bonds; and (c) pay all of the Costs of Issuance of the Series 2006 C Bonds, including the underwriters’ discount and the premiums for a municipal bond insurance policy and a debt service reserve fund surety bond to be issued by Financial Security Assurance Inc. (the “Series 2006 C Bond Insurer”). See “PLAN OF FINANCING” and “ESTIMATED SOURCES AND USES OF FUNDS.”

The Project; Source of Payments on the Series 2006 C Qualified Obligations

The Series 2006 C Qualified Obligations are being issued principally to provide funds to pay the costs of the acquisition, construction and equipping of a 125,000 square foot government facility in the southeastern portion of the City of Fort Wayne, Indiana (the “City”), to be used as (i) a fire, police and emergency medical training center, (ii) an academic institution for public safety degrees and training programs, and (iii) a backup emergency operations center for the City and surrounding region (collectively, the “Project”). Rental payments for such use of the Project by the City, as lessee, pursuant to the Lease (the “Lease”) dated as of February 1, 2006, between the Fort Wayne Municipal Building Corp., as lessor (the “Series 2006 C Qualified Entity”), and the City, as lessee, which will constitute the principal source of repayment of the Series 2006 C Qualified Obligations, will be made by the City primarily from (i) tax increment revenues pledged from the portion of the City’s Tillman Anthony Urban Renewal Area constituting an allocation area (the “Allocation Area”) for purposes of collecting such tax increment revenues (the “TIF Revenues”); (ii) sublease payments from Ivy Tech Community College of Indiana (“Ivy Tech”), subject to biennial appropriation by the State General Assembly, for its use of a portion of the Project (the “Sublease Revenues”); (iii) if necessary, a pledge of the City’s distributive share of Allen County’s Economic Development Income Tax revenues but only up to the maximum annual amount of \$1,065,000 (the “Pledged CREDIT Revenues”); and (iv) certain other miscellaneous funds pledged by the City.

Series 2006 C Bonds Are Limited Obligations

The Series 2006 C Bonds and the interest payable thereon are limited obligations of the Bond Bank payable solely out of the Trust Estate (as defined in Appendix E). The Series 2006 C Bonds and the interest payable thereon do not constitute a debt, liability or loan of the credit of the State or any political subdivision of the State, including the City or the Series 2006 C Qualified Entity, under the constitution and laws of the State or a pledge of the faith, credit or taxing power of the State or any political subdivision thereof, including the City or the Series 2006 C

Qualified Entity. The sources of payment and security for the Bonds are further described in this Official Statement under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006 C BONDS." THE BOND BANK HAS NO TAXING POWER.

General

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The summaries of and references to all documents, statutes and other instruments referred to in this Official Statement do not purport to be complete and are qualified in their entirety by reference to the full text of each such document, statute or instrument. Summaries of certain provisions of the Indenture and definitions of some of the capitalized words and terms used in this Official Statement are set forth in Appendix D and Appendix E, respectively. Terms not defined herein shall have the respective meanings ascribed thereto in the Indenture.

Information contained in this Official Statement with respect to the Bond Bank and the Series 2006 C Qualified Entity may be obtained from the Indiana Bond Bank, 2980 Market Tower, 10 West Market Street, Indianapolis, Indiana 46204. The Bond Bank's telephone number is (317) 233-0888.

THE SERIES 2006 C BONDS

General Description

The Series 2006 C Bonds are issuable as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Series 2006 C Bonds will be dated as of the date of their delivery.

Interest on the Series 2006 C Bonds will be payable semiannually on February 1 and August 1 of each year, commencing February 1, 2007 (each an "Interest Payment Date"). The Series 2006 C Bonds will bear interest (calculated on the basis of a 30-day month and a 360-day year) at the per annum rates and will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. If a Series 2006 C Bond is authenticated on or prior to January 15, 2007, it shall bear interest from the date of its delivery. Each Series 2006 C Bond authenticated after January 15, 2007 shall bear interest from the most recent Interest Payment Date to which interest has been paid or the date of authentication of such Series 2006 C Bond unless such Series 2006 C Bond is authenticated after a Record Date and on or before the next succeeding Interest Payment Date, in which event such Series 2006 C Bond will bear interest from such next succeeding Interest Payment Date.

When issued, all Series 2006 C Bonds will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), the securities depository for the Series 2006 C Bonds. Purchases of beneficial interests from DTC in the Series 2006 C Bonds will be made in book-entry-only form (without certificates) in the denomination of \$5,000 or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Series 2006 C Bonds, payments of the principal of and interest on the Series 2006 C Bonds will be made directly by the Trustee by wire transfer in same day funds to Cede & Co., as nominee for DTC. Disbursement of such payments to the participants of DTC (the "DTC Participants") will be the sole responsibility of DTC, and the ultimate disbursement of such payments to the Beneficial Owners, as defined herein, of the Series 2006 C Bonds will be the responsibility of the DTC Participants and the Indirect Participants, as defined herein. See "THE SERIES 2006 C BONDS -- Book-Entry-Only System."

If DTC or its nominee is not the registered owner of the Series 2006 C Bonds, principal of and premium, if any, on all of the Series 2006 C Bonds will be payable at maturity upon the surrender thereof at the principal corporate trust office of the Trustee. Interest on the Series 2006 C Bonds, when due and payable, will be paid by check dated the due date mailed by the Trustee one business day prior to the due date (or, in the case of an owner of Series 2006 C Bonds in an aggregate principal amount of at least \$1,000,000, by wire transfer on such due date, upon written direction of such registered owner to the Trustee not less than five business days before the Record Date immediately prior to such Interest Payment Date, which direction shall remain in effect until revoked in writing by such owner) to the persons in whose names such Series 2006 C Bonds are registered, at their addresses as they

appear on the registration books maintained by the Trustee at the close of business on the Record Date immediately prior to such Interest Payment Date.

Except as provided under “THE SERIES 2006 C BONDS -- Book-Entry-Only System,” in all cases in which the privilege of exchanging or transferring Series 2006 C Bonds is exercised, the Bond Bank will execute and the Trustee will deliver Series 2006 C Bonds in accordance with the provisions of the Indenture. The Series 2006 C Bonds will be exchanged or transferred at the principal corporate trust office of the Trustee only for Series 2006 C Bonds of the same tenor and maturity. In connection with any transfer or exchange of Series 2006 C Bonds, the Bond Bank or the Trustee may impose a charge for any applicable tax, fee or other governmental charge incurred in connection with such transfer or exchange, which sums are payable by the person requesting such transfer or exchange.

The person in whose name a Series 2006 C Bond is registered will be deemed and regarded as its absolute owner for all purposes and payment of principal and interest thereon will be made only to or upon the order of the registered owner or its legal representative, but such registration may be changed as provided above. All such payments shall be valid to satisfy and discharge the liability upon such Series 2006 C Bond to the extent of the sum or sums so paid.

Redemption

Optional Redemption. The Series 2006 C Bonds maturing on or after February 1, 2017 are subject to redemption prior to maturity on or after February 1, 2016 in whole or in part on any date as selected by the Bond Bank, at a redemption price equal to the principal amount of each Series 2006 C Bond to be redeemed, plus accrued and unpaid interest to the redemption date, and without any redemption premium.

Cash Flow Certificate. Prior to any optional redemption of any Series 2006 C Bonds, the Bond Bank will be required under the Indenture to deliver or to cause to be delivered to the Trustee a Cash Flow Certificate (as defined in Appendix E) to the effect that, after giving effect to such redemption, Revenues (as defined in Appendix E) expected to be received, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds along with Program Expenses (as defined in Appendix E), if any.

Notice of Redemption. In the case of redemption of the Series 2006 C Bonds, notice of the call for any such redemption identifying the Series 2006 C Bonds, or portions of fully registered Series 2006 C Bonds, to be redeemed and the date and place of redemption will be given by mailing a copy of the redemption notice by registered or certified mail not less than thirty (30) days nor more than forty-five (45) days prior to the date fixed for redemption to the Registered Owner of the Series 2006 C Bonds to be redeemed at the address shown on the registration books of the Trustee. Failure to give such notice by mailing, or any defect thereof with respect to any Series 2006 C Bonds, shall not affect the validity of any proceedings for the redemption of any other Series 2006 C Bonds. Any notice of redemption may contain a statement that the redemption is conditioned upon the receipt by the Trustee of funds on or before the date fixed for redemption sufficient to pay the redemption price of the Series 2006 C Bonds so called for redemption, and that if such funds are not available, such redemption will be cancelled by written notice to the owners of the Series 2006 C Bonds called for redemption in the same manner as the original redemption notice was mailed. All Series 2006 C Bonds so called for redemption shall cease to bear interest on the specified redemption date, shall no longer be protected by the Indenture and shall not be deemed to be outstanding under the provisions of the Indenture, provided funds for their redemption are on deposit at the place of payment at that time.

Redemption Payments. Prior to the date fixed for redemption, there must be on deposit with the Trustee sufficient funds to pay the redemption price of the Series 2006 C Bonds called, together with accrued interest on the Series 2006 C Bonds to the redemption date. After the redemption date, if prior notice of redemption by mailing has been given and sufficient funds have been deposited with the Trustee, interest will cease to accrue on the Series 2006 C Bonds that have been called for redemption.

Book-Entry-Only System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2006 C Bonds. The Series 2006 C Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2006 C Bond will be issued for each maturity of the Series 2006 C Bonds, 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 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2006 C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2006 C Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2006 C Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2006 C Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2006 C Bonds, except in the event that use of the book-entry system for the Series 2006 C Bonds is discontinued.

To facilitate subsequent transfers, all Series 2006 C Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2006 C Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2006 C Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2006 C Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2006 C Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2006 C Bonds, such as redemptions, defaults, and proposed amendments to the Series 2006 C Bond documents. For example, Beneficial Owners of Series 2006 C Bonds may

wish to ascertain that the nominee holding the Series 2006 C Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee 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 2006 C Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2006 C Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Bond Bank as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2006 C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

The principal and interest payments on the Series 2006 C Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Bond Bank or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Bond Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. The payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Bank or 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 2006 C Bonds at any time by giving reasonable notice to the Bond Bank or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Series 2006 C Bond certificates are required to be printed and delivered.

The Bond Bank may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Series 2006 C Bonds 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 BOND BANK BELIEVES TO BE RELIABLE, BUT THE BOND BANK TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

Revision of Book-Entry-Only System

In the event that either (i) the Bond Bank receives notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities as a clearing agency for the Series 2006 C Bonds or (ii) the Bond Bank elects to discontinue its use of DTC as a clearing agency for the Series 2006 C Bonds, then the Bond Bank 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 holders of the Series 2006 C Bonds, as are necessary or appropriate to discontinue use of DTC as a clearing agency for the Series 2006 C Bonds and to transfer the ownership of each of the Series 2006 C Bonds to such person or persons, including any other clearing agency, as the holder of such Series 2006 C Bonds may direct in accordance with the Indenture. Any expenses of such a discontinuation and transfer, including any expenses of printing new certificates to evidence the Series 2006 C Bonds, will be paid by the Bond Bank.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006 C BONDS

The Series 2006 C Bonds will be issued under and secured by the Indenture. The principal of and interest on the Series 2006 C Bonds, together with any Additional Bonds (as hereafter defined), including Refunding Bonds (as hereafter defined), that may be authorized and issued by the Bond Bank under the Indenture on a parity with the

Series 2006 C Bonds (collectively, the “Bonds”), are payable solely out of the Trust Estate for the benefit of the owners of the Bonds equally, ratably and without priority.

Neither the faith, credit nor taxing power of the State or any political subdivision thereof, including the City or the Series 2006 C Qualified Entity, is pledged to the payment of the principal of or interest on any of the Bonds. The Bonds and the interest payable thereon are not a debt, liability or loan of the credit of the State or any political subdivision thereof, including the City or the Series 2006 C Qualified Entity, under the constitution and laws of the State. The Bond Bank has no taxing power and has only those powers and sources of revenue set forth in the Act and the Indenture. The Bonds are issued and secured separately from any other obligations issued by the Bond Bank. The sources of payment of, and security for, the Bonds are more fully described below.

Under the Indenture, the Series 2006 C Bonds are secured primarily by a pledge to the Trustee of the Series 2006 C Qualified Obligations, which will be purchased by the Bond Bank and delivered to the Trustee pursuant to a Qualified Entity Purchase Agreement dated June 20, 2006, between the Bond Bank and the Series 2006 C Qualified Entity (the “QE Purchase Agreement”), and all principal and interest payments made or required to be made on the Series 2006 C Qualified Obligations (the “Qualified Obligation Payments”), as described therein. In addition, the Indenture pledges to the payment of the Series 2006 C Bonds all proceeds of the Trust Estate, including without limitation all cash and securities held in the Funds and Accounts, except for the Rebate Fund and the accounts thereunder, together with investment earnings thereon and proceeds thereof (except to the extent transferred to the Rebate Fund); and all other funds, accounts and moneys to be pledged by the Bond Bank to the Trustee as security under the Indenture, including the Revenues, to the extent of any such pledge. Under the Act and Indiana Code § 5-1-14-4, such pledge is valid and binding from and after the date of delivery of the Series 2006 C Bonds under the Indenture and such Series 2006 C Qualified Obligations and the Qualified Obligation Payments thereon shall be immediately subject to the lien of such pledge without any physical delivery of the payments or further act, and the lien of such pledge is valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Bond Bank, irrespective of whether such parties have notice thereof. The Qualified Obligation Payments with respect to the Series 2006 C Qualified Obligations have been structured as of the date of issuance of the Series 2006 C Bonds to be sufficient along with earnings thereon, and other money in the Funds and Accounts and the earnings thereon, to pay the principal of and interest on the Series 2006 C Bonds when due.

Provisions for Payment of the Series 2006 C Qualified Obligations

The principal of and interest on the Series 2006 C Qualified Obligations will be payable primarily from lease rental payments made by the City under the Lease payable primarily from (i) the TIF Revenues; (ii) the Sublease Revenues; (iii) if necessary, the Pledged CREDIT Revenues; and (iv) certain other miscellaneous funds pledged by the City.

The rental payments to be made by the City under the Lease will be paid directly to a corporate trustee (the “Series 2006 C Qualified Entity Trustee”) pursuant to a Trust Indenture and Mortgage (the “Series 2006 C Qualified Entity Trust Indenture”) dated as of June 1, 2006, between the Series 2006 C Qualified Entity and the Series 2006 C Qualified Entity Trustee to be applied to the payment of the principal of and interest on the Series 2006 C Qualified Obligations. Lease rental payments are due on each June 1 and December 1 during the Lease term, commencing on the date the Project is completed and ready for use and occupancy or June 1, 2008, whichever is later.

If there is a delay in the construction of the Project, and the Project is not available for use by June 1, 2008, sufficient funds may not be available to meet the principal and interest payments due on the Series 2006 C Qualified Obligations on June 15, 2008, and subsequent principal and interest payments.

If for any reason, the Project is partially or totally destroyed or unfit for occupancy, lease rental payments under the Lease shall be proportionately abated. The Series 2006 C Qualified Entity has covenanted in the Series 2006 C Qualified Entity Trust Indenture to cause the City to maintain rental value insurance in an amount equal to two (2) years of lease rental payments under the Lease. In addition, the proceeds of any property or casualty insurance would be used to either repair and reconstruct the Project or retire the Series 2006 C Qualified Obligations. In the Series 2006 C Qualified Entity Trust Indenture, the Series 2006 C Qualified Entity has

covenanted to cause the City to carry property and casualty insurance in an amount equal to the greater of (i) the amount necessary to make all required payments or principal of and interest on the Series 2006 C Qualified Obligations, or (ii) 105% of the full replacement value of the Project.

Sources of Lease Rental Payments and Risks

(a) Sublease Revenues. Sublease payments from Ivy Tech will come exclusively from appropriations made by the State General Assembly. A special one-time appropriation of \$1,000,000 was made by the State General Assembly to be applied to the construction of the Project. Thereafter, beginning upon the later of July 15, 2007, or substantial completion of the Project, sublease payments will be made on a semiannual basis in the amount of \$500,000. The sublease expires on June 30, 2022.

- (i) *Non-Appropriation of Funds; Termination of Sublease; Vacation of Premises*. The sublease provides that in the event the State General Assembly fails to appropriate sufficient funding, or required budget items are not approved, such that Ivy Tech cannot meet any rental obligation under the sublease, the sublease shall terminate and Ivy Tech must vacate the subleased premises prior to the date of such termination. Ivy Tech is obligated to pay rental under the sublease for any period (i) during which the subleased premises are available for use and occupancy by Ivy Tech, and (ii) funds have been appropriated and available to Ivy Tech to pay rental under the sublease.
- (ii) *Limitation of Liability*. The sublease provides that the obligations of Ivy Tech under the sublease do not constitute an indebtedness of the State, or any agency or political subdivision thereof, within the meaning or application of any constitutional provision or limitation of the State or the laws of the State, or a pledge of the faith or credit of the State, or any agency or political subdivision thereof. If sufficient moneys are not paid by Ivy Tech under the terms of the sublease, neither the City, the Series 2006 C Qualified Entity, the Bond Bank, the holders of the Series 2006 C Bonds, or any other person will have the right to compel funds to be appropriated by the State General Assembly or any other body to be made available for such purpose.

(b) TIF Revenues. Tax increment consists of the tax proceeds attributable to all real property assessed value within the Allocation Area, as of the assessment date in excess of the base assessed value as defined in Indiana Code § 36-7-14-39(a). The base assessed value means the net assessed value of all the property in the Allocation Area as finally determined for the assessment date immediately preceding the effective date of a declaratory resolution pursuant to Indiana Code § 36-7-14-39 establishing the Allocation Area (“Tax Increment”). The base assessment date of the Allocation Area is March 1, 2002.

The tax incremental assessed values are determined by subtracting the base net assessed values from the current net assessed values as of the assessment dates. The incremental assessed values are then multiplied by the current property tax rate to determine the Tax Increment. Indiana Code § 36-7-14-39.5 entitles taxpayers in an allocation area to an additional credit (the “Additional Credit”) payable from Tax Increment in an amount equal to the State Property Tax Replacement Credit (the “SPTRC”); however, a redevelopment commission may recommend that the legislative body adopt a resolution to deny or reduce the Additional Credit.

Pursuant to State law, property taxes are due and payable to the County Treasurer each May 10 and November 10. Before July 15 of the preceding calendar year a redevelopment commission must determine and notify the County Auditor of the amount by which Tax Increment payable to the allocation fund is expected to exceed the amount of Tax Increment necessary to meet the obligations which may be legally paid with such Tax Increment including debt service. These excess property taxes may be paid to the other taxing units in which the Allocation Area is located so long as doing so will not jeopardize the interest of owners of bonds or leases payable solely from Tax Increment revenues under Indiana Code § 36-7-14-25.2. After property taxes are paid to the County Treasurer as described above, on or before each June 30 and December 31, such taxes are paid over to the County Auditor who, based on the previous year’s certification, pays the portion of the property tax receipts which represents Tax Increment into the allocation fund.

Real and personal property in the State of Indiana is assessed each year as of March 1. On or before August 1 each year, each County Auditor must submit to certain local, county, and state agencies a statement providing (i)

information concerning the assessed valuation in the political subdivision for the next calendar year, (ii) an estimate of the taxes to be distributed to the political subdivision during the last six months of the current calendar year, (iii) the current assessed valuation as shown on the abstract of charges, (iv) the average growth in assessed valuation in the political subdivision over the preceding three (3) budget years, excluding years in which a general reassessment occurs, and (v) any other relevant information.

By statute, the budget, tax levy and tax rate of a political subdivision (other than a consolidated city and county, a municipality, or the South Bend Community School Corporation, which would be no later than its respective last meeting in September) must be established no later than September 20. A municipality other than a consolidated city and county must fix its budget, tax levy and tax rate no later than September 30 of each year. The budget, tax levy and tax rate are subject to review and revision by the county board of tax adjustment, which can lower, but not raise the tax levy or tax rate. Taxpayers of the political subdivision may challenge the budget, tax levy and tax rate approved by the political subdivision. In addition, taxpayers of the political subdivision or the political subdivision may initiate an appeal of the budget and tax levy approved by the county board of tax adjustment to the Department of Local Government Finance (the "DLGF"). The DLGF may revise or reduce the budget, tax levy and tax rate, or may increase the budget, tax levy and tax rate, but such increase may not exceed the amount originally approved by the political subdivision, except under certain limited circumstances.

On or before March 15, each County Auditor prepares and delivers to the State Auditor and County Treasurer the final abstract of the property, assessments, taxes, deductions, and exemptions for taxes payable in that year in each taxing district within that county. The County Treasurer generally mails tax statements in April of that year (but mailing may be delayed due to reassessment and other factors). Property taxes are due and payable to the county treasurer in two (2) installments on May 10 and November 10. If an installment of taxes is not completely paid on or before the due date, a penalty of 10% of the delinquent amount is added to the amount due; provided, that, effective January 1, 2007, so long as the installment is completely paid within thirty (30) days of the due date and the taxpayer is not liable for delinquent property taxes first due and payable in a previous year for the same parcel, the amount of the penalty is five percent (5%) of the amount of the delinquent taxes. If the delinquent amount is not paid, real property generally becomes subject to tax sale after July 1 in the year after the tax was due. With respect to delinquent personal property taxes, the county treasurer in which the property is located may initiate collection procedures after November 10 in the year the tax was due.

Historically, real property was assessed at its depreciated reproduction cost, whereas personal property was assessed at historical cost less depreciation. Under the regulations promulgated by the DLGF regarding tax assessment, real property will be assessed at its replacement cost. Personal property will continue to be assessed at historical cost less depreciation. There are certain credits, deductions and exemptions available for various classes of property. For instance, residential real property is eligible for certain deductions for mortgages, veterans, the aged and the blind. Commercial and industrial real property, new manufacturing equipment and research and development equipment may be entitled to economic revitalization area deductions. Government-owned properties and properties owned, used and occupied for charitable, literary, scientific, educational or religious purposes may be entitled to exemptions from tax. The gross assessed value less all such deductions, credits and exemptions (the "Net Assessed Value") is the value used for taxing purposes in the determination of tax rates.

Assessed values of real property change periodically as a result of general reassessments scheduled by the State legislature, as well as when changes occur in the property due to new construction or demolition of improvements. The next scheduled reassessment will be effective as of the March 1, 2011 assessment date, and will affect taxes payable beginning in 2012.

When a change in assessed value occurs, a written notification is sent to the affected property owner. If the owner wishes to appeal this action, the owner may file a petition with the county assessor in the county in which the property is located within 45 days of the notice. In any event, an owner may appeal the assessed value of his or her property at any time, regardless of whether a change in the assessed value has been made. Those appeals must be filed no later than May 10 of each year the owner wishes to appeal.

Appeal petitions are reviewed by the county property tax assessment board of appeals in the county where the property is located. If the owner does not receive a favorable ruling from the county board, the owner may file a petition for review to the IBTR. If the owner does not receive a favorable ruling from the Indiana Board of Tax Review (the "IBTR"), the owner may file a petition with the Indiana Tax Court under new procedures, local officials

may also appeal decisions of the IBTR to the Tax Court. While an appeal is pending and unless collection of the tax is stayed, any taxes on real property which become due must be paid in an amount based on the immediately preceding year's assessment. Any taxes on personal property which become due while the property is subject to appeal must be paid based on the assessed value reported on the personal property tax return.

Indiana Code § 6-1.1-21-5 provides that each year taxpayers will receive a credit for property tax replacement, known as the "property tax replacement credit" ("PTRC") Beginning with the March 1, 2002 assessment date, affecting taxes payable beginning in 2003, Indiana Code § 6-1.1-21-2(1)(1) provides that all property will receive a PTRC in the amount of sixty percent (60%) of the tax liability attributable to such property which is imposed by a school corporation for its general fund (the "School PTRC"). In addition, all property other than business personal property will receive a PTRC in the amount of approximately twenty percent (20%) of the tax liability attributable to such property (the "General PTRC"). Under Indiana Code § 6-1.1-22-9, property taxes are due and payable in two equal installments in May and November of each year. The School PTRC and the General PTRC are applied to each installment of taxes. However, for purposes of determining the amount of the General PTRC, the tax liability of a taxpayer does not include the amount of any property tax owed by the taxpayer attributable to certain specified components of the tax levy. Among the tax levy components not receiving the General PTRC are the property taxes that will be used to pay for the principal and interest due on debt obligations entered into after December, 1983. PTRC was limited for taxes payable in 2005-2007 by the 2005 Session of the State General Assembly.

If certain conditions are met, the Redevelopment Commission (the "Commission") of the City may pledge TIF Revenues for other obligations and leases as more particularly detailed in the Resolution of the Commission pledging the TIF Revenues.

Prospective investors in the Series 2006 C Bonds should be aware that there are risk factors associated with TIF Revenues:

The City will make lease payments in part from the Tax Increment. The estimated Tax Increment available to make lease payments is based on capturing revenues generated by the incremental real property assessed value in the Allocation Area. The estimate of Tax Increment is dependent on certain assumptions as to future events, the occurrence of which cannot be guaranteed. In relying on estimates of Tax Increment contained herein, consideration should be given to risk factors, which could result in reduction in the estimated Tax Increment. Risk factors include, but are not limited to, the following:

- (i) (A) *General Risks of Tax Increment.* These risks include, but are not limited to: (1) destruction of property in the Allocation Area caused by natural disaster; (2) delinquent taxes or adjustments of or appeals on assessments by property owners in the Allocation Area; (3) a decrease in the assessed value of properties in the Allocation Area by the assessor due to increase in depreciation, obsolescence or other factors; (4) acquisition of property in the Allocation Area by a tax-exempt entity; (5) removal or demolition of real property improvements by property owners in the Allocation Area; (6) delayed billing, collection, or distribution of Tax Increment by the County Auditor; (7) a decrease in property tax rates or increase in the PTRC which would increase the Additional Credit (if paid) applied to Tax Increment; (8) the General Assembly, the courts, the DLGF or other administrative agencies with jurisdiction in the matter could enact new laws or regulations or interpret, amend, alter, change or modify the laws or regulations governing the calculation, collection, definition or distribution of Tax Increment including laws or regulations relating to reassessment, or a revision in the property tax system; and (9) a change in any of the civil unit's funding mechanisms (i.e., no longer funding it with property taxes) could adversely affect Tax Increment.
- (B) *Reduction of Tax Rates or Tax Collection Rates.* Any substantial increase in State or Federal aid or other sources of local revenues which would reduce local required fiscal support for certain public programs or any substantial increase in assessments outside the Allocation Area could reduce the rates of taxation by the taxing bodies levying taxes upon property within the Allocation Area and have an adverse effect on the amount of Tax Increment received by the City. Economic

conditions or administrative action could reduce the collection rate achieved by Allen County (the "County") within its jurisdiction, including the Allocation Area.

(C) *Reassessment.* The next general reassessment of property in the State is scheduled to be effective for property addressed March 1, 2011, for taxes payable in 2012. Reassessments are scheduled to occur every four (4) years thereafter. The DLGF is required by law to make a one-time adjustment to neutralize the effect of a reassessment on property within tax increment allocation areas, including the Allocation Area, so the owners of obligations secured by tax increment revenues will not be adversely affected. Delays in the reassessment process, the inability to neutralize the effect of reassessment, or appeals of reassessments could adversely affect the Tax Increment.

(D) *Additional Credit and Tax Rates.* Any decrease in the tax rate or increase in the PTRC could result in a decrease in the amount of Tax Increment available to pay lease payments, if the Additional Credit is granted by the Commission.

(E) *Tax Increment Replacement Levy.* Beginning with taxes payable in 2003, under Indiana Code § 6-1.1-21-2, real property received an increased PTRC on the school general fund from 20% to 60%. Indiana Code § 6-1.1-21-2, also authorizes a property tax levy (the "TIF Replacement Levy") to replace the Tax Increment lost from the increase in the PTRC unless the local legislative body acts to eliminate or reduce the TIF Replacement Levy. There can be no assurance that the TIF Replacement Levy will continue to be collected.

- (ii) In the event of delayed billing, collection or distribution by the County Auditor of ad valorem property taxes levied on the redevelopment district, sufficient funds may not be available to the City in time to pay lease payments when due. This risk is inherent in all property-tax supported obligations.
- (iii) *Individual Taxpayer Property Tax Cap.* In 2006, the State General Assembly enacted P.L. 162-2006 pursuant to which no taxpayer will be required to pay property taxes in an amount in excess of 2% of the gross assessed value of the taxpayer's property located in a county. Tax revenues lost to the City because of this legislation cannot be collected by the City in future years through an excess levy or by borrowing to compensate for the lost revenues. No calculation has been performed to determine the effect of this legislation on the City's anticipated property tax receipts. For property taxes due and payable after December 31, 2009, the legislation applies to all real and personal property in the County, including property located in the City. For property taxes due and payable in calendar years 2008 and 2009, the legislation applies to all qualified residential property located in the County, including such property located in the City. "Qualified residential property" includes (1) apartment complexes; (2) homesteads; and (3) residential rental property.

(c) Pledged CEDIT Revenues. The Pledged CEDIT Revenues are limited to an annual maximum amount of \$1,065,000. The City has previously pledged its distributive share of Allen County Economic Development Income Tax ("CEDIT") revenues for other obligations and leases. In addition, if the City can demonstrate, either historically using the prior fiscal year's CEDIT revenues; or prospectively using projected CEDIT revenues in the immediately succeeding fiscal year, that CEDIT revenues for such year are at least equal to one hundred thirty-five percent (135%) of all debt service and lease rental obligations, and certain other conditions are met, the City may in the future pledge such revenues for additional obligations and leases. For a more detailed explanation of the Pledged CEDIT Revenues, the City's CEDIT revenues generally and associated risks, see "Study of County Economic Development Income Tax Revenues Available for Debt Service" included in Appendix B.

(d) Series 2006 C Qualified Obligation Debt Service Reserve Fund. Under the Series 2006 C Qualified Entity Trust Indenture, the Series 2006 C Qualified Entity Trustee will hold a debt service reserve fund for the Series 2006 C Qualified Obligations, to be funded in the amount equal to the least of (i) maximum annual debt service on the Series 2006 C Qualified Obligations, (ii) 125% of average annual debt service on the Series 2006 C Qualified Obligations, and (iii) 10% of the proceeds of the Series 2006 C Qualified Obligations (the "Series 2006 C Qualified Entity Reserve Requirement"). The Series 2006 C Qualified Entity Reserve Requirement will be

met initially in part with proceeds of the Series 2006 C Qualified Obligations on the date of delivery thereof and, thereafter, subsequent to the commencement of the Lease, from additional rental payments by the City under the Lease over a period not to exceed sixty (60) months from such date. In addition, under the Series 2006 C Qualified Entity Trust Indenture, at some future date the Series 2006 C Qualified Entity Reserve Requirement may be satisfied in whole or in part by the substitution of a debt service reserve fund surety bond.

For a more detailed description of the Series 2006 C Qualified Entity, the Project and the sources of payment for the Series 2006 C Qualified Obligations, see Appendix B, “THE SERIES 2006 C QUALIFIED OBLIGATIONS.”

Enforcement of the Series 2006 C Qualified Obligations

As owner of the Series 2006 C Qualified Obligations, the Bond Bank has available to it all remedies available to owners or holders of securities issued by the Series 2006 C Qualified Entity. The Act provides that upon the sale and the delivery of the Series 2006 C Qualified Obligations to the Bond Bank, the Series 2006 C Qualified Entity will be deemed to have agreed that all statutory defenses to nonpayment are waived in the event that the Series 2006 C Qualified Entity fails to pay principal of or interest on such Series 2006 C Qualified Obligations when due.

The Bond Bank is obligated under the Indenture to avail itself of all remedies and provisions of law applicable in the circumstances, and the failure to exercise any right or remedy within a time or period provided by law may not, according to the Act, be raised as a defense by the defaulting Series 2006 C Qualified Entity.

Further, the Series 2006 C Qualified Entity has agreed under the QE Purchase Agreement to report to the Bond Bank on its compliance with certain covenants which the Series 2006 C Qualified Entity has made regarding various actions and conditions necessary to preserve the tax exempt status of interest paid on the Series 2006 C Qualified Obligations. See “TAX MATTERS.” The Bond Bank has also determined to consult with the Series 2006 C Qualified Entity, as necessary from time to time, with regard to the action needed to be taken by the Series 2006 C Qualified Entity to preserve the exclusion of the interest on the Series 2006 C Bonds from the gross income of the holders of the Series 2006 C Bonds.

The Bond Bank will monitor the compliance and consult regularly with the Series 2006 C Qualified Entity with respect to its requirements under the Series 2006 C Qualified Obligations, including the making of Qualified Obligation Payments to the Bond Bank.

Debt Service Reserve Fund

The Act authorizes and the Indenture requires the Bond Bank to establish and maintain the Debt Service Reserve Fund in which there is to be deposited or transferred:

- (i) Moneys available to the Bond Bank from proceeds of the sale of the Series 2006 C Bonds or a Debt Service Reserve Fund Surety Bond (as defined in Appendix E) that satisfies the Reserve Requirement (hereinafter defined), initially established under the Indenture in the amount of \$2,081,120, which amount equals the maximum annual debt service on the Series 2006 C Bonds;
- (ii) All money required to be transferred to the Debt Service Reserve Fund for the replenishment thereof from another Fund or Account under the Indenture;
- (iii) All money appropriated by the State for replenishment of the Debt Service Reserve Fund; and
- (iv) Any other available money or funds that the Bond Bank may decide to deposit in the Debt Service Reserve Fund.

Under the Indenture, the Debt Service Reserve Fund is required to contain an amount equal to the maximum annual debt service on the Series 2006 C Bonds (the “Reserve Requirement”). If the Reserve Requirement is ever satisfied using money, rather than a Debt Service Reserve Fund Surety Bond, such amount will

be recalculated on the first day of each year to the maximum annual debt service on all Outstanding Bonds in the present or any succeeding Fiscal Year. Such amount will be invested and used to make a portion of the annual principal and semiannual interest payments on such Bonds.

The Bond Bank expects to satisfy the Reserve Requirement by depositing a Debt Service Reserve Fund Surety Bond in the Debt Service Reserve Fund. See “DEBT SERVICE RESERVE FUND SURETY BOND.”

State Debt Service Reserve Fund Appropriations Mechanism

The Act provides that the State General Assembly may annually appropriate to the Bond Bank for deposit in the Debt Service Reserve Fund any sum, required by the Act to be certified by the Chairman of the Board of Directors of the Bond Bank to the State General Assembly prior to December 1 of any year, as may be necessary to restore the Debt Service Reserve Fund to the Reserve Requirement. The Indenture further requires such certification to be made by the Chairman to the State General Assembly on or before August 1 of any fiscal year of the Bond Bank (“Fiscal Year”) in which the amount in the Debt Service Reserve Fund is projected to be less than the Reserve Requirement. However, nothing in these provisions or any other provision of the Act creates a debt or liability of the State to make any payments or appropriations to or for the use of the Bond Bank. There can be no representation or assurance (i) that a certificate from the Chairman of the Board of Directors of the Bond Bank, stating the amount of a deficiency in the Debt Service Reserve Fund, would be taken up for any or for early consideration by the State General Assembly, or (ii) that upon consideration of any such certificate, the State General Assembly would determine to appropriate funds to reduce or eliminate such deficiency, or (iii) that in the event the State General Assembly determined to make such an appropriation, the amounts thus appropriated would be forthcoming as of any particular date. The Bond Bank has previously issued and has outstanding as of the date of this Official Statement an aggregate principal amount of approximately \$467,945,000 in separate program obligations secured by debt service reserve funds, which are also eligible for annual appropriations from the State General Assembly.

In accordance with the Constitution of the State, the State General Assembly meets for a maximum period of sixty-one (61) legislative days in every odd-numbered year in order to establish a budget and to make appropriations. The State General Assembly also meets for a maximum period of thirty (30) legislative days in intervening years in order to make supplemental appropriations. Because the State General Assembly meets for only a portion of each year, there can be no representation or assurance that the State General Assembly could, if it elected to do so, take timely action upon a certificate from the Chairman of the Board of Directors of the Bond Bank in order to provide funds to avoid a default in the payment of principal of or interest on the Bonds.

Additional Bonds

Under the Indenture, one or more series of Additional Bonds of the Bond Bank may be issued on a parity with the Series 2006 C Bonds and all other Bonds issued under the Indenture, upon meeting certain conditions, without limitation as to amount and at any time, for the purpose of paying (i) interest on the Series 2006 C Bonds, (ii) costs of issuance, (iii) purchasing additional qualified obligations issued for the purpose of providing funds for completion or expansion of the Project and (iv) refunding outstanding Bonds. The proceeds of any Additional Bonds will be applied as provided in an indenture supplemental to or amendatory of the Indenture (a “Supplemental Indenture”) authorizing such Additional Bonds.

AGREEMENT WITH THE STATE

Under the Act, the State has pledged to and agreed with the owners of the bonds or notes of the Bond Bank, including the Series 2006 C Bonds, not to limit or restrict the rights vested in the Bond Bank by the Act to fulfill the terms of any agreements made with the owners of such bonds or notes or in any way impair the rights or remedies of such owners until the bonds and notes, together with interest thereon, and interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such owners are fully met, paid and discharged.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series 2006 C Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the Series 2006 C Bonds (the "Series 2006 C Municipal Bond Insurance Policy" or "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2006 C Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At March 31, 2006, Financial Security's combined policyholders' surplus and contingency reserves were approximately \$2,459,829,000 and its total net unearned premium reserve was approximately \$1,858,167,000 in accordance with statutory accounting principles. At March 31, 2006, Financial Security's consolidated shareholder's equity was approximately \$2,856,995,000 and its total net unearned premium reserve was approximately \$1,504,103,000 in accordance with generally accepted accounting principles.

The consolidated financial statements of Financial Security included in, or as exhibits to, the annual and quarterly reports filed after December 31, 2005 by Holdings with the Securities and Exchange Commission are hereby incorporated by reference into this Official Statement. All financial statements of Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Official Statement and before the termination of the offering of the Series 2006 C Bonds shall be deemed incorporated by reference into this Official Statement. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Series 2006 C Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Series 2006 C Bonds or the advisability of investing in the Series 2006 C Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

DEBT SERVICE RESERVE FUND SURETY BOND

The Indenture requires the establishment of a Debt Service Reserve Fund in an amount equal to the Reserve Requirement. At the time of issuance of the Series 2006 C Bonds, the Reserve Requirement means an amount equal to \$2,081,120. The Indenture authorizes the Bond Bank to obtain a Debt Service Reserve Fund Surety Bond in place of fully funding the Debt Service Reserve Fund. Accordingly, a commitment has been made by Financial Security for the issuance of a Debt Service Reserve Fund Surety Bond for the purpose of funding the Debt Service Reserve Fund (see "OPERATION OF FUNDS AND ACCOUNTS" herein). The Series 2006 C Bonds will only be delivered upon the issuance of the Debt Service Reserve Fund Surety Bond. The premium on the Debt Service

Reserve Fund Surety Bond is to be fully paid at or prior to the issuance and delivery of the Series 2006 C Bonds. The Debt Service Reserve Fund Surety Bond provides that upon the later of (i) one day after receipt by Financial Security of a demand for payment executed by the Trustee certifying that provision for the payment of principal of or interest on the Series 2006 C Bonds when due has not been made or (ii) the principal or interest payment date specified in the notice of nonpayment submitted to Financial Security, Financial Security will promptly deposit funds with the Trustee sufficient to enable the Trustee to make such payments due on the Series 2006 C Bonds, but in no event exceeding the Policy Limit, as defined in the Debt Service Reserve Fund Surety Bond.

Pursuant to the terms of the Debt Service Reserve Fund Surety Bond, the Policy Limit is automatically reduced to the extent of each payment made by Financial Security under the terms of the Debt Service Reserve Fund Surety Bond and the Bond Bank is required to reimburse Financial Security for any draws under the Debt Service Reserve Fund Surety Bond with interest at the rate set forth in the Indenture. Upon such reimbursement, the Debt Service Reserve Fund Surety Bond is reinstated to the extent of each principal reimbursement up to but not exceeding the Policy Limit. The reimbursement obligation for the Bond Bank is subordinate to the Bond Bank's obligations with respect to the Series 2006 C Bonds.

In the event the amount on deposit, or credited to the Debt Service Reserve Fund, exceeds the amount of the Debt Service Reserve Fund Surety Bond, any draw on the Debt Service Reserve Fund Surety Bond will be made only after all the funds in the Debt Service Reserve Fund have been expended. In the event that the amount on deposit in or credited to the Debt Service Reserve Fund, in addition to the amount available under the Debt Service Reserve Fund Surety Bond, includes amounts available under a letter of credit, insurance policy, surety bond or other such funding instrument (the "Additional Funding Instrument"), draws on the Debt Service Reserve Fund Surety Bond and the Additional Funding Instrument will be made on a pro rata basis to fund the insufficiency.

RISKS TO OWNERS OF THE SERIES 2006 C BONDS

Purchasers of the Series 2006 C Bonds are advised of certain risk factors with respect to the payment of the Series 2006 C Bonds. This discussion is not intended to be all-inclusive, and other risks may also be present.

Sources of Payments for the Series 2006 C Bonds

The ability of the Bond Bank to pay principal of, and interest on, the Series 2006 C Bonds depends primarily upon the receipt by the Bond Bank of payments pursuant to the Series 2006 C Qualified Obligations, including interest at the rates provided therein, together with earnings on the amounts in the Funds and Accounts sufficient to make such payments. The principal source of payment on the Series 2006 C Qualified Obligations are the lease rental payments from the City under the Lease payable from the TIF Revenues and the Sublease Revenues and, if necessary, the Pledged CREDIT Revenues. Except for the Debt Service Reserve Fund, there is no source of funds which is required to make up for any deficiencies in the event of one or more defaults by the Series 2006 C Qualified Entity in such payments on the Series 2006 C Qualified Obligations. There can be no representation or assurance that the Series 2006 C Qualified Entity will receive sufficient revenues, or otherwise have sufficient funds available to make its required payments on the Series 2006 C Qualified Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS -- Provisions for Payment of the Qualified Obligations" and Appendix B.

Failure to Appropriate Funds to Restore Debt Service Reserve Fund

The Act provides that the State General Assembly may annually appropriate to the Bond Bank for deposit in the Debt Service Reserve Fund any sum, required by the Act to be certified by the Chairman of the Board of Directors of the Bond Bank to the State General Assembly prior to December 1 of any year, as may be necessary to restore the Debt Service Reserve Fund to the Reserve Requirement. The Indenture further requires such certification to be made by the Chairman to the State General Assembly on or before August 1 of any fiscal year of the Bond Bank ("Fiscal Year") in which the amount in the Debt Service Reserve Fund is projected to be less than the Reserve Requirement. However, nothing in these provisions or any other provision of the Act creates a debt or liability of the State to make any payments or appropriations to or for the use of the Bond Bank. There can be no representation or assurance (i) that a certificate from the Chairman of the Board of Directors of the Bond Bank, stating the amount of a deficiency in the Debt Service Reserve Fund, would be taken up for any or for early consideration by the State

General Assembly, or (ii) that upon consideration of any such certificate, the State General Assembly would determine to appropriate funds to reduce or eliminate such deficiency, or (iii) that in the event the State General Assembly determined to make such an appropriation, the amounts thus appropriated would be forthcoming as of any particular date. The Bond Bank has previously issued and has outstanding as of the date of this Official Statement an aggregate principal amount of approximately \$467,945,000 in separate program obligations secured by debt service reserve funds, which are also eligible for annual appropriations from the State General Assembly.

In accordance with the Constitution of the State, the State General Assembly meets for a maximum period of sixty-one (61) legislative days in every odd-numbered year in order to establish a budget and to make appropriations. The State General Assembly also meets for a maximum period of thirty (30) legislative days in intervening years in order to make supplemental appropriations. Because the State General Assembly meets for only a portion of each year, there can be no representation or assurance that the State General Assembly could, if it elected to do so, take timely action upon a certificate from the Chairman of the Board of Directors of the Bond Bank in order to provide funds to avoid a default in the payment of principal of or interest on the Bonds.

Tax Exemption

The Bond Bank has covenanted under the Indenture to take all qualifying actions and not to fail to take any qualifying actions required to assure the continuing exclusion of interest on the Series 2006 C Bonds from gross income for federal income tax purposes. Failure by the Bond Bank to comply with such covenants could cause the interest on the Series 2006 C Bonds to be taxable retroactive to the date of issuance. Also, in connection with the original purchase of the Series 2006 C Qualified Obligations, the Bond Bank will receive an opinion from Baker & Daniels LLP, South Bend, Indiana, to the effect that, conditioned upon continuing compliance by the Series 2006 C Qualified Entity with certain tax covenants made in connection with the issuance of the Series 2006 C Qualified Obligations, the interest on the Series 2006 C Qualified Obligations is excludable from gross income of the holder thereof for federal income tax purposes under existing law. However, the interest on the Series 2006 C Qualified Obligations could become taxable in the event that the Series 2006 C Qualified Entity fails to comply with certain of such covenants, including without limitation the covenant to rebate or cause to be rebated, if necessary, to the United States government all arbitrage earnings with respect to the Series 2006 C Qualified Obligations under certain circumstances and the covenant to take all actions and to refrain from such actions as may be necessary to prevent the Series 2006 C Qualified Obligations from being deemed to be “private activity bonds” under the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2006 C Bonds, and any applicable regulations promulgated thereunder (the “Code”). Failure to comply with such requirements could adversely affect the exemption from gross income for federal tax purposes of the interest on all of the Series 2006 C Bonds retroactive to the date of issuance. See “TAX MATTERS.” The Bond Bank is not aware of any circumstances that would cause the interest on the Series 2006 C Qualified Obligations to be includable for purposes of federal income tax under the Code, but has not undertaken any investigation in connection with this Official Statement.

Limited Remedies

The remedies available to the Trustee, to the Bond Bank or to the owners of the Bonds upon the occurrence of an Event of Default under the Indenture or under the terms of the Series 2006 C Qualified Obligations, 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 “United States Bankruptcy Code”), the remedies provided in the Indenture or the Series 2006 C Qualified Obligations may not be readily available or may be limited. See “ENFORCEABILITY OF REMEDIES” herein.

PLAN OF FINANCING

The Bond Bank will use a portion of the proceeds of the Series 2006 C Bonds to purchase the Series 2006 C Qualified Obligations. The Series 2006 C Qualified Entity issuing the 2006 C Qualified Obligations has represented to the Bond Bank that such Series 2006 C Qualified Entity will use the proceeds received by it in the sale of the Series 2006 C Qualified Obligations to the Bond Bank to finance the acquisition, construction and equipping of the Project.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds related to the sale of the Series 2006 C Bonds are shown below:

Sources:	
Par Amount of Bonds	\$20,660,000.00
Net Original Issue Premium	580,629.00
Total Sources	\$21,240,629.00
Uses:	
Purchase of 2006 C Qualified Obligations	\$20,534,535.00
Deposit into Capitalized Interest Account	175,410.52
Costs of Issuance, including Underwriters' Discount	384,290.00
Premiums for the Series 2006 C Municipal Bond Insurance	
Policy and Debt Service Reserve Fund Surety Bond	146,393.48
Total Uses	\$21,240,629.00

THE INDIANA BOND BANK

The Bond Bank was created in 1984, and is organized and existing under and by virtue of the Act as a separate body corporate and politic, constituting an instrumentality of the State for the public purposes set forth in the Act. The Bond Bank is not an agency of the State, but is separate from the State in its corporate and sovereign capacity and has no taxing power.

Under separate trust indentures and other instruments authorized under the Act, the Bond Bank has previously issued and has outstanding as of June 1, 2006, an aggregate principal amount of approximately \$2,016,767,201 in separate program obligations not secured by the Indenture, approximately \$467,945,000 of which obligations are secured by debt service reserve funds eligible for annual appropriation by the State General Assembly. Additionally, as of the date of this Official Statement, the Bond Bank is considering undertaking other types of financing for qualified entities for purposes authorized by and in accordance with the procedures set forth in the Act. The obligations issued by the Bond Bank in connection with any and all such financing, if any, will be secured separately from the Series 2006 C Bonds and will not constitute Bonds under the Indenture or for purposes of this Official Statement.

The Act

Pursuant to the Act, the purpose of the Bond Bank is to assist “qualified entities”, defined in the Act to include, in part, political subdivisions, as defined in Indiana Code § 36-1-2-13, state educational institutions, as defined in Indiana Code § 20-12-0.5-1(b), leasing bodies, as defined in Indiana Code § 5-1-1-1(a), any commissions, authorities or authorized bodies of any qualified entity, and any organizations, associations or trusts with members, participants or beneficiaries that are all individually qualified entities. The Bond Bank provides such assistance through programs of among other things, purchasing the bonds, notes or evidences of indebtedness of such qualified entities. Under the Act, qualified entities include entities such as cities, towns, counties, school corporations, library corporations, special taxing districts, state educational institutions, charter schools and nonprofit corporations and associations which lease facilities or equipment to such entities. The Series 2006 C Qualified Entity is a “qualified entity” within the meaning of the Act.

Powers Under the Act

Under the Act, the Bond Bank has a perpetual existence and is granted all powers necessary, convenient or appropriate to carry out its public and corporate purposes including, without limitation, the power to do the following:

1. Make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the Bond Bank or pertaining to: (i) a loan to or a lease or an agreement with a qualified entity; (ii) a purchase, acquisition or a sale of qualified obligations or other investments; or (iii) the performance of its duties and execution of its powers under the Act;
2. Purchase, acquire or hold qualified obligations or other investments for the Bond Bank's own account or for a qualified entity at such prices and in a manner as the Bond Bank considers advisable, and sell or otherwise dispose of the qualified obligations or investments at prices without relation to cost and in a manner the Bond Bank considers advisable;
3. Fix and establish terms and provisions upon which a purchase or loan will be made by the Bond Bank;
4. Prescribe the form of application or procedure required of a qualified entity for a purchase or loan and enter into agreements with qualified entities with respect to each purchase or loan;
5. Render and charge for services to a qualified entity in connection with a public or private sale of any qualified obligation, including advisory and other services;
6. Charge a qualified entity for costs and services in review or consideration of a proposed purchase, regardless of whether a qualified obligation is purchased, and fix, revise from time to time, charge and collect other Program Expenses properly attributable to qualified entities;
7. To the extent permitted by the indenture or other agreements with the owners of bonds or notes of the Bond Bank, consent to modification of the rate of interest, time and payment of installments of principal or interest, security or any other term of a bond, note, contract or agreement of any kind to which the Bond Bank is a party;
8. Appoint and employ general or special counsel, accountants, financial advisors or experts, and all such other or different officers, agents and employees as it requires;
9. In connection with the purchase of any qualified obligations, consider the need, desirability or eligibility of the qualified obligation to be purchased, the ability of the qualified entity to secure financing from other sources, the costs of such financing and the particular public improvement or purpose to be financed or refinanced with the proceeds of the qualified obligation to be purchased by the Bond Bank;
10. Temporarily invest moneys available until used for making purchases, in accordance with the indenture or any other instrument authorizing the issuance of bonds or notes; and
11. Issue bonds or notes of the Bond Bank in accordance with the Act bearing fixed or variable rates of interest in aggregate principal amounts considered necessary by the Bond Bank to provide funds for any purposes under the Act; provided, that the total amount of bonds or notes of the Bond Bank outstanding at any one time may not exceed any aggregate limit imposed by the Act, currently fixed at \$1,000,000,000. Such aggregate limit of \$1,000,000,000 does not apply to: (i) bonds or notes issued to fund or refund bonds or notes of the Bond Bank; (ii) bonds or notes issued for the purpose of purchasing an agreement executed by a qualified entity under Indiana Code 21-1-5; (iii) bonds, notes or other obligations not secured by a reserve fund under Indiana Code 5-1.5-5; (iv) bonds, notes, or other obligations if funds and investments, and the anticipated earned interest on those funds and investments, are irrevocably set aside in amounts sufficient to pay the principal, interest, and premium on the bonds, notes, or obligations at their respective maturities or on the date or dates fixed for redemption; and (v) obligations of certain types of qualified entities that have separate limits.

Under the Act, the Bond Bank may not do any of the following:

1. Lend money other than to a qualified entity;

2. Purchase a security other than a qualified obligation to which a qualified entity is a party as issuer, borrower or lessee, or make investments other than as permitted by the Act;
3. Deal in securities within the meaning of or subject to any securities law, securities exchange law or securities dealers law of the United States, the State or any other state or jurisdiction, domestic or foreign, except as authorized by the Act;
4. Emit bills of credit or accept deposits of money for time or demand deposit, administer trusts or engage in any form or manner, or in the conduct of, any private or commercial banking business or act as a savings bank, savings association or any other kind of financial institution; or
5. Engage in any form of private or commercial banking business.

Organization and Membership of the Bond Bank

The membership of the Bond Bank consists of seven (7) Directors: the Treasurer of State, serving as Chairman Ex Officio, the State Public Finance Director, appointed by the Governor and serving as Director Ex Officio, and five (5) Directors appointed by the Governor of the State. Each of the five (5) Directors appointed by the Governor must be a resident of the State and must have substantial expertise in the buying, selling and trading of municipal securities or in municipal administration or public facilities management. Each such Director will serve for a three-year term as set forth below and until a successor is appointed and qualified. Each such Director is also eligible for reappointment and may be removed for cause by the Governor. Any vacancy on the Board is filled by appointment of the Governor for the unexpired term only.

The Directors elect one Director to serve as Vice Chairman. The Directors also appoint and fix the duties and compensation of an Executive Director, who serves as both secretary and treasurer. The powers of the Bond Bank are vested in the Board of Directors, any four of whom constitute a quorum. Action may be taken at any meeting of the Board by the affirmative vote of at least four Directors. A vacancy on the Board does not impair the right of a quorum to exercise the powers and perform the duties of the Board of Directors of the Bond Bank.

Directors

The following persons, including those persons with the particular types of experience required by the Act, comprise the present Board of Directors of the Bond Bank:

Tim Berry, Treasurer of the State of Indiana, February 10, 1999-present, and Chairman Ex Officio. Residence: Indianapolis, Indiana, Member, Indiana State Board Finance; Vice Chairman, Indiana Housing and Community Development Authority; Secretary-Investment Manager, Indiana Board for Depositories; Member, Governing Board of the Indiana Department of Revenue; Treasurer, Indiana State Office Building Commission; Treasurer, Indiana Recreational Development Commission; Trustee, Indiana State Police Pension Fund; Board Member, Indiana Transportation Finance Authority.

Clark H. Byrum, Vice Chairman; term expired July 1, 2003. Residence: Indianapolis, Indiana. Chairman of the Board and President, The Key Corporation, Indianapolis, Indiana, 1977 to present; Chairman of the Board, American State Bank of Lawrenceburg, Aurora and Greendale, Indiana, 1990 to present; Board Member, NCB Corporation and NorCen Bank, 1986 to present; Member, American Bankers Association; Member, Indiana Bankers Association; Member, National Association of Life Underwriters.

Ryan C. Kitchell, Public Finance Director, Indiana Finance Authority, January 10, 2005 to present. Residence: Zionsville, Indiana. Chairman, Board for Public Depositories; Board Member, Indiana Deferred Compensation Committee; Board Member, Indiana Housing and Community Development Authority; Board Member, Indiana Health and Educational Facilities Financing Authority; Senior Financial Analyst, Eli Lilly & Company, 2002-2005; Research Associate, Indiana Fiscal Policy Institute, 1999-2000; Investment and Senior Analyst, Prudential Capital Group, 1996-1999.

Russell Breeden, III, Director; term expired July 1, 2003. Residence: Indianapolis, Indiana. Chairman of the Board and CEO, Community First Financial Group, Inc., 1995 to February, 2002; Director, English State Bank, 1995 to present; Chairman, Peoples Trust Bank Company, 1994 to present; Chairman, Peninsula Banking Group, 1995 to present; Chairman, Bay Cities National Bank, 1995 to present; Director and President, Bettenhausen Motorsports, Inc., 1988 to present.

C. Kurt Zorn, Director; term expired July 1, 2003. Residence: Bloomington, Indiana. Professor of Public and Environmental Affairs, Indiana University, 1994 to Present; Chairman, State Board of Tax Commissioners, January 1991 -August 1994; Associate Professor, School of Public and Environmental Affairs, Indiana University, 1987-1994 (on leave 1989-1992); Member, American Economic Association; Member, National Tax Association; Member, Governmental Finance Officers Association.

Marni McKinney, Director; term expired July 1, 2004. Residence: Indianapolis, Indiana. Chairman, First Indiana Bank; Vice Chairman & Chief Executive Officer; First Indiana Corporation; Board of Directors, Indianapolis Public Transit Authority; Member, America's Community Bankers Association.

Russell Lloyd, Jr., Director; term expires July 1, 2006, Residence: Evansville, Indiana, Senior Director, Kruse, Dicus and Associates, LLP 2004 to Present; Mayor, Evansville, Indiana, 2000 to 2003; Controller and Assistant Controller, Evansville, Indiana, 1988 to 1999; various management positions, Citizens National Bank, 1980 to 1988.

Although the expiration date of the terms of four (4) Directors has passed, the Act provides that their terms will not expire until their successors are appointed and qualified. No such successors have been appointed and qualified.

The Directors are authorized to appoint and fix the duties and compensation of an Executive Director, who serves as both secretary and treasurer of the Board of Directors. Dan Huge was appointed Executive Director of the Indiana Bond Bank on October 9, 2001. Mr. Huge previously served as the Deputy Director of the Indianapolis Local Public Improvement Bond Bank for over three years. Mr. Huge has over fourteen (14) years of corporate accounting and managerial experience. He is a Certified Public Accountant and holds a B.S. from Purdue University.

REVENUES, FUNDS AND ACCOUNTS

The Indenture creates certain Funds and Accounts identified in more detail below. Pursuant to the Indenture, the Trustee will deposit the net proceeds of the Series 2006 C Bonds, together with other moneys into these Funds and Accounts as described below. Appendix D sets forth a summary of certain provisions of the Indenture.

Creation of Funds and Accounts

The Indenture establishes the following Funds and Accounts to be held by the Trustee:

1. General Fund - comprised of the following:
 - (a) General Account
 - (b) Purchase Account
 - (c) Capitalized Interest Account
 - (d) Bond Issuance Expense Account
 - (e) Redemption Account
2. Debt Service Reserve Fund
3. Rebate Fund

Deposit of Net Proceeds of the Series 2006 C Bonds, Revenues and Other Receipts

On the date of delivery of the Series 2006 C Bonds, the Trustee will deposit the proceeds, as follows:

(a) Into the Bond Issuance Expense Account of the General Fund, the amount of \$250,000 to pay the Costs of Issuance (other than the underwriters' discount retained by the Underwriters and the premiums for the Series 2006 C Municipal Bond Insurance Policy and the Debt Service Reserve Fund Surety Bond paid directly by the Underwriters).

(b) Into the Purchase Account of the General Fund, the sum of \$20,534,535, which will be used to purchase the Series 2006 C Qualified Obligations.

(c) Into the Capitalized Interest Account of the General Fund, the sum of \$175,410.52, which together with investment earnings thereon, will be used to pay a portion of the interest on the Series 2006 C Bonds on February 1, 2007.

The Trustee will deposit all Revenues and all other receipts (except the proceeds of the Series 2006 C Bonds, and moneys received by the Bond Bank from the sale or optional redemption prior to maturity of the Series 2006 C Qualified Obligations) into the General Account of the General Fund and will deposit any moneys received from the sale or optional redemption prior to maturity of the Series 2006 C Qualified Obligations into the Redemption Account of the General Fund. The Trustee shall deposit into the Debt Service Reserve Fund any appropriations to the Trustee or the Bond Bank from the State General Assembly to replenish the Debt Service Reserve Fund. Thereafter, the Trustee will deposit the proceeds of any Additional Bonds as provided under the Supplemental Indenture authorizing the issuance of such Additional Bonds.

OPERATION OF FUNDS AND ACCOUNTS

General Fund

General Account. The Trustee will deposit in the General Account of the General Fund all moneys required to be deposited therein pursuant to the Indenture. The Trustee will invest such funds in accordance with the Indenture and will make the following payments on the specific dates, and if there are not sufficient funds to make all the payments required, with the following order of priority:

(a) On or before 10:00 A.M. in the city in which the Trustee is located, on the business day next preceding each Interest Payment Date, such amount as shall be necessary to pay the principal and interest coming due on the Series 2006 C Bonds on such Interest Payment Date;

(b) As soon as funds become available, and only to the extent necessary, to the Debt Service Reserve Fund, sufficient amounts to assure that the Reserve Requirement is met;

(c) As necessary, to the provider of any applicable Debt Service Reserve Fund Surety Bond, to pay any Debt Service Reserve Fund Reimbursement Obligation (as defined in Appendix E) in the manner provided in the Indenture;

(d) At such times as shall be necessary, the reasonable Program Expenses, if any, provided, that Program Expenses may not exceed the amounts set forth in the most recent Cash Flow Certificate;

(e) On or before thirty (30) days after each anniversary of the issuance of the Series 2006 C Bonds, any amount required to be transferred to the Rebate Fund as required by the Indenture; and

(f) After making such deposits and disbursements and after the Trustee will retain the remaining amounts in the General Account to be used from time to time for purposes set forth in paragraph (a) through (e) above. No moneys shall be so transferred unless the Bond Bank provides the Trustee with a Cash Flow Certificate to the effect that after such transfer, Revenues expected to be received, together with moneys expected to be held in

the Funds and Accounts, will at least equal debt service on all Outstanding Bonds along with Program Expenses, if any.

Purchase Account. The Trustee will disburse the funds held in the Purchase Account to purchase Series 2006 C Qualified Obligations (provided that such funds may continue to be held by the Trustee on behalf of the Series 2006 C Qualified Entity as provided in the Indenture) upon the submission of requisitions of the Bond Bank signed by an Authorized Officer stating that all requirements have been or will be complied with. After the purchase of the Series 2006 C Qualified Obligations or upon certification by the Bond Bank that the Series 2006 C Qualified Obligations eligible for purchase with the proceeds of the Series 2006 C Bonds have been purchased, the amounts remaining in the Purchase Account may be transferred to the Redemption Account. Any amounts remaining in the Purchase Account three (3) years after the date of delivery of the Series 2006 C Bonds shall be transferred to the Redemption Account (subject to other provisions of the Indenture).

Capitalized Interest Account. Moneys in the Capitalized Interest Account shall without further authorization or direction, be transferred by the Trustee from the Capitalized Interest Account to the General Account on or before the second business day next preceding February 1, 2007. Any moneys remaining in the Capitalized Interest Account after the transfer for the Interest Payment Date on February 1, 2007, shall be transferred to the General Account, at the direction of an Authorized Officer of the Bond Bank.

Bond Issuance Expense Account. The Trustee will disburse the amounts held in the Bond Issuance Expense Account upon receipt of invoices or requisitions certified by the Executive Director of the Bond Bank to pay the Costs of Issuance of the Series 2006 C Bonds or to reimburse the Bond Bank for amounts previously advanced for such costs and to transfer moneys therefrom to the General Account. On August 31, any amounts remaining in the Bond Issuance Expense Account will be transferred to the General Account, at which time the Bond Issuance Expense Account may, at the direction of the Bond Bank, be closed.

Redemption Account. The Trustee will deposit in the Redemption Account all moneys received upon the sale or optional redemption prior to maturity of the Qualified Obligations and will disburse the funds in the Redemption Account as follows:

- (1) On the fifteenth day of each month, to the General Account an amount of money equal to the principal which would have been payable during the following month if such Qualified Obligation had not been sold or redeemed prior to maturity.
- (2) On the second business day next preceding each Interest Payment Date if moneys in the General Account are not sufficient to make the payments of principal and interest required to be made on such date, the Trustee shall transfer to the General Account moneys in the Redemption Account not already committed to the redemption of Bonds for which notice of redemption has been given.
- (3) After making provisions for the required transfers to the General Account, (i) to redeem Bonds of such maturity or maturities as directed by an Authorized Officer of the Bond Bank, if such Bonds are then subject to redemption, (ii) to the extent there are any excess moneys in the Redemption Account, transfer to the General Account, (iii) to purchase Bonds of such maturity or maturities as directed by an Authorized Officer at the most advantageous price obtainable with reasonable diligence, whether or not such Bonds are then subject to redemption, or (iv) to make investments of such moneys until the payment of Bonds at their maturity or maturities as directed by an Authorized Officer in accordance with the Indenture. Such purchase price may not, however, exceed the Redemption Price which would be payable on the next ensuing date on which the Bonds of the Series so purchased are redeemable according to their terms unless the Bond Bank provides the Trustee with a Cash Flow Certificate to the effect that the purchase at a price in excess of the Redemption Price will not result in Revenues, together with moneys expected to be held in the Funds and Accounts, being less than an amount equal to debt service on all Outstanding Bonds along with Program Expenses, if any. The Trustee will pay the interest accrued on the Bonds so purchased to the date of delivery thereof to the Trustee from the General Account and the balance of the purchase price from the Redemption Account, but no such purchase shall be made by the Trustee within the period of forty-five (45) days next preceding an Interest Payment Date or a date on which such

Bonds are subject to redemption under the provisions of the Indenture or the Supplemental Indenture authorizing the issuance of such Bonds.

(4) In the event that the Trustee is unable to purchase Bonds in accordance with subparagraph (3), then, subject to restrictions on redemption set forth in the Indenture, the Trustee will call for redemption on the next redemption date such amount of Bonds of such maturity or maturities directed by an Authorized Officer of the Bond Bank as will exhaust the Redemption Account as nearly as possible at the applicable Redemption Price. The Trustee will pay the interest accrued on any such redeemed Bonds to the date of redemption from the General Account and will pay the Redemption Price from the Redemption Account.

Debt Service Reserve Fund

The Trustee will deposit in the Debt Service Reserve Fund all moneys required to be deposited therein pursuant to the Indenture, will invest such funds, and, except as provided in the Indenture, will disburse the funds held in the Debt Service Reserve Fund solely to the General Account on the second business day next preceding each Interest Payment Date if the moneys in the General Account are insufficient to pay principal of and interest on the Bonds on such date after making all of the transfers thereto required to be made under the Indenture from the Redemption Fund. Amounts in the Debt Service Reserve Fund in excess of the Reserve Requirement will be transferred to the General Account or Redemption Account, as directed by the Bond Bank.

The Bond Bank may cause to be deposited into the Debt Service Reserve Fund for the benefit of the holders of the Series 2006 C Bonds a Debt Service Reserve Fund Surety Bond. If such deposit causes the Debt Service Reserve Fund to exceed the Reserve Requirement, such excess moneys will be moved in accordance with the Indenture, subject to the satisfaction of any Debt Service Reserve Fund Reimbursement Obligations from such excess as described below. If a disbursement is made pursuant to a Debt Service Reserve Fund Surety Bond, the Bond Bank will be obligated (but solely from the appropriations, if any, made and available pursuant to the Indenture or if otherwise available from the Trust Estate) within twelve (12) months from the date on which such disbursement was made, to cure such deficiency, either by (i) reinstating the maximum limits of such Debt Service Reserve Fund Surety Bond or (ii) depositing cash or Investment Securities into the Debt Service Reserve Fund, or a combination of such alternatives, so that the amount on deposit in the Debt Service Reserve Fund is equal to the Reserve Requirement. The Trustee will include in the total amount held in the Debt Service Reserve Fund an amount equal to the maximum principal amount which could be drawn by the Trustee under any such Debt Service Reserve Fund Surety Bond on deposit with the Trustee. The Bond Bank shall issue a reimbursement note to evidence the Debt Service Reserve Fund Reimbursement Obligations to the Series 2006 C Bond Insurer with respect to the Debt Service Reserve Fund Surety Bond (the "Reimbursement Note"). Amounts required to be deposited in the Debt Service Reserve Fund shall include any amount required to pay principal and interest owing under a Reimbursement Note for satisfaction of a Debt Service Reserve Fund Reimbursement Obligation for any Qualified Surety Bond. The Trustee is hereby authorized to transfer amounts on deposit in the Debt Service Reserve Fund to pay principal and interest owing under a Reimbursement Note for satisfaction of the Debt Service Reserve Fund Reimbursement Obligations to the Credit Provider of the respective Qualified Surety Bond.

Rebate Fund

The Trustee will establish, designate appropriately and maintain, so long as any Series 2006 C Bonds are outstanding and are subject to a requirement that arbitrage profits be rebated to the United States, a separate fund to be known as "Rebate Fund." The Trustee will make information regarding the Series 2006 C Bonds and investments hereunder available to the Bond Bank and will make deposits in and disbursements from the Rebate Fund in accordance with the written instructions received from the Bond Bank, will invest the Rebate Fund pursuant to written investment instructions received from the Bond Bank and will deposit income from such investments immediately upon receipt thereof in the Rebate Fund.

If a deposit to the Rebate Fund is required as a result of the computations made by the Bond Bank, the Trustee will upon receipt of written directions from the Bond Bank accept such payment for the benefit of the Bond Bank and make such transfers of moneys from the General Account to the Rebate Fund. If amounts in excess of that required to be rebated to the United States of America accumulate in the Rebate Fund, the Trustee will upon written

direction from the Bond Bank transfer such amount to the General Account. Records of the determinations required by the Indenture and the investment instructions must be retained by the Trustee until six (6) years after the Series 2006 C Bonds are no longer Outstanding.

Not later than sixty (60) days after June 29, 2011, and every five (5) years thereafter, upon written direction from the Bond Bank, the Trustee will disburse to the United States of America the amount required to be paid to the United States of America pursuant to the Code from amounts in the Rebate Fund, and not later than sixty (60) days after the final retirement of the Series 2006 C Bonds, upon written direction from the Bond Bank, the Trustee will disburse to the United States of America the amount required to be paid to the United States of America pursuant to the Code as of such retirement date. Each payment required to be paid to the United States of America pursuant to the Indenture will be, together with a properly completed Form 8038-T, filed with the Internal Revenue Service Center, Ogden, Utah 84201 or such other location as the Internal Revenue Service shall require.

Amounts Remaining in Funds

Any amounts remaining in any Fund or Account after full payment of all of the Series 2006 C Bonds outstanding under the Indenture, all required rebates and the fees, charges and expenses of the Trustee will be distributed to the Series 2006 C Qualified Entity.

LITIGATION

There is not now pending or, to the Bond Bank's knowledge, threatened any litigation restraining or enjoining the issuance, sale, execution or delivery of the Series 2006 C Bonds; seeking to prohibit any transactions contemplated by the Indenture; in any way contesting or affecting the validity of the Series 2006 C Bonds or the Series 2006 C Qualified Obligations or any proceedings of the Bond Bank taken with respect to the issuance or sale of the Series 2006 C Bonds, or the Pledges (as hereinafter defined under "ENFORCEABILITY OF REMEDIES") or application of any moneys or security provided for payment of the Series 2006 C Bonds or the Series 2006 C Qualified Obligations. Neither the creation, organization or existence of the Bond Bank nor the title of any of the present directors or other officers of the Bond Bank to their respective offices is being contested.

TAX MATTERS

In the opinion of Baker & Daniels LLP, Indianapolis, Indiana, Bond Counsel, under law existing and in effect on the date of such opinion, interest on the Series 2006 C Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code. The opinion of Baker & Daniels LLP is based on certain certifications, covenants and representations of the Bond Bank and the Series 2006 C Qualified Entity issuing the Series 2006 C Qualified Obligations and is conditioned on continuing compliance therewith. In the opinion of Baker & Daniels LLP, Indianapolis, Indiana, Bond Counsel, under law existing and in effect on the date of such opinion, interest on the Series 2006 C Bonds is exempt from taxation in the State of Indiana for all purposes except the State inheritance tax and the State financial institutions tax. See Appendix C, "FORM OF APPROVING BOND COUNSEL OPINION."

The Code imposes certain requirements which must be met subsequent to the issuance of the Series 2006 C Bonds as a condition to the exclusion from gross income of interest on the Series 2006 C Bonds for federal tax purposes. Noncompliance with such requirements may cause interest on the Series 2006 C Bonds to be includable in gross income for federal tax purposes retroactive to the date of issue, regardless of the date on which noncompliance occurs. Should the Series 2006 C Bonds bear interest that is not excluded from gross income for federal income tax purposes, the market value of the Series 2006 C Bonds would be materially and adversely affected. The Tax Covenants include covenants that (i) the Bond Bank and Series 2006 C Qualified Entity will not take or fail to take any action with respect to the Series 2006 C Bonds, if such action or omission would result in the loss of the exclusion from gross income for federal tax purposes of interest on the Series 2006 C Bonds under Section 103 of the Code, and the Bond Bank and Series 2006 C Qualified Entity will not act in any other manner which would adversely affect such exclusion; (ii) the Bond Bank and Series 2006 C Qualified Entity will not make any investment or do any other act or thing during the period that the Series 2006 C Bonds are outstanding which would cause the Series 2006 C Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code; and (iii) if required by the Code, the Bond Bank and the Series 2006 C Qualified Entity will rebate any necessary amounts to

the United States of America. It is not an event of default under the Indenture if interest on the Series 2006 C Bonds or the Series 2006 C Qualified Obligations, respectively, is not excluded from gross income for federal tax purposes pursuant to any provision of the Code which is not in effect on the date of issuance of the Series 2006 C Bonds.

The Series 2006 C Bonds are not "private activity bonds" for the purpose of treatment of interest thereon as a specific preference in calculating the federal individual or corporate alternative minimum taxes. However, interest on the Series 2006 C Bonds is includable in "adjusted current earnings" in calculating corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

Although Bond Counsel will render an opinion that interest on the Series 2006 C Bonds is excludable from gross income for federal tax purposes and exempt from certain State income tax, the accrual or receipt of interest on the Series 2006 C Bonds may otherwise affect an owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the owner's particular tax status and the owner's other items of income or deduction. Except as expressly set forth above, Bond Counsel expresses no opinion regarding any other such tax consequences.

No provision has been made for redemption of the Series 2006 C Bonds, or for an increase in the interest rate on the Series 2006 C Bonds, in the event that the interest on the Series 2006 C Bonds becomes subject to income taxation.

The foregoing does not purport to be a comprehensive discussion of all of the tax consequences of owning the Series 2006 C Bonds. Prospective purchasers of the Series 2006 C Bonds should consult their own tax advisors with respect to the foregoing and other tax consequences of owning the Series 2006 C Bonds.

ORIGINAL ISSUE DISCOUNT

The initial public offering price of the Series 2006 C Bonds maturing on February 1, 2019 (the "Discount Bonds"), is less than the principal amount payable at maturity. As a result, the Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price of the Discount Bonds, as set forth on the inside cover page of this Official Statement (assuming such price is the first price at which a substantial amount of that maturity is sold) (the "Issue Price" for such maturity), and the amount payable at maturity of the Discount Bonds will be treated as "original issue discount." A taxpayer who purchases a Discount Bond in the initial public offering at the Issue Price for such maturity and who holds such Discount Bond to maturity may treat the full amount of original issue discount as interest which is excludable from the gross income of the owner of that Discount Bond for federal income tax purposes and will not, under present federal income tax law, realize taxable capital gain upon payment of the Discount Bond at maturity.

The original issue discount on each of the Discount Bonds is treated as accruing daily over the term of such Discount Bond 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 February 1 and August 1 (with straight line interpolation between compounding dates).

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

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

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

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

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

AMORTIZABLE BOND PREMIUM

The initial offering prices of the Series 2006C Bonds maturing on February 1 in the years 2009 through 2018, inclusive, and 2020 through 2023, inclusive (the “Premium Bonds”), are greater than the principal amount payable at maturity or call date. As a result, the Premium Bonds will be considered to be issued with amortizable bond premium (the “Bond Premium”). An owner who acquires a Premium Bond in the initial offering will be required to adjust the owner’s basis in the Premium Bond downward as a result of the amortization of the Bond Premium, pursuant to Section 1016(a)(5) of the Code. Such adjusted tax basis will be used to determine taxable gain or loss upon the disposition of the Premium Bonds (including sale, redemption or payment at maturity or call). The amount of amortizable Bond Premium will be computed on the basis of the owner's yield to maturity, with compounding at the end of each accrual period. Rules for determining (i) the amount of amortizable Bond Premium and (ii) the amount amortizable in a particular year are set forth in Section 171(b) of the Code. No income tax deduction for the amount of amortizable Bond Premium will be allowed pursuant to Section 171(a)(2) of the Code, but amortization of Bond Premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining other tax consequences of owning the Premium Bonds. Owners of the Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of Premium Bonds and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

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

ENFORCEABILITY OF REMEDIES

The remedies available to (i) the Trustee or the holders of the Series 2006 C Bonds upon a default under the Indenture, (ii) the Trustee or the Bond Bank under the Series 2006 C Qualified Obligations and the QE Purchase Agreement, (iii) the Series 2006 C Qualified Entity Trustee or the Series 2006 C Qualified Entity under the Series 2006 C Qualified Entity Trust Indenture and the Lease, (iv) the City under the sublease agreement with Ivy Tech, or (v) any party seeking to enforce the pledges securing the Series 2006 C Bonds or the Series 2006 C Qualified Obligations described herein (collectively the “Pledges”), 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 United States Bankruptcy Code), the remedies provided (or which may be provided) in the Indenture, the Series 2006 C Bonds, the QE Purchase Agreement, the Series 2006 C Qualified Obligations, the Series 2006 C Qualified Entity Trust Indenture, the Lease, and the Sublease, or to any party seeking to enforce the Pledges, may not be readily available or may be limited. Under federal and State environmental laws certain liens may be imposed on property of the Bond Bank or the Series 2006 C Qualified Entity from time to time, but the Bond Bank has no reason to believe, under existing law,

that any such lien would have priority over the lien on the Qualified Obligation Payments pledged to owners of the Series 2006 C Bonds under the Indenture or over the liens pledged to the owner of the Series 2006 C Qualified Obligations under the Series 2006 C Qualified Entity Trust Indenture.

The various legal opinions to be delivered concurrently with the delivery of the Series 2006 C Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, by general principles of equity (regardless of whether such enforceability is considered to a proceeding in equity or at law) and by public policy. These exceptions would encompass any exercise of the federal, State or local police powers in a manner consistent with the public health and welfare. Enforceability of the Series 2006 C Bonds, the Indenture, the Purchase Agreement, the Series 2006 C Qualified Obligations, the Series 2006 C Qualified Entity Trust Indenture, the Lease, the Sublease, and the Pledges in a situation where such enforcement may adversely affect public health and welfare may be subject to these police powers.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization, issuance, sale and delivery of the Series 2006 C Bonds are subject to the approval of Baker & Daniels LLP, Indianapolis, Indiana, Bond Counsel, whose approving legal opinion will be delivered with the Series 2006 C Bonds, substantially in the form attached hereto as Appendix C. Certain legal matters will be passed on for the Bond Bank by its general counsel, Barnes & Thornburg LLP, Indianapolis, Indiana, for the Underwriters by their counsel, Bingham McHale LLP, Indianapolis, Indiana and for the Series 2006 C Qualified Entity by Baker & Daniels LLP, South Bend, Indiana.

RATINGS

Standard & Poor's Rating Services ("S&P") is expected to assign a rating of "AAA" to the Series 2006 C Bonds. Such rating is based upon the issuance of the Series 2006 C Municipal Bond Insurance Policy. S&P has assigned a long term rating, without consideration of the Series 2006 C Municipal Bond Insurance Policy or other credit enhancement, of "A+" to the Series 2006 C Bonds. These ratings reflect only the view of S&P and an explanation thereof may be obtained from S&P at 55 Water Street, New York, New York 10041. Such ratings are not a recommendation to buy, sell or hold the Series 2006 C Bonds. There is no assurance that such ratings will remain in effect for any given period of time or that such ratings will not be lowered or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. The Underwriters have undertaken no responsibility either to bring to the attention of the owners of the Series 2006 C Bonds any proposed revision or withdrawal of the ratings of the Series 2006 C Bonds or to oppose any such proposed revision or withdrawal. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price or marketability of the Series 2006 C Bonds.

UNDERWRITING

The Series 2006 C Bonds are being purchased by J.P. Morgan Securities Inc. (the "Representative") on behalf of the Underwriters set forth on the cover page of this Official Statement. The Underwriters have agreed to purchase the Series 2006 C Bonds at an aggregate purchase price of \$21,106,339, which represents the par amounts set forth on the inside cover hereof, plus net original issue premium of \$580,629 and less an underwriters' discount of \$134,290, pursuant to a contract of purchase entered into between the Bond Bank and the Representative. Such contract of purchase provides that the Underwriters will purchase all of the Series 2006 C Bonds if they are purchased. The initial offering price may be changed from time to time by the Underwriters.

The Underwriters have agreed to make a bona fide public offering of all of the Series 2006 C Bonds at prices not in excess of the initial public offering prices set forth or reflected inside the front cover page of this Official Statement. The Underwriters may sell the Series 2006 C Bonds to certain dealers (including dealers depositing Series 2006 C Bonds into investment trusts) and others at prices lower than the offering prices set forth inside the cover page hereof.

FINANCIAL ADVISOR

The Bond Bank and the Series 2006 C Qualified Entity have engaged Crowe Chizek and Company LLC as financial advisor (the "Financial Advisor") in connection with the issuance and sale of the Series 2006 C Bonds. As Financial Advisor, Crowe Chizek and Company LLC has assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring, rating and issuance of the Series 2006 C Bonds. In its role of Financial Advisor, Crowe Chizek and Company LLC has not undertaken either to make an independent verification of or to assume responsibility for the accuracy or completeness of the information contained in the Official Statement and the Appendices hereto.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of certain mathematical computations showing that payments on the Series 2006 C Qualified Obligations, together with other available revenues, have been structured to be sufficient to pay principal of and interest on the Series 2006 C Bonds when due will be verified by Crowe Chizek and Company LLC, independent certified public accounts. Such verification shall be based upon certain information and assumptions supplied by the Bond Bank.

SERIES 2006 C BONDS AS LEGAL INVESTMENTS

Pursuant to the Act, all Indiana financial institutions, investment companies, insurance companies, insurance associations, executors, administrators, guardians, trustees, and other fiduciaries may legally invest sinking funds, money, or other funds belonging to them or within their control in bonds or notes issued by the Bond Bank.

AVAILABILITY OF DOCUMENTS AND FINANCIAL INFORMATION

Separate audited financial reports of the State and the Bond Bank, respectively, (collectively, the "Financial Reports") are prepared annually and are presently available for the year ended June 30, 2005, and prior years. No financial reports related to the foregoing entities are prepared on an interim basis and there can be no assurance that there have not been material changes in the financial position of the foregoing entities since the date of the most recent available Financial Statements. Upon request and receipt of payment for reasonable copying, mailing and handling charges, the Bond Bank will make available copies of the most recent Financial Reports, any authorizing or governing instruments defining the rights of owners of the Series 2006 C Bonds or the owners of the Series 2006 C Qualified Obligations and available financial and statistical information regarding the Bond Bank and the Series 2006 C Qualified Entity. Requests for documents and payments therefor should be directed and payable to the Indiana Bond Bank, 2980 Market Tower, 10 West Market Street, Indianapolis, Indiana 46204.

CONTINUING DISCLOSURE

Bond Bank Undertaking

Pursuant to disclosure requirements set forth in Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC"), and the terms of the Continuing Disclosure Undertaking Agreement (the "Bond Bank Undertaking"), among the State, the Bond Bank and the Trustee, the State will agree to provide or cause to be provided through the Trustee or the Bond Bank, as dissemination agent, the following annual financial information and operating data, as long as the State is an "obligated person" (within the meaning of the Rule) with respect to the Series 2006 C Bonds (or until such time as the Series 2006 C Bonds may be defeased or paid in full, all as more fully set forth in the Undertaking):

1. Audited Financial Statements. To each nationally recognized municipal securities information repository ("NRMSIR") and to the Indiana's state information depository, if any (the "State Depository"), when and if available, the audited financial statements of the State for each fiscal year of the State, beginning with the fiscal year ended June 30, 2006, together with the independent auditor's report and all notes thereto; if audited financial statements are not available within two hundred and twenty (220) days following the close of the fiscal year of the State, beginning with the fiscal year ended June 30, 2006, the State Annual Information (as defined below) shall

contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the State Annual Information when they become available; and

2. Financial Information in this Official Statement. To each NRMSIR and to the State Depository, if any, within two hundred and twenty (220) days of the close of the fiscal year of the State, beginning with the fiscal year ended June 30, 2006, annual financial information, other than the audited or unaudited financial statements described above, including operating data of the type provided in Appendix A - "FINANCIAL AND ECONOMIC STATEMENT FOR THE STATE OF INDIANA."

(The information described in items 1 and 2 above is referred to as the "State Annual Information.")

Pursuant to the terms of the Bond Bank Undertaking, the Bond Bank (and the State, but only to the extent the State shall have actual knowledge of such event) will also agree to provide to each NRMSIR or to the Municipal Securities Rulemaking Board (the "MSRB"), and to the State Depository, if any, the following event notices, if material, and in a timely manner:

- principal and interest payment delinquencies;
- non-payment related defaults;
- unscheduled draws on debt service reserves reflecting financial difficulties;
- unscheduled draws on credit enhancements reflecting financial difficulties;
- substitution of credit or liquidity providers, or their failure to perform;
- adverse tax opinions or events affecting the tax-exempt status of the security;
- modifications to the rights of security holders;
- bond calls (other than mandatory, scheduled redemptions, not otherwise contingent upon the occurrence of an event, the terms of which redemptions are set forth in detail in this Official Statement);
- defeasances;
- release, substitution or sale of property securing repayment of the securities; and
- rating changes.

The State or the Bond Bank may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above. If the State or the Bond Bank chooses to provide any such additional information, they will have no obligation to update such information or include it in any future State Annual Information or event notice.

Series 2006 C Qualified Entity Undertaking

In accordance with the disclosure requirements in the Rule and the terms of the Continuing Disclosure Agreement of the Series 2006 C Qualified Entity and the City (the "Series 2006 C Qualified Entity Undertaking"), the Series 2006 C Qualified Entity and the City, while the Series 2006 C Bonds are outstanding, will agree to provide to the Bond Bank the preceding event notices with regard to the Series 2006 C Qualified Obligations, if material, and in a timely manner, and will agree to provide the following information while any Series 2006 C Qualified Obligations are outstanding:

1. Financial Information. An update of the financial information and operating data relating to the City of the same name as that contained in Appendix B to each NRMSIR, to the State Depository, if any, and to the Bond Bank, within one hundred and eighty (180) days after each December 31, commencing with the calendar year ending December 31, 2006.

2. Audited Financial Statements. To each NRMSIR, to the State Depository, if any, and to the Bond Bank, when and if available, the audited financial statements of the City as prepared and examined by the State Board of Accounts for each twelve (12) month period ending December 31, commencing with the year ending December 31, 2006, together with the opinion of such accountants and all notes thereto, within sixty (60) days of receipt of such statements from its independent auditors.

The information described in items 1 and 2 above is referenced to as the “Series 2006 C Qualified Entity Annual Information.”)

Notwithstanding the foregoing, any information required to be provided by the State, the Bond Bank or the Series 2006 C Qualified Entity to each NRMSIR and the State Depository as described above may instead be provided to Disclosure USA, but only for so long as the conditions for the interpretation made by the SEC in the Response continue to be met. “DisclosureUSA” means the Internet-based electronic filing system created by the Municipal Advisory Council of Texas for the purpose of facilitating compliance by issuers and obligated persons (both as defined in the Rule) with continuing disclosure agreements entered into to satisfy the obligations of underwriters (as defined in the Rule). “Response” means the interpretive letter, dated September 7, 2004, released by the Division of Market Regulation of the SEC regarding DisclosureUSA.

Failure to Disclose

In a timely manner, the Trustee shall notify each NRMSIR or the MSRB, and the State Depository, if any, of any failure on the part of the State to provide the State Annual Information. Notwithstanding the obligation of the Trustee to give such notice, the State must give notice, in a timely manner, to each NRMSIR or the MSRB and the State Depository, if any, if it fails to provide the State Annual Information. If any information relating to the State can no longer be provided because the operations to which they related have been materially changed or discontinued, a statement to that effect, provided by the State to each NRMSIR and to the State Depository, if any, along with the State Annual Information required as specified above and containing such information as is still available, will satisfy the State’s undertaking to provide the State Annual Information. To the extent available, the State will cause to be filed along with the State Annual Information operating data similar to that which can no longer be provided.

In a timely manner, the Series 2006 C Qualified Entity or the City shall notify each NRMSIR or the MSRB, the State Depository, if any, and the Bond Bank, of any failure on the part of the Series 2006 C Qualified Entity to provide the Series 2006 C Qualified Entity Annual Information. If any information relating to the Series 2006 C Qualified Entity can no longer be provided because the operations to which it relates have been materially changed or discontinued, a statement to that effect, provided by the Series 2006 C Qualified Entity to each NRMSIR, to the State Depository, if any, and to the Bond Bank, along with the Series 2006 C Qualified Entity Annual Information required as specified above, will satisfy the Series 2006 C Qualified Entity’s undertaking to provide the Series 2006 C Qualified Entity Annual Information.

Accounting Principles

The accounting principles pursuant to which the financial statements of the State will be prepared will be generally accepted accounting principles, as in effect from time to time or those mandated by State law from time to time. The audited financial statements of the City (i) will be audited and prepared pursuant to accounting and reporting policies conforming in all material respects to generally accepted accounting principles as applicable to governments with such changes as may be required from time to time in accordance with State law, or (ii) will be audited (only if required by State law) and prepared in accordance with State law.

Remedies

The Bond Bank Undertaking and the Series 2006 C Qualified Entity Undertaking (collectively, the “Undertakings”) are solely for the benefit of the holders and beneficial owners of the Series 2006 C Bonds and create no new contractual or other rights for the SEC, any underwriters, brokers, dealers, municipal securities dealers, potential customers, or other obligated persons or any other third party. The sole remedy against the State, the Bond Bank, the Series 2006 C Qualified Entity or the City for any failure to carry out any provision of their respective Undertakings shall be for specific performance of the State’s, the Bond Bank’s, the Series 2006 C Qualified Entity’s or the City’s disclosure obligations under their respective Undertakings. Failure on the part of the State or the Bond Bank to honor their respective covenants under the Bond Bank Undertaking shall not constitute a breach or default of the Series 2006 C Bonds, the Indenture or any other agreement to which the State or the Bond Bank is a party. Failure on the part of the Series 2006 C Qualified Entity or the City, to honor its then respective covenants under the Series 2006 C Qualified Entity Undertaking shall not constitute a breach or default of the Series

2006 C Qualified Obligations, the Series 2006 C Qualified Entity Trust Indenture, the Lease or any other agreement to which the Series 2006 C Qualified Entity or the City is a party. This remedy may be exercised by any holder or beneficial owner of the Series 2006 C Bonds who may seek specific performance by court order to cause the State, the Bond Bank, the Series 2006 C Qualified Entity or the City to comply with their respective disclosure obligations under the Undertakings.

Modification of Bond Bank Undertaking

The Bond Bank, the State and the Trustee may, from time to time, amend or modify any of its obligations under the Bond Bank Undertaking without the consent of the holders or the beneficial owners of the Series 2006 C Bonds if either: (a) (i) such amendment or modification is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Bond Bank or the State, or type of business conducted by the Bond Bank or the State, (ii) the Bond Bank Undertaking, as so amended or modified, would have complied with the requirements of the Rule on the date of the Bond Bank Undertaking, 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 interest of the holders or beneficial owners of the Series 2006 C Bonds, as determined either by (A) any person selected by the State or the Bond Bank that is unaffiliated with the State or the Bond Bank (such as the Trustee), with regard to the Bond Bank Undertaking, or (B) an approving vote of the holders of the requisite percentage of Outstanding Series 2006 C Bonds as required under the Indenture at the time of such amendment or modification; or (b) such amendment or waiver (including an amendment which rescinds the Bond Bank Undertaking) is permitted by the Rule.

The State Annual Information for the fiscal year during which any such amendment or modification occurs that contains the amended or modified State Annual Information will explain, in narrative form, the reasons for such amendment or waiver and the impact of the change in the type of State Annual Information being provided.

Copies of the Bond Bank Undertaking are available from the Bond Bank upon request.

Modification of Series 2006 C Qualified Entity Undertaking

The Series 2006 C Qualified Entity and the City may, from time to time, amend any of its obligations under the Series 2006 C Qualified Entity Undertaking without the consent of the holders or the beneficial owners of the Series 2006 C Bonds, but with the written consent of the Bond Bank, if either: (a) (i) such amendment 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 Series 2006 C Qualified Entity or the City, or type of business conducted by the Series 2006 C Qualified Entity or the City, (ii) the Series 2006 C Qualified Entity Undertaking, as so amended, would have complied with the requirements of the Rule on the date of the Series 2006 C Qualified Entity Undertaking, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (iii) such amendment does not materially impair the interest of the holders or beneficial owners of the Series 2006 C Bonds, as determined either by (A) any person selected by the Series 2006 C Qualified Entity or the City that is unaffiliated with the Series 2006 C Qualified Entity, the City, the Bond Bank or the State (such as the Trustee) or (B) an approving vote of the holders of the outstanding Series 2006 C Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Bondholders at the time of such amendment; or (b) such amendment is otherwise permitted by the Rule.

Copies of the Series 2006 C Qualified Entity Undertaking are available from the Bond Bank upon request.

Compliance with Previous Undertakings

In the previous five (5) years, the Bond Bank, the State, the 2006 C Qualified Entity and the City have never failed to comply in all material respects with any previous undertakings in a written contract or agreement that any of them entered into pursuant to subsection (b)(5) of the Rule.

MISCELLANEOUS

The references, excerpts, and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is made to all such documents for full and complete statements of all matters of fact relating to the Series 2006 C Bonds, the security for the payment of the Series 2006 C Bonds and the rights of the owners thereof. During the period of the offering, copies of drafts of such documents may be examined at the offices of the Representative; following delivery of the Series 2006 C Bonds, copies of such documents may be examined at the offices of the Bond Bank.

The information contained in this Official Statement has been compiled from official and other sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, is believed to be correct as of this date.

Any statements made in this Official Statement involving matters of opinions or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information presented herein since the date hereof. This Official Statement is submitted in connection with the issuance and sale of the Series 2006 C Bonds and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract or agreement between the Bond Bank, the Series 2006 C Qualified Entity, the Trustee, or the Underwriters and the purchasers or owners of any Series 2006 C Bonds. The delivery of this Official Statement has been duly authorized by the Board of Directors of the Bond Bank.

INDIANA BOND BANK

By: /s/Tim Berry
Tim Berry, Chairman, Ex Officio

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APPENDIX A
FINANCIAL AND ECONOMIC STATEMENT
FOR
STATE OF INDIANA

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APPENDIX A
FINANCIAL AND ECONOMIC STATEMENT
FOR
STATE OF INDIANA
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INTRODUCTION

This Financial and Economic Statement (this “Appendix A”) for the State of Indiana (the “State”) includes a description of the State’s economic and fiscal condition, the results of operations for the past two fiscal years and revenue and expenditure projections through the end of the biennium ending June 30, 2007. The information is compiled on behalf of the State by the State Budget Agency and the Indiana Finance Authority and includes information and data taken from the Budget Agency’s unaudited reports. It also includes information obtained from other sources the State believes to be reliable.

Additional information may be obtained by contacting the Public Finance Director of the State of Indiana, One North Capitol Avenue, Suite 900, Indianapolis, Indiana 46204; Telephone (317) 233-4332. This Appendix A should be read in its entirety, together with any supplements.

STRUCTURE OF STATE GOVERNMENT

Division of Powers

The State constitution divides the powers of State government into three separate departments: the executive (including the administrative), the legislative and the judicial. Under the State constitution, no person in any department may exercise any function of another department, unless expressly authorized to do so by the constitution.

Executive Department

The Governor, Lieutenant Governor, Secretary of State, Auditor of State, Treasurer of State, Attorney General and Superintendent of Public Instruction comprise the executive department of the State. All are elected for four-year terms.

The executive power of the State is vested in the Governor. The State constitution requires the Governor to take care that the laws are faithfully executed. The Governor may recommend legislation to the General Assembly of the State (the “General Assembly”), call special sessions of the General Assembly and veto any bill passed by the General Assembly (although any veto may be overridden if the bill is re-passed by a majority of all the members elected to each house of the General Assembly).

The Lieutenant Governor serves as the President of the State Senate. The Lieutenant Governor also serves as Secretary of Agriculture and Rural Development, is a member of the Indiana Housing and Community Development Authority, oversees the Office of Tourism Development, oversees the Energy Group and chairs the Counterterrorism and Security Council.

The Secretary of State administers State laws regulating the chartering of new businesses, the filing of commercial liens and the issuance of trademarks, notaries public and summonses. In addition, the Secretary of State regulates the State’s securities industry and oversees the State’s elections.

The Treasurer of State is responsible for the investment and safekeeping of State monies. The Treasurer of State is Secretary-Investment Manager of the State Board for Depositories and chairs the Indiana Bond Bank and Indiana Education Savings Authority. The Treasurer of State is a member of the State Board of Finance, Indiana Finance Authority, Indiana Housing and Community Development Authority, Indiana Wireless Enhanced 911 Advisory Board and Deferred Compensation Plan.

The Auditor of State maintains the State’s centralized financial accounting system for all State agencies. Responsibilities include accounting for State funds, overseeing and disbursing tax distributions to local governments, paying the State’s bills and paying the State’s employees. The Auditor of State is required by statute to prepare and publish annual statements of State funds, outlining receipts and disbursements of each State department and agency. The Auditor of State is the administrator of the Deferred Compensation Plan, the secretary of the State Board of Finance and a member of the Board for Depositories.

The Attorney General is the chief legal officer of the State and is required to represent the State in lawsuits in which the State is a party. The Attorney General, upon request, gives legal opinions to the Governor, members of the General Assembly and officers of the State. In addition, the Attorney General investigates and prosecutes certain consumer complaints and Medicaid fraud.

The Superintendent of Public Instruction chairs the State Board of Education and directs the Department of Education.

Legislative Department

The legislative authority of the State is vested in the General Assembly, which is comprised of the House of Representatives and the Senate. The House of Representatives consists of 100 members who are elected for two-year terms beginning in November of each even-numbered calendar year. The Senate consists of 50 members who are elected for four-year terms, with one-half of the Senate elected biennially. The Speaker presides over the House of Representatives. The members of the House of Representatives select the Speaker from among the ranks of the House.

By law, the term of each General Assembly extends for two years, beginning in November of each even-numbered calendar year. The first regular session of every General Assembly occurs in the following odd-numbered year, convening not later than the second Monday in January and adjourning not later than April 29. The second regular session occurs in the following year, convening not later than the second Monday in January and adjourning not later than March 14.

Special sessions of the General Assembly may be convened by the Governor at any time. A special session of the General Assembly may not exceed 30 session days during a 40-calendar-day period. The Governor cannot limit the subject of any special session or its scope.

Judicial Department

The judicial power of the State is vested in a Supreme Court, a Court of Appeals, Circuit Courts and such other courts as the General Assembly may establish.

The Judicial Nominating Commission (comprised of the Chief Justice or his designee, three attorneys elected by the attorneys of Indiana and three non-attorney citizens appointed by the Governor) evaluates the qualifications of potential candidates for vacant seats on the Supreme Court and Court of Appeals. When a vacancy occurs in either court, the Judicial Nominating Commission submits the names of three nominees and the Governor selects one of the three.

The initial term of each newly appointed justice and judge is two years, after which the justice or judge is subject to a “yes” or “no” referendum at the time of the next general election. For justices of the Supreme Court, the entire State electorate votes on the question of approval or rejection. For Court of Appeals judges, the referendum is by district. Those justices and judges receiving an affirmative vote serve a ten-year term, after which they are again subject to referendum.

FISCAL POLICIES

Fiscal Years

The State’s fiscal year is the twelve-month period beginning on July 1 of each calendar year and ending on June 30 of the succeeding calendar year (a “Fiscal Year”).

Accounting System

The State maintains a central accounting system that processes all payments for State agencies and institutions, except State colleges and universities. The Auditor of State is responsible for the pre-audit of all payments, the issuance of all warrants and the maintenance of the accounting system.

Budgetary control is integrated into the accounting system. Legislative appropriations are entered into the system as an overall spending limit by account for each agency within each fund, but appropriations are not available for expenditure until allotted by the Budget Agency. Allotments authorize an agency to spend a portion of its appropriation. The Budget Agency makes quarterly allotments. Capital is allotted as projects are approved by the State Budget Committee.

The accounting system is maintained using the cash basis of accounting. At year-end, accruals are recognized as necessary to convert from the cash basis of accounting. Government-wide financial statements are recognized as full accrual basis of accounting and fund statements are recognized as modified accrual basis of accounting in accordance with generally accepted accounting principles for government financial reporting purposes.

Fund Structure

Funds are used to record the financial activities of State government. There are three major fund types: Governmental, Proprietary and Fiduciary.

Governmental Funds. Governmental Funds are used to account for the State's general governmental activities and use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when susceptible to accrual (that is, when it is "measurable and available"). Expenditures are recorded when the related fund liability is incurred, except that (i) unmatured interest on general long-term debt is recognized when due and (ii) certain compensated absences and related liabilities and claims and judgments are recognized when the obligations are expected to be liquidated. Governmental Funds include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.

General Fund. The General Fund is maintained to account for resources obtained and used for those services traditionally provided by State government that are not required to be accounted for in another fund.

Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

Special Revenue Funds include the Motor Vehicle Highway Fund, which receives revenue from gasoline taxes and motor vehicle registrations and operator licensing fees and distributes that revenue among the State and its counties, cities and towns to be used for the construction, reconstruction, improvement, maintenance and policing of highways and secondary roads.

The Property Tax Replacement Fund ("PTR Fund") is also reported as a Special Revenue Fund by the Auditor of State. The PTR Fund is funded from 50% of State sales and use tax revenue, a portion of individual income tax receipts and a portion of Gaming Revenue described below. The PTR Fund is used to provide (i) property tax relief and (ii) local school aid.

Debt Service Funds. Debt Service Funds are used to account for the accumulation of resources and payment of bond principal and interest from special revenue component units that are bodies corporate and politic with the legal authority to issue bonds to finance certain improvements within the State.

Capital Projects Funds. Capital Projects Funds are used to account for financial resources to be used by the State for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Capital Projects Funds include the Post War Construction Fund, Build Indiana Fund, Soldiers and

Sailors Children's Home Fund, Veterans Home Fund, State Police Building Commission Fund, Law Enforcement Academy Building Fund, Interstate Bridge Fund and Major Construction-Indiana Army National Guard Fund.

Proprietary Funds. Proprietary Funds are used to account for a government's business-type activities. They use the accrual basis of accounting. There are two types of Proprietary Funds: Enterprise Funds and Internal Service Funds.

Enterprise Funds. Enterprise Funds are used to account for provision of services to customers outside the government. Examples are the State Lottery Commission and Inns and Concessions.

Internal Service Funds. Internal Service Funds are used to account for provision of services to other funds, departments or agencies of the government.

Fiduciary Funds. Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and cannot be used to support government programs. They use the accrual basis of accounting. Indiana has three types of Fiduciary Funds: Pension Trust Funds, Private-purpose Trust Funds and Agency Funds.

Pension Trust Funds. Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans or other employee benefit plans. Examples are the State Police Pension Fund and the Employees' Deferred Compensation Fund.

Private-purpose Trust Funds. Private-purpose Trust Funds are used to report any trust arrangement not properly reported in a pension trust fund or an investment trust fund under which principal and income benefit individuals, private organizations or other governments. Examples are the Student Loan Program Fund and the Abandoned Property Fund.

Agency Funds. Agency Funds are used to account for situations where the government's role is purely custodial, such as the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. Examples are the Child Support Fund and the Local Distributions Fund.

Budget Process

State Budget Agency. The Budget Agency is responsible for preparing the State budget. After the budget is enacted by the General Assembly, the Budget Agency has extensive statutory authority to administer it. The chief executive officer of the Budget Agency is the State Budget Director, who is appointed by the Governor. The Governor also appoints two Deputy Budget Directors; by law, the deputies must be of different political parties.

State Budget Committee. The Budget Committee consists of the State Budget Director and four State legislators. The Budget Committee oversees the preparation of the budget and administration of capital budgets after enactment. The legislative members of the Budget Committee consist of two members of the Senate, appointed by the President pro tempore of the Senate, and two members of the House of Representatives, appointed by the Speaker of the House of Representatives. One of the two appointees from each chamber must be nominated by the minority floor leader. Four alternate members of the Budget Committee must be legislators selected in the same manner as regular members. An alternate member participates and has the same privileges as a regular member, except that an alternate member votes only if the regular member from the alternate member's respective chamber and political party is not present. The legislators serve as liaisons between the executive and legislative departments and provide fiscal information to their respective caucuses.

Budget Development. The State operates under a two-year budget; the legislature enacts one act containing two annual budgets. On or before the first day of September in each even-numbered year, all State agencies, including State-supported higher education institutions and public employee and teacher pension fund trustees, submit budget requests to the Budget Agency. The Budget Agency then conducts an internal review of each request. In September of each even-numbered year, the Budget Committee begins hearings on budget requests.

After presentations by the agencies and the Budget Agency, the Budget Committee makes budget recommendations to the Governor.

Revenue Projections. Revenue projections are prepared by the State's Technical Forecast Committee. The Economic Forecast Committee is responsible for forecasting independent variables that may be employed by the Technical Forecast Committee to derive the State's revenue projections. The Economic Forecast Committee is currently comprised of seven economists from Indiana and a special adviser associated with the Federal Reserve Bank of Chicago, all of whom serve at the request of the Governor and without pay. Members of the Economic Forecast Committee have detailed knowledge of the State and national economies, the banking community and the Federal Reserve System and have access to a national econometric model.

The Technical Forecast Committee is responsible for developing econometric models used to derive the State's revenue projections and for monitoring changes in State and federal laws that may have an impact on State revenue. Each regular member of the Budget Committee appoints a member of the Technical Forecast Committee. Members of the Budget Committee appoint one additional member from a higher education institution for a total of six members. Members of the Technical Forecast Committee are individuals with expertise in public finance.

No formal contact occurs between the Economic Forecast Committee and the Technical Forecast Committee until the chair of each group reports to the Budget Committee, although the Economic Forecast Committee provides the economic assumptions used by the Technical Forecast Committee in preparing revenue projections.

Budget Report. The budget report and budget bill are prepared by the Budget Committee with the Budget Agency's assistance. The budget report and bill are based upon the recommendations and estimates prepared by the Budget Agency and the information obtained through hearings and other inquiries. If the Budget Agency and a majority of the members of the Budget Committee differ upon any item, matter or amount to be included in the budget report and bill, the recommendation of the Budget Agency is included in the bill.

Before the second Monday of January in the year immediately after their preparation, the Budget Committee submits the budget report and bill to the Governor. The Governor then delivers the budget bill to the Budget Committee members appointed by the Speaker of the House of Representatives for introduction in the House. Although there is no law that requires a budget bill to originate in the House, by tradition, the House passes a budget bill first and sends it to the Senate for consideration.

The budget report includes (a) a statement of policy, (b) a general summary, (c) detailed data on actual receipts and expenditures for the previous budget period, (d) a description of the State capital improvement program, (e) the requests for appropriations by State agencies and (f) the Budget Agency's recommended appropriations.

Appropriations. Within 45 days following the adjournment of each regular session of the General Assembly or within 60 days following a special session of the General Assembly, the Budget Agency is required to prepare a list of all appropriations made for the budget period beginning on July 1 following such session, or for such other period as may be provided in the appropriation. The State Budget Director is required to prepare a written review and analysis of the fiscal status and affairs of the State as affected by the appropriations. The report is forwarded to the Governor, the Auditor of State and each member of the General Assembly.

On or before the first day of June of each calendar year, the Budget Agency is required to prepare a list of all appropriations made for expenditure or encumbrance for the ensuing Fiscal Year. The Auditor of State then establishes the necessary accounts based upon the list.

Intra-Agency Transfers. The Budget Agency is responsible for administering the State budget after it is enacted. The Budget Agency may, with the approval of the Governor and the State Budget Director, transfer, assign or reassign all or any part of any appropriation made to any agency for a specific use or purpose to another use or purpose, except any appropriation made to the Indiana State Teachers' Retirement Fund. The Budget Agency may take such action only if the transfer, assignment or reassignment is to meet a use or purpose that an agency is

required or authorized by law to perform. The agency whose appropriation is involved must approve the transfer, assignment or reassignment.

Contingency Appropriations. The General Assembly may also make “contingency appropriations” to the Budget Agency, which are general and unrelated to any specific State agency. In the absence of other directions imposed by the General Assembly, contingency appropriations must be for the general use of any agency of the State and must be for its contingency purposes or needs, as the Budget Agency in each situation determines. The Budget Agency fixes the amount of each transfer and orders the transfer from such appropriations to the agency. The Budget Agency may make and order allocations and transfers to, and authorized expenditures by, the various State agencies to achieve the purposes of such agencies or to meet the following: (a) necessary expenditures for the preservation of public health and for the protection of persons and property that were not foreseen when appropriations were last made; (b) repair of damage to, or replacement of, any building or equipment owned by the State which has been so damaged so as to materially affect the public safety or utility thereof, or which has so deteriorated as to become unusable if such deterioration was not foreseen when appropriations were last made; (c) emergencies resulting from an increase in costs or any other factor or event that was not foreseen when appropriations were last made; or (d) supplement an exhausted fund or account of any State agency, whatsoever the cause of such exhaustion, if it is found necessary to accomplish the orderly administration of the agency or the accomplishment of an existing specific State project.

These provisions may not change, impair or destroy any fund previously created nor affect the administration of any contingency appropriations previously or subsequently made for specific purposes.

State Board of Finance

The State Board of Finance (the “Finance Board”) consists of the Governor, the Treasurer of State and the Auditor of State. The Finance Board elects from its membership a president, who, by tradition, is the Governor. The Auditor of State is the secretary of the Finance Board. The Finance Board is responsible for supervising the fiscal affairs of the State and has advisory supervision of the safekeeping of all funds coming into the State treasury and all other funds belonging to the State coming into the possession of any State agency or officer. The Finance Board may transfer money between funds, except trust funds, and the Finance Board may transfer money between appropriations for any State board, department, commission, office or benevolent or penal institution.

The Finance Board has statutory authority to negotiate loans on behalf of the State for the purpose of meeting “casual deficits” in State revenue. A loan may not be for a period longer than four years after the end of the Fiscal Year in which it is made. If sufficient revenue is not being received by the General Fund to repay the loan when due, the Finance Board may levy a tax on all taxable property in the State sufficient to pay the amount of the indebtedness. The Finance Board has never negotiated a loan to meet a deficit in State revenue.

Office of Management and Budget

In 2005, legislation was enacted that established the Office of Management and Budget, to direct the fiscal management and budget policy of the State.

The Director of the Office of Management and Budget is the chief financial officer of the State, and reports directly to the Governor. The Director is responsible for and has authority over all functions performed by the Budget Agency, the Department of State Revenue, the Department of Local Government Finance and the Indiana Finance Authority, as well as all budgeting, accounting and spending functions within the various agencies, departments and programs of State government. The Director may also serve as the State Budget Director. Pursuant to Executive Order 05-02, the Office of Management and Budget oversees and coordinates the functions, responsibilities and duties of the Public Employees’ Retirement Fund (PERF), the Teachers’ Retirement Fund (TRF) and the State Board of Accounts to the fullest extent permitted by law.

The Division of Government Efficiency and Financial Planning of the Office of Management and Budget conducts operational and procedural audits of State government, performs financial planning, designs and implements efficiency projects, and carries out such other responsibilities as may be designated by the Director.

Cash Management and Investments

The Treasurer of State is responsible for the receipt, custody and deposit of all moneys paid into the State Treasury and keeps daily accounts of all funds received into the Treasury and all moneys paid out of it. The Treasurer of State is responsible for investing the General Fund, the PTR Fund and more than 60 other funds. The investments in which the Treasurer of State may invest State funds are limited to: (a) securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States and issued by the United States Treasury, a federal agency, a federal instrumentality or a federal government sponsored enterprise; (b) obligations issued by (i) agencies or instrumentalities of the United States government, (ii) federal government sponsored enterprises or (iii) the Indiana Bond Bank that are secured by tax anticipation time warrants or notes that (A) are issued by a political subdivision of the State and (B) have a maturity date not later than the end of the calendar year following the year of issuance; (c) certain money market mutual funds, the portfolio of which is limited to (i) direct obligations of the United States, (ii) obligations issued by any federal agency, federal instrumentality or federal government sponsored enterprise or (iii) repurchase agreements fully collateralized by obligations described in (i) or (ii); (d) deposit accounts of certain designated depositories; or (e) certain other securities. Investments may be made only in securities having a maturity of up to two years, except that up to 25% of the total portfolio of funds invested by the Treasurer of State may be invested in securities having a maturity of up to five years.

Audits

The State Board of Accounts is the State agency responsible for (a) auditing all State and local units of government and (b) approving uniform systems of accounting for such governments.

The State Board of Accounts performs its financial and compliance audits in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. The State Board of Accounts issues its opinion on the fairness of financial statements and their conformity to generally accepted accounting principles for the State agencies and local units of government it audits, including the comprehensive annual financial report (or CAFR) prepared annually by the Auditor of State.

2005 Financial Report

The Indiana Comprehensive Annual Financial Report For Fiscal Year Ended June 30, 2005 (the "2005 Financial Report"), contains certain financial information about the State, including the financial statements of the State as of and for the Fiscal Year ended June 30, 2005, as set forth therein. The 2005 Financial Report was previously provided to each then nationally recognized municipal securities information repository (each then nationally reorganized municipal securities information repository, a "NRMSIR"), and is included in this Appendix A by reference.

A copy of the 2005 Financial Report may be obtained from any NRMSIR. In addition, the 2005 Financial Report may be found at: <http://www.in.gov/idfa/pfo>.

The 2005 Financial Report speaks only as of its date. The inclusion of the 2005 Financial Report in this Appendix A does not imply that there has been no change in the information therein since the date thereof.

STATE BUDGET PROFILE AND FINANCIAL RESULTS OF OPERATIONS

Operating Revenue

While certain revenue of the State is required by law to be credited to particular funds other than the General Fund, the requirement is primarily for accounting purposes and may be changed. Substantially all State revenue is general revenue until applied. No lien or priority is created to secure the application of such revenue to any particular purpose or to any claim against the State. All revenue not allocated to a particular fund is credited to the General Fund. The general policy of the State is to close each Fiscal Year with a surplus in the General Fund

and a zero balance in all other accounts, except for certain dedicated and trust funds and General Fund accounts reimbursed in arrears.

Although established by law as a special revenue fund, it is helpful to combine the receipts and disbursements of the PTR Fund with those of the General Fund to provide a more complete and accurate description of State receipts and discretionary expenditures, especially as those expenditures relate to local school aid. For this purpose, the combined receipts are referred to as “State Operating Revenue” or “Operating Revenue.” Operating Revenue is defined as the total of General Fund and PTR Fund revenue forecasted by the Technical Forecast Committee. Total Operating Revenue together with “DSH revenue” transferred to the General Fund, plus transfers from other funds when necessary and available, are used in the determination of the State’s unappropriated balance reflected on the Combined General and PTR Fund Unappropriated Reserve Statement. “DSH” is an acronym for “Disproportionate Share for Hospitals (federal funds),” and DSH revenue constitutes additional Medicaid reimbursements provided to the State for hospitals that serve disproportionately large numbers of poor people. See “Fund Balances—Combined General and PTR Fund.”

General Fund and PTR Fund Revenue Sources

Sales and use taxes, corporate and individual income taxes and wagering taxes are the three primary sources of State Operating Revenue. Table 1 provides annual revenue by source and growth rates over time. The following is a summary of Operating Revenue by source.

Sales and Use Taxes. The 2002 General Assembly, meeting in Special Session, increased the sales and use tax rate from 5.0% to 6.0%, effective December 1, 2002. This tax is imposed on the sale and rental of tangible personal property and the sale of certain services, including the furnishing of public utility services and the rental or furnishing of public accommodations such as hotel and motel room rentals. In general, the complementary 6.0% use tax is imposed upon the storage, use or consumption of tangible personal property in the State. Some of the major exemptions from the sales and use taxes are sales of certain property to be used in manufacturing, agricultural production, public transportation or governmental functions, sales for resale, food sold in grocery stores and prescription drugs.

Corporate Income Taxes. As part of tax restructuring legislation passed in 2002, the General Assembly repealed the gross income tax and the supplemental corporate net income tax and increased the corporate adjusted gross income tax rate to 8.5% of apportioned Indiana adjusted gross income (AGI). These changes were effective January 1, 2003.

Adjusted Gross Income Tax. The adjusted gross income tax is applicable to corporations doing business in the State. Prior to the change in tax rate, the effective rate for a taxpayer paying adjusted gross income tax and supplemental net income tax was 7.47%. AGI is federal taxable income with certain additions and subtractions. Certain international banking facilities and insurance companies, S corporations and tax-exempt organizations (to the extent their income is exempt for federal tax purposes) are not subject to the adjusted gross income tax. Adjusted gross income tax collections are allocated to the General Fund.

Utilities Receipts Tax. The utilities receipts tax is based on gross receipts from retail utility sales. It is imposed at a rate of 1.4% and was effective January 1, 2003. Utilities must also pay the corporate adjusted gross income tax.

Individual Adjusted Gross Income Tax. Adjusted gross income (federal adjusted gross income modified by adding back certain federal adjustments and subtracting certain federal exemptions and deductions) of residents and non-residents with income derived from Indiana sources is taxed at 3.4%. All revenue derived from the collection of the adjusted gross income tax imposed on persons is credited to the General Fund and PTR Fund.

Wagering Tax. The wagering tax is applied to the adjusted gross receipts of riverboat gambling operations in Indiana. Prior to Fiscal Year 2003, all wagering taxes earned by the State were deposited into the Build Indiana Fund. Legislation passed in 2002 changed the collection and distribution of wagering taxes and allowed riverboats to implement flexible scheduling, enabling patrons to gamble while a riverboat is docked. The legislation imposes a

graduated wagering tax on riverboats that adopt flexible scheduling. The graduated tax is set at 15% of the first \$25 million of adjusted gross receipts in a fiscal year, 20% of receipts between \$25 million and \$50 million, 25% of receipts between \$50 million and \$75 million, 30% of receipts between \$75 million and \$150 million, and 35% of adjusted gross receipts in excess of \$150 million. The wagering tax on riverboats that do not implement flexible scheduling increased from 20% to 22.5% of adjusted gross receipts; however, all riverboats operating in Indiana have implemented flexible scheduling.

The legislation also changed the distribution of wagering taxes. The first \$33 million of wagering taxes collected in the State’s fiscal year must be set aside for revenue sharing among local units of government that do not have riverboats. Of the remaining revenue, 25% is distributed to the cities and counties with riverboat operations, and 75% is deposited in the PTR Fund. From the revenue distributed to the PTR Fund, an amount is distributed annually to the Build Indiana Fund.

Other Operating Revenue. Other revenue (“Other Revenue”) is derived from cigarette taxes, alcoholic beverage taxes, inheritance taxes, insurance taxes, interest earnings and miscellaneous revenue. In 2002, the General Assembly increased the cigarette tax by \$0.40 per pack, to \$0.555 per pack, and increased the tax on other tobacco products by 3 percentage points.

Revenue History

Annual percentage changes for each component of Operating Revenue is reflected in Table 1. The table also includes actual revenue for prior Fiscal Years as well as projected revenue for Fiscal Years 2006 and 2007.

Table 1
State Operating Revenue
(Millions of Dollars)

	FY 2001 ⁽¹⁾	FY 2002 ⁽¹⁾	FY 2003 ⁽¹⁾	FY 2004 ⁽¹⁾	FY 2005 ⁽¹⁾	FY 2006 ⁽²⁾	FY 2007 ⁽²⁾
Sales Tax	3,686.8	3,761.4	4,172.4	4,721.0	4,960.4	5,174.1	5,472.1
Change from Prior Year		2.0%	10.9%	13.1%	5.1%	4.3%	5.8%
Individual Income	3,779.80	3,540.8	3,644.2	3,807.9	4,213.2	4,208.1	4,522.5
Change from Prior Year		-6.3%	2.9%	4.5%	10.6%	-0.1%	7.5%
Corporate Income	855.3	709.4	729.2	644.7	824.8	810.7	803.8
Change from Prior Year		-17.1%	2.8%	-11.6%	27.9%	-1.7%	-0.9%
Wagering Tax	N/A	N/A	430.7	601.5	584.7	596.7	636.3
Change from Prior Year		N/A	N/A	39.7%	-2.8%	2.0%	6.6%
Other ⁽³⁾	730.1	697.2	903.6	844.8	853.4	923.1	914.2
Change from Prior Year		-4.5%	29.6%	-6.5%	1.0%	8.2%	-1.0%
Total	9,052.0	8,708.9	9,880.1	10,619.9	11,436.5	11,712.7	12,348.9
Change from Prior Year		-3.8%	13.4%	7.5%	7.7%	2.4%	5.4%

⁽¹⁾ Actual, but unaudited, Operating Revenue.

⁽²⁾ Revenues are those projected by the Technical Forecast Committee on December 14, 2005.

⁽³⁾ See “General Fund and PTR Fund Revenue Sources—Other Operating Revenue.”

Source: State Budget Agency

Lottery and Gaming Revenue

By statute, certain revenue from the Hoosier Lottery, horse racing pari-mutuel wagering tax and charity gaming taxes and license fees (collectively, “Gaming Revenue”) must be deposited in the Build Indiana Fund. In 2002, the General Assembly enacted annual distributions of wagering tax revenue to the BIF in the amount of \$250 million per year less the annual amounts distributed to the BIF from Hoosier Lottery profits, charitable gaming

taxes and license fees and pari-mutuel wagering taxes. Any revenue in excess of \$250 million is to remain in the PTR Fund. For a description of wagering taxes, *see* “General Fund and PTR Fund Revenue Sources—Wagering Tax.”

Before Hoosier Lottery profits are transferred to the Build Indiana Fund, \$60 million annually is used to fund local government pension liabilities—\$30 million goes to the Teachers’ Retirement Fund and \$30 million goes to the Pension Stabilization Fund. All lottery and gaming revenue deposited to BIF is appropriated by the General Assembly, and the statute that governs deposits of that revenue also governs priority of distribution in the event that revenue falls short of appropriations. At present, the highest distribution priority (after pension account transfers) is to the State’s counties for motor vehicle excise tax replacement, providing a substantial cut in the excise tax charged on motor vehicles—\$236.2 million were appropriated for Fiscal Year 2005.

For Fiscal Year 2005, Gaming Revenue totaling \$780.8 million was collected by the State from the following sources:

Riverboat gaming	\$584.7 million
Hoosier Lottery	189.7 million
Charity gaming	4.0 million
Horse racing	2.3 million

Source: State Budget Agency

Operating Expenditures

The General Assembly appropriated \$24,321.1 million of General Fund and PTR Fund revenue for Fiscal Years 2006 and 2007. Actual expenditures may differ from appropriated levels as a result of a number of factors, including unforeseen expenses and executive and legislative action. The State’s five largest expenditure categories include local school aid, higher education, property tax relief, Medicaid and correction. These five categories constitute approximately 84.0% of all appropriations for Fiscal Years 2006 and 2007. Table 2 sets forth operating expenditures, estimates and appropriations for all major expenditure categories for Fiscal Years 2001 through 2007.

Table 2
Expenditures and Appropriations
(Millions of Dollars)

	FY 2001 ⁽¹⁾	FY 2002 ⁽¹⁾	FY 2003 ⁽¹⁾	FY 2004 ⁽¹⁾	FY 2005 ⁽²⁾	FY 2006 ⁽³⁾	FY 2007 ⁽³⁾
Local School Aid	4,172.8	3,889.5	4,141.1	4,356.3	4,441.7	4,496.1	4,523.4
Change from Prior Year		-6.8%	6.5%	5.2%	2.0%	1.2%	0.6%
Property Tax Relief	1,200.9	1,179.8	1,222.9	2,096.8	2,107.6	2,214.8	2,214.8
Change from Prior Year		-1.8%	3.7%	71.5%	0.5%	5.1%	0.0%
Higher Education	1,331.3	1,294.7	1,404.1	1,470.5	1,520.4	1,543.5	1,588.3
Change from Prior Year		-2.7%	8.4%	4.7%	3.4%	1.5%	2.9%
Medicaid	1,110.9	1,138.0	1,167.2	1,243.7	1,383.4	1,455.2	1,525.1
Change from Prior Year		2.4%	2.6%	6.6%	11.2%	5.2%	4.8%
Correction	547.2	582.1	594.0	619.4	608.1	623.8	624.1
Change from Prior Year		6.4%	2.0%	4.3%	-1.8%	2.6%	0.0%
Other	1,635.5	1,592.9	1,634.2	1,613.0	1,574.7	1,742.9	1,769.0
Change from Prior Year		-2.6%	2.6%	-1.3%	-2.4%	10.7%	1.5%
Total	9,998.6	9,677.0	10,163.5	11,399.7	11,635.9	12,076.3	12,244.7
Change from Prior Year		-3.2%	5.0%	12.2%	2.1%	3.8%	1.4%

⁽¹⁾ Actual, but unaudited, expenditures.

⁽²⁾ Estimated, but unaudited, expenditures.

⁽³⁾ Appropriations are those authorized by the 2005 General Assembly.

Source: State Budget Agency

Local School Aid. Funding for elementary and secondary education is the State's largest operating expense. Local school aid is payable from both the General Fund and PTR Fund and includes distributions for programs such as assessment and performance, as well as tuition support. As a matter of long-standing fiscal policy, the General Assembly funds increases in local school aid above the State base by appropriating one-half of the increases from the General Fund and one-half from the PTR Fund. The General Assembly established the State's calendar year 1972 funding level as the base for local school aid.

Prior to January 1, 2003, the State provided approximately 66% of school corporations' general fund budgets. As a result of the tax restructuring legislation enacted in 2002, the State now provides approximately 85% of the school corporations' general fund budgets. See "Property Tax Relief."

Local school aid formula funding for tuition support on a school corporation-by-school corporation basis will increase by an average of 1.2% for Fiscal Year 2006 and will increase by 0.6% for Fiscal Year 2007. Local school aid appropriations for Fiscal Year 2006 from the Combined General and PTR Fund will total \$4,496.1 million, and for Fiscal Year 2007 will total \$4,523.4 million. See "Financial Results of Operations."

Property Tax Relief. Spending for property tax relief primarily consists of the Property Tax Relief Credit ("PTR Credits"), which has in recent years reduced local property taxes by 14% to 15%, and the Homestead Credit, which in the past reduced residential property taxes by 10%. Property tax relief is payable from the PTR Fund. Property tax relief appropriations for Fiscal Year 2006 will total \$2,214.8 million, an increase of 5.1% from Fiscal Year 2005. Due to actions by the 2005 Indiana General Assembly, property tax relief appropriations will remain substantially unchanged in Fiscal Year 2007. Legislation passed in special legislative session in 2002 provides for a 60% credit for school corporations' general fund tax levy on local property taxes through a State-paid Property Tax Replacement Credit as of January 1, 2003. This measure effectively increases the percentage of local school corporations' general fund budgets paid by the State from approximately 66% to approximately 85%. Additionally, the legislation increased the Homestead Credit from 10% to 20%, beginning in 2003. See "Local School Aid."

Higher Education. Through the General Fund, the State supports seven higher education institutions, Ball State University, Indiana University, Indiana State University, Ivy Tech Community College of Indiana, Purdue University, University of Southern Indiana and Vincennes University. Higher education appropriations for Fiscal Year 2006 total \$1,543.5 million, an increase of 1.5% from Fiscal Year 2005. Higher education appropriations for Fiscal Year 2007 total \$1,588.3 million, an increase of 2.9% from Fiscal Year 2006. Appropriations for higher education include money used to pay debt service and other amounts on qualified state university and college debt. See "Financial Results of Operations."

Since Fiscal Year 1976, the General Assembly has appropriated to each State university and college an amount equal to the annual debt service requirements due on qualified outstanding Student Fee and Building Facilities Fee Bonds and other amounts due with respect to debt service and debt reduction for interim financings (collectively, "Fee Replacement Appropriations"). The Fee Replacement Appropriations are not pledged as security for such bonds and other amounts. Under the State constitution, the General Assembly cannot bind subsequent General Assemblies to continue the present Fee Replacement Appropriations policy; however, it is anticipated that the policy will continue for outstanding bonds and notes.

The estimated aggregate principal amount of bonds and notes outstanding as of June 30, 2005, for each State university and college eligible for Fee Replacement Appropriations, and the amount of Fee Replacement Appropriations for Fiscal Years 2006 and 2007 are shown below.

Table 3
Schedule of Fee Replacement Debt

	Estimated Amount of Debt Outstanding June 30, 2005	Fiscal Year 2006 Fee Replacement Expenditures	Fiscal Year 2007 Fee Replacement Appropriations
Ball State University	\$ 87,220,000	\$ 7,824,168	\$ 10,808,931
Indiana University ⁽¹⁾	412,514,771	55,201,058	64,071,550
Indiana State University	58,272,709	6,663,721	7,282,616
Ivy Tech Community College	164,545,000	11,757,465	13,119,374
Purdue University ⁽²⁾	196,245,800	22,872,273	26,102,885
University of Southern Indiana	81,253,285	5,855,701	5,901,601
Vincennes University	<u>29,942,817</u>	<u>3,226,033</u>	<u>3,861,825</u>
Total	<u>\$1,029,994,382</u>	<u>\$113,400,419</u>	<u>\$131,148,782</u>

⁽¹⁾ Includes its regional campuses other than Indiana University-Purdue University at Fort Wayne.

⁽²⁾ Includes its regional campuses other than Indiana University-Purdue University at Indianapolis.

Source: Indiana Commission for Higher Education

Medicaid. The fourth largest expenditure from the General Fund is Medicaid. It is a state/federal shared fiscal responsibility with the State General Fund supporting 30.4% of the total program and federal funds comprising 68.1%, in Fiscal Year 2005. The balance or 1.5% is paid through transferred and dedicated funds. In Fiscal Year 2005 the state spent \$1,383.4 million for Medicaid from the General Fund. This was an increase of 11.2% over the Fiscal Year 2004 expenditure of \$1,243.8 million. The State used Medicaid balances retained from Fiscal Year 2004, in the amount of \$117.0 million, to fund the Fiscal Year 2005 increase. For Fiscal Years 2006 and 2007, the State has appropriated \$1,455.2 million and \$1,525.2 million, respectively. Medicaid enrollment is one of the most significant drivers of Medicaid costs. Medicaid enrollment increased from 740,814 people in Fiscal Year 2002 to 838,136 people in Fiscal Year 2005, or at an average annual rate of 4.2%. Enrollment is expected to grow to 920,807 in Fiscal Year 2007.

Correction. The fifth largest operating expenditure, payable almost entirely from the General Fund, is for the Department of Correction. Appropriations for the Department of Correction include funds for incarceration, rehabilitation and parole programs. Estimated expenditures for Correction for Fiscal Year 2005 are \$608.1 million. Correction appropriations for Fiscal Year 2006 total \$623.8 million, an increase of 2.6% from Fiscal Year 2005. Correction appropriations for Fiscal Year 2007 total \$624.1 million, an increase of 0.0% from Fiscal Year 2006.

Population is the most significant driver of Correction expenditures. Correctional population steadily increased from 21,540 in Fiscal Year 2001 to a projected 27,789 in Fiscal Year 2007.

Other. The balance of State expenditures is composed of spending for a combination of other purposes, the principal ones being the costs of institutional care and community programs for persons with mental illnesses and developmental disabilities, the State's administrative operations, the State share of public assistance payments, the General Fund share of State Police costs, economic development programs and General Fund expenditures for capital improvements. Other Categories appropriations for Fiscal Year 2006 from the General Fund total \$1,742.9 million, an increase of 10.7% from Fiscal Year 2005, the increase resulting primarily from capital projects reversions due to the State's austerity measures from earlier biennia. Other Categories appropriations for Fiscal Year 2007 from the General Fund total \$1,769.0 million, an increase of 1.5% from Fiscal Year 2006.

Expenditure Limits. In 2002, the General Assembly enacted a law that provides that the maximum annual percentage change in State government expenditures must be based on the percentage change in Indiana non-farm personal income during the past six calendar years. The law excludes expenditures from revenue derived from gifts, federal funds, dedicated funds, intergovernmental transfers, damage awards and property sales. Expenditures from the transfer of funds between the General Fund, the PTR Fund and the Rainy Day Fund, reserve fund deposits, refunds of intergovernmental transfers, state capital projects, judgments and settlements, distributions of specified State tax revenue to local governments and Motor Vehicle Excise Tax replacement payments are also exempt from

the expenditure limit. The expenditure limit is applied to appropriations from the General Fund, the PTR Fund and the Rainy Day Fund.

The law directs the Budget Agency to compute a new State spending growth quotient before December 31 in each even-numbered year. The State spending growth quotient is equal to the lesser of the six-year average increase in Indiana non-farm personal income and 6%. The legislation allows the state spending cap to be increased or decreased to account for new or reduced taxes, fees, exemptions, deductions or credits adopted after June 30, 2002. The Budget Agency computed the spending growth quotient prior to the passage of the new biennial budget for Fiscal Years 2006 and 2007. The spending cap limits expenditure increases to 3.9% per annum for each of Fiscal Year 2006 and Fiscal Year 2007, and the State's appropriations are below the allowable limits.

Fund Balances

The State has four primary funds that build or hold unappropriated reserves: the Rainy Day Fund, the Tuition Reserve, the Combined General and PTR Fund and the Medicaid Reserve and Contingency Account. Each of these funds is described below.

Rainy Day Fund. In 1982, the General Assembly established the Counter-Cyclical Revenue and Economic Stabilization Fund, commonly called the "Rainy Day Fund." One of three primary funds into which general purpose tax revenue is deposited, the Rainy Day Fund is essentially a State savings account that permits the State to build up a fund balance during periods of economic expansion for use during periods of economic recession.

Each year the State Budget Director determines calendar year Adjusted Personal Income ("API") for the State and its growth rate over the previous year. In general, moneys are deposited automatically into the Rainy Day Fund if the growth rate in API exceeds 2.0% and moneys are withdrawn automatically from the Rainy Day Fund if API declines by more than 2.0%. No automatic withdrawal from the Rainy Day Fund has occurred; however, the General Assembly has authorized money to be transferred from the Rainy Day Fund to the General Fund from time to time during periods of economic recession. In addition, the General Assembly has authorized money in the Rainy Day Fund to be used to make loans to local governments from time to time. *See* "Financial Results of Operations."

During a Fiscal Year when a transfer is made to the Rainy Day Fund, if General Fund revenue is less than estimated (and the shortfall cannot be attributed to a statutory change in the tax rate, tax base, fee schedules or revenue sources from which the revenue estimates were made), an amount reverts to the General Fund from the Rainy Day Fund equal to the lesser of (a) the amount initially transferred to the Rainy Day Fund during the Fiscal Year and (b) the amount necessary to maintain a positive balance in the General Fund for the Fiscal Year.

All earnings from the investment of the Rainy Day Fund balance remain in the Rainy Day Fund. Money in the Rainy Day Fund at the end of a Fiscal Year does not revert to the General Fund. If the balance in the Rainy Day Fund at the end of a Fiscal Year exceeds 7.0% of total General Fund revenue for the Fiscal Year, the excess is transferred from the Rainy Day Fund to the PTR Fund. *See* Table 4 for Rainy Day Fund balances.

Tuition Reserve. The Tuition Reserve is a cash flow device that is intended to assure that the State has sufficient cash to make local school aid payments on time. Prior to each June 1, the Budget Agency estimates and establishes the Tuition Reserve for the ensuing Fiscal Year. *See* Table 4 for Tuition Reserve Fund balances.

Medicaid Reserve. In 1995, the General Assembly established the Medicaid Reserve and Contingency Account to provide a reserve to fund timely payments of Medicaid claims, obligations and liabilities. The Medicaid Reserve was designed to represent the estimated amount of obligations that were incurred, but remained unpaid, at the end of a Fiscal Year. *See* Table 4 for Medicaid Reserve Fund balances.

Combined General and PTR Fund. The PTR Fund was created by statute in Fiscal Year 1973. It is funded from revenue from the State sales and use tax, a portion of individual income tax receipts and wagering taxes. The PTR Fund is used to (a) replace local property tax levies ("PTR Credits"), which were reduced through PTR Credits under the same statute that created the PTR Fund, and (b) fund local school aid. To the extent the

PTR Fund does not have sufficient revenue to make authorized payments, General Fund transfers must be made to the PTR Fund.

The General Fund and the PTR Fund are the primary funds into which general purpose tax revenue, or Operating Revenue, is deposited or transferred. It is helpful to combine the receipts and disbursements of the PTR Fund with those of the General Fund to provide a more complete and accurate description of the State's Operating Revenue and discretionary spending, especially for local school aid and property tax relief. As a result, the General Fund and the PTR Fund are sometimes described in this Appendix A as a single, combined fund.

Financial Results of Operations

The State closed Fiscal Year 2005 with combined balances of \$749.8 million in the General and PTR funds, which was 6.5% of that Fiscal Year's operating revenue. This combined balance includes a General Fund balance of \$118.8 million, a Tuition Reserve balance of \$290.5 million, and a Rainy Day Fund balance of \$316.5 million. It also includes \$24.0 million in a re-established Medicaid Reserve. The State also transferred \$87.2 million from Fiscal Year 2005 revenues into its Rainy Day Fund as required by the statutory formula. Combined balances for Fiscal Year 2005 increased by \$217 million over the Fiscal Year 2004 level which was only 5.0% of that year's operating revenue.

However, in order to achieve that balance, the State used \$245.4 million in transferred dedicated fund balances, used \$190.0 million in Pension Stabilization Fund monies and realized \$222.0 million in reversions. This is the last year that any of these mechanisms is expected to be used within the forecast horizon.

Revenue Forecast for Fiscal Years 2006 and 2007

The Technical Forecast Committee (the "Forecast Committee") presented a forecast of State revenue for Fiscal Years 2006 and 2007 to the State Budget Committee on December 14, 2005.

Under this forecast, State revenue will increase by \$276.2 million (or 2.4%) over Fiscal Year 2005 actual revenues in Fiscal Year 2006 and \$636.2 million (or 5.4%) in Fiscal Year 2007 over the Fiscal Year 2006 forecast.

Forecast revenue follows:

	FY 2006	
	(in millions)	
Sales and Use	\$5,174.1	4.3% growth over FY 2005
Individual Income	4,208.1	0.1% decrease from FY 2005
Corporate Income	810.7	1.7% decrease from FY 2005
Wagering	596.7	2.0% growth over FY 2005
Other	923.1	8.2% growth over FY 2005
	FY 2007	
	(in millions)	
Sales and Use	\$5,472.1	5.8% growth over FY 2006
Individual Income	4,522.5	7.5% growth over FY 2006
Corporate Income	803.8	0.9% decrease from FY 2006
Wagering	636.3	6.6% growth over FY 2006
Other	914.2	1.0% decrease from FY 2006

Appropriations for Fiscal Years 2006 and 2007

The General Assembly-passed biennial budget for Fiscal Years 2006 and 2007 appropriates \$24,321.1 million the combined Fiscal Years. Appropriations for Fiscal Year 2006 will increase 3.8% over Fiscal Year 2005 expenditures and for Fiscal Year 2007 will grow 1.4% over Fiscal Year 2006. The actions of the 2005 General Assembly, together with the fiscal recommendations of the Governor, are bringing forecast State revenues and budgeted expenditures into balance over the period of this biennium. By the end of Fiscal Year 2007, the State is projected to have a \$973.7 million combined balance which is estimated to be 7.8% of State operating revenue in that year.

Combined Balance Statements

Table 4 sets forth the Budget Agency's unaudited end-of-year combined balance statements and estimates and projections, including revenue and other resources, expenditures and balances at the end of each Fiscal Year. For past Fiscal Years, the balances reflect actual revenue and other resources and expenses before adjustments to the modified accrual basis of accounting. As a result, the Budget Agency's "working" statements may differ from the results included in the 2005 Financial Report or the Auditor of State's comprehensive annual financial reports for other Fiscal Years. Forecasted revenue was developed by the Technical Forecast Committee, and actual revenue may be higher or lower than forecasted. Estimates of other resources and uses were developed by the Budget Agency taking into account historical resources and appropriations as well as other variables, including the budget for Fiscal Years 2006 and 2007.

Table 4
General Fund and Property Tax Replacement Fund
Combined Statement of Actual and Estimated Unappropriated Reserve
(Millions of Dollars)

	Actual FY2001	Actual FY2002	Actual FY2003	Actual FY2004	Actual FY2005	Estimated FY2006 ⁽¹⁾	Estimated FY2007 ⁽¹⁾
Resources							
Working Balance on July 1	832.6	18.6	0.0	136.6	0.2	118.8	65.4
Current Year Resources							
Forecast Revenue	9,052.0	8,708.9	9,880.1	10,619.9	11,436.4	11,712.7	12,348.9
DSH Revenue	70.9	87.0	65.0	64.2	52.0	60.2	61.6
Tax Amnesty ⁽²⁾	-	-	-	-	-	158.7	-
Quality Assessment Fee	-	-	-	-	-	67.1	1.9
Rainy Day Fund Interest and Repayment of Loans	-	-	-	-	-	11.5	14.6
Other Revenue Sources of Transfers In							
Jobs & Growth Tax Relief Reconciliation Act of 2003 (including Medicaid)	-	-	103.4	234.3	-	-	-
Transfer from Lottery & Gaming Surplus Acct (BIF)	-	200.0	175.0	-	-	-	-
Transfer from Medicaid Reserve to General Fund	103.4	100.0	-	-	-	-	-
Transfer from Dedicated Fund Balances	-	396.3	222.0	320.2	245.4	-	1.2
Transfer from Tuition Reserve	-	-	-	14.5	-	-	-
Transfer From (To) Rainy Day Fund	46.3	277.1	-	44.3	(87.2)	-	(100.0)
Total Current Year Resources	9,272.6	9,769.3	10,445.5	11,297.4	11,646.6	12,010.2	12,328.2
Total Resources	10,105.2	9,787.9	10,445.5	11,434.0	11,646.8	12,129.0	12,393.6
Uses: Appropriations, Expenditures and Reversions							
Appropriations							
Budgeted Appropriations	10,159.3	10,211.9	11,000.1	11,280.8	11,522.0	12,076.4	12,244.8
Adjustments to Appropriations ⁽³⁾	(15.7)	93.1	22.7	47.5	(4.1)	(7.3)	(7.3)
Deficiency Appropriations	66.8	0.1	19.4	-	-	-	-
Appropriations Transfer (FY 2000 capital appropriations)	(88.3)	-	-	-	-	-	-
Medicaid Shortfall	58.5	-	-	-	117.0	-	-
Higher Education, HEA 1196 – 2002	-	-	(29.0)	-	-	-	-
K-12 Education, HEA 1196 – 2002	-	-	(119.1)	-	-	-	-
Teachers' Retirement Fund	-	-	-	190.0	190.0	-	1.2
Tuition Support Deficiency	-	-	-	-	20.0	-	-
Total Appropriations	10,180.6	10,305.1	10,894.0	11,518.3	11,844.9	12,069.1	12,238.7
Other Expenditures and Transfers							
Transfer to Lottery and Gaming Surplus Acct (BIF) (MVET)	-	-	131.8	-	-	-	-
Transfer to Tuition Reserve	-	-	40.0	-	-	-	-
Undistributed PTRC and Homestead Credit	-	-	(101.1)	-	-	-	-
Tuition Support Adjustments	-	-	-	(7.1)	-	-	-
PTRC and Homestead Credit Adjustments	-	-	-	(18.4)	(101.0)	-	-
Judgments and Settlements ⁽⁴⁾	7.0	3.8	6.2	5.4	6.1	8.0	8.0
Total Appropriations and Expenditures	10,187.6	10,308.9	10,970.9	11,498.2	11,750.0	12,077.1	12,246.7
Payment Delays							
Higher Education Allotment	-	(94.2)	(2.2)	(2.2)	(3.9)	-	-
Tuition Support Distribution	-	(279.5)	(20.0)	(0.6)	-	-	-
Property Tax Replacement Credit	-	-	(314.5)	-	-	-	-
Reversions⁽⁵⁾	(102.9)	(145.1)	(323.4)	(63.4)	(218.1)	(25.0)	(84.3)
Total Net Uses	10,084.7	9,790.1	10,310.7	11,431.9	11,528.0	12,052.1	12,162.4
Auditor's Adjustment	1.9	(2.2)	(1.8)	1.9	-	-	-
General Fund Reserve Balance at June 30	18.6	0.0	136.6	0.2	118.8	65.4	216.6
Reserved Balances							
Medicaid Reserve	100.0	-	-	-	24.0	24.0	24.0
Tuition Reserve	265.0	265.0	305.0	290.5	290.5	290.5	290.5
Rainy Day Fund	526.0 ⁽⁶⁾	269.2 ⁽⁶⁾	278.5 ⁽⁶⁾	242.2 ⁽⁶⁾	316.5 ⁽⁷⁾	328.0 ⁽⁷⁾	442.6 ⁽⁷⁾
Total Combined Balances	909.6	534.2	720.1	532.8	749.8	707.9	973.7
Payment Delay Liability	-	(373.8)	(710.5)	(713.3)	(726.8)	(726.8)	(726.8)
Combined Balance as a Percent of Operating Revenue	10.0%	6.1%	7.2%	5.0%	6.5%	6.0%	7.8%

Totals may not add as a result of rounding.

- (1) Revenues are those projected by the Technical Forecast Committee on December 14, 2005; appropriations are those authorized by the 2005 General Assembly.
- (2) Collections as of November 30, 2005, net of an estimated \$12 million in expenses.
- (3) Adjustments to appropriations by augmentation, transfer and open-ended appropriations and other reconciling adjustments made as part of the end-of-Fiscal Year closing process are shown in total.
- (4) Represents the estimated cost to the State of judgments and other legal and equitable claims. No reserve fund is established for judgments or other legal or equitable claims against the State. Judgments and other such claims must be paid from appropriations or balances. *See* "LITIGATION."
- (5) \$59.3 million of reversions in FY2007 represent capital reversions, previously reported as reverting in FY2005.
- (6) Includes loans to local governments authorized by the General Assembly. The loans are illiquid.
- (7) Net of outstanding loans to local governments.

Source: State Budget Agency

Toll Road Lease

In 2006, the General Assembly enacted legislation authorizing the Indiana Finance Authority to lease the Indiana Toll Road to a private entity to operate for a term not to exceed 75 years. The revenues from the lease, \$3.8 billion, will be used by the State to fund nearly 200 statewide transportation and economic growth projects throughout the State.

STATE INDEBTEDNESS

Constitutional Limitations on State Debt

Under Article X, Section 5 of the State constitution, the State may not incur indebtedness except to meet casual deficits in revenue; to pay interest on State debt; or to repel invasion, suppress insurrection or, if hostilities are threatened, to provide for the public defense. The State has no indebtedness outstanding under the State constitution. *See* "FISCAL POLICIES—State Board of Finance."

Other Debt, Obligations

Substantial indebtedness anticipated to be paid from State appropriations is outstanding, however, together with State university and college debt and what are described below as "contingent obligations." In addition, the commissions and authorities described below may issue additional debt or incur other obligations from time to time to finance additional facilities or projects or to refinance such facilities or projects. The type, amount and timing of such additional debt or other obligations are subject to a number of conditions that cannot be predicted at present. *See* "Obligations Payable from Possible State Appropriations—Authorized but Unissued Debt."

In 2005, the General Assembly enacted legislation establishing the Indiana Finance Authority, a body politic and corporate, separate from the State. The Indiana Finance Authority is required, after consulting with the Treasurer of State, the Indiana Bond Bank, the Budget Agency and the Indiana Commission for Higher Education, to establish and periodically update a State debt management plan.

Obligations Payable from Possible State Appropriations

The General Assembly has created certain financing entities, including the Indiana Finance Authority and the Indiana Bond Bank, each of which is a body politic and corporate, separate from the State. These financing entities have been granted the authority to issue revenue bonds and other obligations to finance various capital projects. Certain agencies of the State, including the Department of Administration, the Department of Transportation, the Department of Natural Resources and the Indianapolis Airport Authority (under an agreement with the State), have entered into use and occupancy agreements or lease agreements with the financing entities. Lease rentals due under the agreements are payable primarily from possible appropriations of State funds by the General Assembly. However, there is and can be under State law no requirement for the General Assembly to make any such appropriations for any facility in any Fiscal Year. No trustee or holder of any revenue bonds issued by any such financing entity may legally compel the General Assembly to make any such appropriations. Revenue bonds issued by any of the financing entities do not constitute a debt, liability or pledge of the faith and credit of the State within the meaning of any constitutional provision or limitation. Such use and occupancy agreements, lease

agreements and other obligations do not constitute indebtedness of the State within the meaning or application of any constitutional provision or limitation. Following is a description of the entities that have issued bonds and the projects that have been financed with the proceeds and which are subject to use and occupancy agreements or lease agreements.

Indiana Finance Authority. Before 2005, there had been numerous bodies corporate and politic of the State, with separate decision making and borrowing authority, that issued bonds and otherwise accessed the financial markets. On May 15, 2005, to provide economic efficiencies and management synergies and to enable the State to communicate, with a single voice, with the various participants in the financial markets, the Indiana Development Finance Authority, the State Office Building Commission, the Indiana Transportation Finance Authority and the Recreational Development Commission were consolidated into the Indiana Finance Authority. As the successor agency, the Indiana Finance Authority has assumed responsibility for the financing of certain buildings, highways, aviation facilities and recreation facilities.

For a description of other powers and responsibilities of the Indiana Finance Authority, including its authority to issue other debt, *see* “Contingent Obligations—Toll Road” and “—Economic Development” and Table 8.

Buildings. The Indiana Finance Authority is authorized (and its predecessor, the State Office Building Commission, had been authorized) to issue revenue bonds, payable from lease rentals under use and occupancy agreements with various State agencies, to finance or refinance the cost of acquiring, constructing or equipping buildings, structures, improvements or parking areas for the purpose of (a) housing the personnel or activities of State agencies or branches of State government; (b) providing transportation or parking for State employees or persons having business with State government; (c) providing buildings, structures or improvements for the custody, care, confinement or treatment of committed persons under the supervision of the State Department of Correction; (d) providing buildings, structures or improvements for the care, maintenance or treatment of persons with mental or addictive disorders; (e) providing buildings, structures or improvements for the care, maintenance or treatment of adults or children with mental illness, developmental disabilities, addictions or other medical or rehabilitative needs; or (f) providing the infrastructure of a State-wide wireless public safety communications system. Lease rentals under the use and occupancy agreements are payable primarily from possible State appropriations. *See* “Table 5—Schedule of Long Term Debt—Obligations Payable from Possible State Appropriations—Buildings.”

The Indiana Finance Authority also provides (and its predecessor, the State Office Building Commission, had provided) short-term, or construction, financing for authorized projects through the issuance of commercial paper, in an aggregate amount not to exceed \$150 million, payable from proceeds of its revenue bonds.

Highways. The Indiana Finance Authority is authorized (and its predecessor, the Indiana Transportation Finance Authority, had been authorized) to issue revenue bonds, payable from lease rentals under lease agreements with the Indiana Department of Transportation, to finance or refinance the cost of construction, acquisition, reconstruction, improvement or extension of the State’s highways, bridges, streets, roads or other public ways. Lease rentals under the lease agreements are payable primarily from possible State appropriations. *See* “Table 5—Schedule of Long Term Debt—Obligations Payable from Possible State Appropriations—Highways.”

In 2005, legislation was enacted that authorizes the Indiana Finance Authority to issue grant anticipation revenue bonds to finance highway projects eligible for federal highway revenues.

Aviation Facilities. The Indiana Finance Authority is authorized (and its predecessor, the Indiana Transportation Finance Authority, had been authorized) to issue revenue bonds, payable from the revenues pledged thereto, to finance or refinance improvements related to airports or aviation related property or facilities.

Pursuant to this authority, the Indiana Transportation Finance Authority issued its revenue bonds to finance and refinance (a) improvements related to an airport and aviation related property and facilities at the Indianapolis International Airport and (b) an aviation technology center at the Indianapolis International Airport. The bonds are payable from lease rentals under lease agreements with the Indianapolis Airport Authority. Lease rentals under the lease agreements are payable primarily from possible State appropriations. *See* “Table 5—Schedule of Long Term Debt—Obligations Payable from Possible State Appropriations—Aviation Facilities.”

Recreation Facilities. The Indiana Finance Authority is authorized (and its predecessor, the Recreational Development Commission, had been authorized) to issue revenue bonds, payable from the revenues pledged thereto, to finance or refinance the costs of the acquisition, construction, renovation, improvement or equipping of facilities for the operation of public parks.

Pursuant to this authority, the Recreational Development Commission issued its revenue bonds to finance and refinance the costs of acquisition, construction, renovation, improvement and equipping of various lodging and other facilities for public parks in the State. The bonds are payable from lease rentals under use and occupancy agreements with the State's Department of Natural Resources. The lease rentals under the use and occupancy agreements are payable primarily from possible State appropriations. See "Table 5—Schedule of Long Term Debt—Obligations Payable from Possible State Appropriations—Recreation Facilities."

Bond Bank. The Indiana Bond Bank issued its revenue bonds, payable from possible State appropriations, to finance or refinance certain State interests or initiatives, including the State's Animal Disease and Diagnostic Laboratory ("ADDL") at Purdue University, West Lafayette, and the Columbus Learning Center ("CLC"), an educational facility to be used by a number of State post-secondary educational institutions to provide services in South Central Indiana. See "Table 5—Schedule of Long Term Debt—Obligations Payable from Possible State Appropriations—Bond Bank."

For a description of other powers and responsibilities of the Bond Bank, including its authority to issue other debt, see "Contingent Obligations—Indiana Bond Bank" and Table 8.

Schedule of Long Term Debt. Table 5 lists, by type of financing, long-term debt that is subject to possible State appropriations as of June 30, 2005. See "Debt Issued in Fiscal Year 2006" and "Authorized but Unissued Debt."

Table 5
Schedule of Long Term Debt
Obligations Payable from Possible State Appropriations

Type/Series	Original Par Amount	Ending Balance 6/30/04	(Redeemed)/ Issued	Ending Balance 6/30/05
Buildings				
Government Center Parking Facilities				
Series 1990A	\$ 26,669,824	\$ 8,608,640	\$ (531,024)	\$ 8,077,616
Series 2003A	26,735,000	26,735,000	(625,000)	26,110,000
Subtotal	\$ 53,404,824	\$ 35,343,640	\$ (1,156,024)	\$ 34,187,616
Government Center North				
Series 1990B	\$ 77,123,542	\$ 26,702,370	\$ (1,646,892)	\$ 25,055,478
Series 2003B	73,205,000	73,205,000	0	73,205,000
Subtotal	\$ 150,328,542	\$ 99,907,370	\$ (1,646,892)	\$ 98,260,478
Government Center South				
Series 1990C	\$ 18,063,800	\$ 5,828,000	\$ (358,800)	\$ 5,469,200
Series 1990D	110,675,000	53,710,000	0	53,710,000
Series 2000B	43,400,000	29,200,000	(7,100,000)	22,100,000
Series 2003C	7,835,000	7,835,000	(55,000)	7,780,000
Subtotal	\$ 179,973,800	\$ 96,573,000	\$ (7,513,800)	\$ 89,059,200
Other Facilities				
Series 1995A	\$ 54,025,000	\$ 1,065,000	\$ (520,000)	\$ 545,000
Series 1995B	47,975,000	22,420,000	(1,520,000)	20,900,000
Series 1998A	93,020,000	81,850,000	(4,645,000)	77,205,000
Series 1999A	96,785,000	36,360,000	(3,090,000)	33,270,000
Series 2000A	44,800,000	39,900,000	(1,700,000)	38,200,000
Series 2001A	66,600,000	64,800,000	(1,900,000)	62,900,000
Series 2002A	128,110,000	60,715,000	0	60,715,000
Series 2003A	83,530,000	48,025,000	(940,000)	47,085,000
Series 2003B	31,930,000	31,930,000	0	31,930,000
Series 2003C	55,075,000	55,075,000	0	55,075,000
Series 2003D	20,475,000	20,475,000	0	20,475,000
Series 2004A	46,180,000	46,180,000	0	46,180,000
Series 2004B	61,890,000	61,890,000	0	61,890,000
Series 2004C	33,950,000	33,950,000	0	33,950,000
Series 2004D	-	-	33,995,000	33,995,000
Series 2004E	-	-	57,005,000	57,005,000
Subtotal	\$ 864,345,000	\$ 604,635,000	\$ 76,685,000	\$ 681,320,000
TOTAL BUILDINGS	\$ 1,248,052,166	\$ 836,459,010	\$ 66,368,284	\$ 902,827,294
Highways				
Highway Revenue Bonds				
Series 1990A	\$ 72,498,391	\$ 31,181,268	\$ (1,414,463)	\$ 29,766,805
Series 1992A	74,035,000	35,285,000	0	35,285,000
Series 1993A	193,531,298	124,231,298	(8,065,000)	116,166,298
Series 1996B	27,110,000	20,390,000	(2,975,000)	17,415,000
Series 1998A	175,360,000	165,615,000	(45,520,000)	120,095,000
Series 2000	269,535,000	264,535,000	(161,680,000)	102,855,000
Series 2003A	431,585,000	431,585,000	(104,215,000)	327,370,000
Series 2004A	320,550,000	320,550,000	0	320,550,000
Series 2004B	-	-	147,345,000	147,345,000
Series 2004C	-	-	146,080,000	146,080,000
TOTAL HIGHWAYS	\$ 1,564,204,689	\$ 1,393,372,566	\$ (30,444,463)	\$ 1,362,928,103

Aviation Facilities				
Airport Facilities Bonds				
Series 1992A	\$ 201,320,000	\$ 33,015,000	\$ (33,015,000)	\$ 0
Series 1995A	29,720,000	24,665,000	(24,665,000)	0
Series 1996A	137,790,000	135,415,000	(135,415,000)	0
Series 2004A	-	-	56,025,000	56,025,000
Series 2004B	-	-	79,825,000	79,825,000
Series 2004C	-	-	68,700,000	68,700,000
Subtotal	\$ 368,830,000	\$ 193,095,000	\$ 11,455,000	\$ 204,550,000
Aviation Technology Bonds				
Series 2002	\$ 10,095,000	\$ 9,830,000	\$ (545,000)	\$ 9,285,000
Subtotal	\$ 10,095,000	\$ 9,830,000	\$ (545,000)	\$ 9,285,000
TOTAL AVIATION FACILITIES	\$ 378,925,000	\$ 202,925,000	\$ 10,910,000	\$ 213,835,000
Recreation Facilities				
Series 1994	\$ 19,285,000	\$ 7,605,000	\$ (7,605,000)	\$ 0
Series 1997	6,600,000	5,320,000	(245,000)	5,075,000
Series 2002	14,400,000	14,400,000	0	14,400,000
Series 2004	-	-	\$ 12,780,000	12,780,000
Subtotal	\$ 40,285,000	\$ 27,325,000	\$ 4,930,000	\$ 32,255,000
TOTAL RECREATION FACILITIES	\$ 40,285,000	\$ 27,325,000	\$ 4,930,000	\$ 32,255,000
Bond Bank				
Series 1998B (ADDL)	\$ 10,830,000	\$ 6,560,000	\$ (755,000)	\$ 5,805,000
Series 2003D (CLC)	27,515,000	27,515,000	0	27,515,000
Subtotal	\$ 38,345,000	\$ 34,075,000	\$ (755,000)	\$ 33,320,000
TOTAL BOND BANK	\$ 38,345,000	\$ 34,075,000	\$ (755,000)	\$ 33,320,000
TOTAL ALL BONDS	\$ 3,269,811,855	\$ 2,494,156,576	\$ 51,008,821	\$ 2,545,165,397

Source: State Budget Agency (as of June 30, 2005)

Scheduled Principal and Interest Payments. Table 6 lists principal and interest payments payable from possible State appropriations (not including debt that has been defeased) as of June 30, 2005. See “Debt Issued in Fiscal Year 2006” and “Authorized but Unissued Debt.”

Table 6
Scheduled Principal and Interest Payments
Obligations Payable from Possible State Appropriations

Issuer/Series	FY 2006	FY 2007	FY 2008	FY2009	Thereafter
Buildings					
Government Center Parking Facilities					
Series 1990A	\$ 1,948,050	\$ 1,948,050	\$ 1,948,050	\$ 1,948,050	\$ 8,921,475
Series 2003A	3,704,525	3,702,775	3,696,763	3,696,013	15,863,794
Subtotal	\$ 5,652,575	\$ 5,650,825	\$ 5,644,813	\$ 5,644,063	\$ 24,785,269
Government Center North					
Series 1990B	\$ 6,041,880	\$ 6,041,880	\$ 6,041,880	\$ 6,041,880	\$ 27,674,160
Series 2003B	8,615,990	8,633,928	8,580,178	8,567,178	59,688,789
Subtotal	\$ 14,657,870	\$ 14,675,808	\$ 14,622,058	\$ 14,609,058	\$ 87,362,949
Government Center South					
Series 1990C	\$ 1,317,090	\$ 1,317,090	\$ 1,317,090	\$ 1,317,090	\$ 6,043,795
Series 1990D	3,705,990	10,976,205	10,953,868	10,934,615	32,681,918
Series 2000B ⁽¹⁾	8,319,000	976,500	1,065,000	1,053,000	16,755,000
Series 2003C	877,813	877,625	875,488	875,288	6,087,907
Subtotal	\$ 14,219,893	\$ 14,147,420	\$ 14,211,446	\$ 14,180,993	\$ 61,568,620
Other Facilities					
Series 1995B	\$ 2,835,035	\$ 1,206,875	\$ 1,206,875	\$ 1,206,875	\$ 24,519,688
Series 1998A	8,554,491	8,530,004	8,538,279	8,524,424	67,998,865
Series 1999A	3,476,138	5,398,750	5,393,594	5,392,457	27,057,182
Series 2000A ⁽¹⁾	3,993,000	3,979,500	3,865,500	3,846,000	41,601,000
Series 2001A ⁽¹⁾	5,662,877	5,637,321	5,706,425	5,650,670	78,473,281
Series 2002A	2,978,511	7,622,418	7,618,499	7,601,597	62,536,610
Series 2003A	2,285,115	5,095,203	5,065,465	5,064,090	52,747,858
Series 2003B	1,385,858	2,555,584	2,555,123	2,551,260	40,500,095
Series 2003C ⁽¹⁾	1,101,500	3,243,306	3,304,500	3,304,500	84,907,750
Series 2003D ⁽¹⁾	409,500	1,424,000	3,155,000	3,107,750	25,256,750
Series 2004A	2,416,425	2,470,875	2,479,675	2,478,375	58,686,788
Series 2004B	3,249,225	3,249,225	3,249,225	3,249,225	88,612,500
Series 2004C	1,779,285	1,779,285	1,779,285	1,779,285	49,481,523
Series 2004D	1,576,913	1,576,913	1,576,913	2,665,338	50,175,583
Series 2004E	2,694,145	2,694,145	2,694,145	4,501,620	84,709,881
Subtotal	\$ 44,398,018	\$ 56,463,404	\$ 58,188,503	\$ 60,923,466	\$ 837,265,354
TOTAL BUILDINGS	\$ 78,928,356	\$ 90,937,457	\$ 92,666,820	\$ 95,357,580	\$ 1,010,982,192
Highways					
Highway Revenue Bonds					
Series 1990A	\$ 4,255,288	\$ 4,095,288	\$ 3,940,288	\$ 3,490,288	\$ 34,419,625
Series 1992A	2,399,380	2,399,380	2,399,380	2,399,380	46,712,230
Series 1993A	12,608,425	12,608,850	12,620,300	12,573,200	152,581,913
Series 1996B	3,961,450	3,958,550	3,947,125	3,948,375	3,930,875
Series 1998A	10,591,803	16,789,423	16,903,123	17,019,073	114,037,469
Series 2000	5,557,400	5,557,400	5,557,400	5,557,400	180,231,324
Series 2003A	24,316,809	26,370,509	26,381,671	26,380,696	464,813,328
Series 2004A	16,752,103	16,752,103	16,752,103	16,752,103	612,691,885
Series 2004B	8,192,175	8,192,175	8,192,175	8,192,175	224,092,888
Series 2004C	7,858,988	7,858,988	7,858,988	7,858,988	225,629,994
TOTAL HIGHWAYS	\$ 96,493,821	\$ 104,582,666	\$ 104,552,553	\$ 104,171,678	\$ 2,059,141,531
Aviation Facilities					
Airport Facilities Bonds					
Series 2004A	\$ 3,361,500	\$ 3,361,500	\$ 3,361,500	\$ 3,361,500	\$ 77,501,250
Series 2004B	4,789,500	4,789,500	4,789,500	4,789,500	110,407,750
Series 2004C	4,122,000	8,002,000	16,783,000	16,567,000	40,465,500
Subtotal	\$ 12,273,000	\$ 16,153,000	\$ 24,934,000	\$ 24,718,000	\$ 228,374,500
Aviation Technology Bonds					
Series 2002	\$ 955,495	\$ 952,614	\$ 952,233	\$ 954,728	\$ 8,584,957
Subtotal	\$ 955,495	\$ 952,614	\$ 952,233	\$ 954,728	\$ 8,584,957
TOTAL AVIATION FACILITIES	\$ 13,228,495	\$ 17,105,614	\$ 25,886,233	\$ 25,672,728	\$ 236,959,457

Recreation Facilities					
Series 1997	\$ 521,616	\$ 523,555	\$ 519,805	\$ 520,430	\$ 5,177,960
Series 2002	887,400	1,333,118	1,396,105	1,454,545	14,750,988
Series 2004	502,439	502,439	863,561	1,116,808	15,680,994
Subtotal	\$ 1,911,455	\$ 2,359,112	\$ 2,779,471	\$ 3,091,783	\$ 35,609,942
TOTAL RECREATION FACILITIES	\$ 1,911,455	\$ 2,359,112	\$ 2,779,471	\$ 3,091,783	\$ 35,609,942
Bond Bank					
Series 1998B (ADDL)	\$ 1,044,740	\$ 1,039,845	\$ 1,042,698	\$ 1,043,548	\$ 2,608,840
Series 2003D (CLC)	1,306,450	1,306,450	1,306,450	1,306,450	40,187,407
Subtotal	\$ 2,351,190	\$ 2,346,295	\$ 2,349,148	\$ 2,349,998	\$ 42,796,247
TOTAL BOND BANK	\$ 2,351,190	\$ 2,346,295	\$ 2,349,148	\$ 2,349,998	\$ 42,796,247
TOTAL ALL BONDS	\$ 192,913,317	\$ 217,331,144	\$ 228,234,225	\$ 230,643,767	\$ 3,385,489,369

(1) Debt service on variable rate debt is determined by assuming an interest rate of 6%.

Source: State Budget Agency (as of June 30, 2005)

Debt Ratios. The ratios of outstanding debt subject to possible State appropriation to population and personal income for the past ten years are reflected in Table 7. The ratios do not reflect any state university or college indebtedness or contingent obligations.

Table 7
Ratios of Outstanding Debt Subject to Possible Appropriation
to Population and Personal Income

Fiscal Year	Population	Personal Income ⁽¹⁾	Outstanding Debt Subject to Appropriation ⁽²⁾	Debt/Capita ⁽³⁾	Debt/Income ⁽⁴⁾
1995	5,791,819	\$125,269	\$1,036,963	\$179	1.0%
1996	5,834,908	132,103	1,119,538	192	0.9
1997	5,872,370	138,794	1,116,718	190	0.9
1998	5,907,617	149,336	1,240,093	210	0.8
1999	5,942,901	154,842	1,228,373	207	0.9
2000	6,080,485	165,285	1,569,341	258	0.9
2001	6,126,470	169,204	1,624,467	265	1.1
2002	6,156,913	172,592	1,713,027	278	1.1
2003	6,195,643	178,327	1,774,081	286	1.0
2004	6,237,569 ⁽⁵⁾	187,714 ⁽⁵⁾	2,494,157	400	1.3

(1) Millions.

(2) Thousands.

(3) According to Moody's 2004 State Debt Medians, the median debt per capita for all states was about \$701.

(4) According to Moody's 2004 State Debt Medians, the median percentage for all states was about 2.4%.

(5) Preliminary estimate.

Source: Population: United States Bureau of Census. Personal Income: United States Department of Commerce, Bureau of Economic Analysis. Outstanding Debt: State Budget Agency.

Debt Issued in Fiscal Year 2006. Since June 30, 2005, the following debt was issued:

- \$400,000,000 Indiana Finance Authority Lease Appropriation Bonds (Stadium Project), Series 2005A, to finance costs of constructing a 63,000-seat multi-purpose stadium with a retractable roof; and
- \$40,000,000 Indiana Finance Authority Bond Anticipation Notes (Convention Center Expansion Project), Series 2005, to finance preliminary costs of expanding the existing Indiana Convention Center.

Authorized but Unissued Debt. The General Assembly has authorized the Indiana Finance Authority (as successor to the State Office Building Commission) to issue bonds to finance additional State facilities, including:

- (a) Two additional regional mental health facilities;
- (b) State-wide wireless public safety communications network; and
- (c) Laboratories for the State Police, Department of Health and Department of Toxicology.

In addition, legislation was enacted in 2005 that authorizes the Indiana Finance Authority to issue additional revenue bonds to finance construction of a stadium and expansion of a convention center in Indianapolis and to provide funds for research and technology grants and loans. See “Contingent Obligations—Economic Development.”

The Indiana Finance Authority may initially provide short-term, or construction, financing for these facilities through its commercial paper program.

The Indiana Finance Authority monitors refinancing opportunities for its revenue bonds, and may issue refunding bonds from time to time to restructure outstanding indebtedness or achieve debt service savings.

Contingent Obligations

Certain State-authorized entities, including the Indiana Bond Bank and Indiana Finance Authority, may issue obligations that, in certain circumstances, may require the entity to request an appropriation from the General Assembly to fund debt service on the obligations. The General Assembly is not required to make any such appropriations. Such obligations do not constitute an indebtedness of the State within the meaning or application of any constitutional provision or limitation.

In 2005, legislation was enacted that requires review by the Budget Committee and approval by the Budget Director of (a) the issuance by the Indiana Bond Bank or the Indiana Finance Authority of any indebtedness that establishes a procedure for requesting an appropriation from the General Assembly to restore a debt service or other fund to required levels or (b) the execution by the Indiana Bond Bank or the Indiana Finance Authority of any other agreement that creates a moral obligation of the State to pay any indebtedness issued by the Indiana Bond Bank or the Indiana Financing Authority.

Indiana Bond Bank. The Indiana Bond Bank (the “Bond Bank”), a body corporate and politic, is not a State agency and is separate from the State in both its corporate and sovereign capacity. The Bond Bank has no taxing power. The Bond Bank is empowered to issue bonds or notes, payable solely from revenue and funds that are specifically allocated for such purpose, and loan the proceeds therefrom to local governments and other qualified entities.

To assure maintenance of the required debt service reserve in any reserve fund established for Bond Bank bonds or notes, the General Assembly may, but is not obligated to, appropriate to the Bond Bank for deposit in any such reserve funds the sum that is necessary to restore any such reserve funds to the required debt service reserve.

Bonds or notes issued by the Bond Bank for which such a debt service reserve is established are considered “moral obligation bonds”. However, bonds issued by the Bond Bank do not constitute a debt, liability or loan of the credit of the State or any political subdivision thereof under the State constitution. Particular sources are designated for the payment of and security for bonds issued by the Bond Bank, and a debt service reserve fund restoration appropriation would only be requested in the event that the particular designated sources were insufficient.

The total amount of bonds and notes which the Bond Bank may have outstanding at any one time (except bonds or notes issued to fund or refund bonds or notes) is limited to \$1.0 billion plus (a) up to \$200 million for certain qualified entities that operate as rural electric membership corporations or as corporations engaged in the generation and transmission of electric energy and (b) up to \$30 million for certain qualified entities that operate as

telephone cooperative corporations. However, these limits do not apply to bonds or notes not secured by a reserve fund eligible for State appropriations.

For a list of Bond Bank bonds secured by a reserve fund eligible for State appropriations, *see* “Table 8—Schedule of Long Term Debt—Contingent Obligations—Bond Bank.”

Toll Road. The Indiana Finance Authority is authorized (and its predecessor, the Indiana Transportation Finance Authority, had been authorized) to issue revenue bonds, payable from tolls and other revenues derived from the ownership and operation of toll roads, to finance or refinance the cost of any toll road projects.

Pursuant to this authority, the Indiana Transportation Finance Authority and its predecessors issued their revenue bonds (the “Toll Road Bonds”) to finance and refinance the construction and improvement of the 156-mile Indiana East-West Toll Road (the “Toll Road”) in northern Indiana, which links the Chicago Skyway and the Ohio Turnpike. *See* “Table 8—Schedule of Long Term Debt—Contingent Obligations—Toll Road.”

The Toll Road Bonds are payable from rent under a lease agreement with the Indiana Department of Transportation. The rent is payable from tolls and other revenues derived from the operation of the Toll Road. In the event tolls and other revenues are insufficient in any year to pay expenses of the Toll Road and debt service on the Toll Road Bonds, the Indiana Department of Transportation is obligated to request an appropriation from the State to the extent of such insufficiency. However, the State is not required to make any appropriations to pay any rent.

In 2006, the General Assembly enacted legislation authorizing the Indiana Finance Authority to lease the Toll Road to a private entity to operate for a term not to exceed 75 years. A portion of the revenues from the lease will be applied to pay or defease all or any portion of the Toll Road Bonds. *See* “STATE BUDGET PROFILE AND FINANCIAL RESULTS OF OPERATIONS—Toll Road Lease.”

Economic Development. The Indiana Finance Authority is authorized (and its predecessor, the Indiana Development Financing Authority, had been authorized) to issue revenue bonds to finance or refinance (a) industrial development projects, rural development projects, mining operations, international exports and agricultural operations; (b) educational facility projects; (c) farming and agricultural enterprises; (d) environmental pollution prevention and remediation; (e) child care facilities; and (f) broadband development projects.

Pursuant to this authority, the Indiana Development Finance Authority issued its revenue bonds to finance and refinance a wide variety of projects. The bonds (except the Steel Dynamics Bonds, Qualitech Bonds and Heartland Bonds (described below)) are payable solely from the revenues pledged thereto, are not in any respect a general obligation of the State and are not payable in any manner from revenue raised by taxation.

The Indiana Development Finance Authority issued its economic development revenue bonds for Steel Dynamics, Inc. (the “Steel Dynamics Bonds”), Qualitech Steel Corporation (the “Qualitech Bonds”) and Heartland Steel, Inc. (the “Heartland Bonds”). Each of these bond issues is secured in part by a debt service reserve fund established exclusively for such bond issue. The Indiana Development Finance Authority agreed to request appropriations from the General Assembly to fund debt service on the Steel Dynamics Bonds, the Qualitech Bonds and the Heartland Bonds under certain circumstances. However, the State is not required to make any appropriations to fund debt service on the Steel Dynamics Bonds, the Qualitech Bonds or the Heartland Bonds. *See* “Table 8—Schedule of Long Term Debt—Contingent Obligations—Economic Development.”

Qualitech Steel, the obligor on the Qualitech Bonds, and Heartland Steel, the obligor on the Heartland Bonds, are bankrupt, and a bankruptcy court has relieved them of their obligations to make debt service payments on their indebtedness. As a result, the debt service on the Qualitech Bonds and the Heartland Bonds is currently being funded from appropriations by the General Assembly.

In 2005, legislation was enacted that authorizes the Indiana Finance Authority to issue its revenue bonds, payable from the revenues pledged thereto, to finance construction of a stadium and expansion of a convention center in Indianapolis. The capital improvements may be leased by the Indiana Finance Authority to a State agency

under a lease which requires the State agency to pay, from any amounts appropriated by the General Assembly, rent sufficient to pay debt service on the bonds, even if certain local tax revenues expected to satisfy debt service are insufficient. In addition, the Indiana Finance Authority may establish a debt service reserve fund and a procedure for requesting appropriations from the General Assembly to restore the debt service reserve fund to required levels. The Indiana Finance Authority has issued \$440,000,000 million of the bonds and is expected to issue an additional \$545,000,000 million of the bonds during the next three years.

In addition, legislation was enacted in 2005 that authorizes the Indiana Finance Authority to issue up to \$1.0 billion of its revenue bonds, payable from the revenues pledged thereto, to provide funds for research and technology grants and loans. The Indiana Finance Authority may establish a debt service fund or reserve fund for the bonds, to which the General Assembly may, if requested, appropriate funds necessary to pay debt service or restore the required debt service reserve.

Schedule of Long Term Debt. Table 8 lists the long term debt classified as contingent obligations that was outstanding on June 30, 2005. Debt classified as a contingent obligation is debt for which the issuing entity has agreed to, under certain circumstances, request an appropriation from the General Assembly to replenish a debt service reserve fund.

Table 8
Schedule of Long Term Debt
Contingent Obligations

Type/Series	Original Par Amount	Ending Balance 6/30/04	(Redeemed)/ Issued	Ending Balance 6/30/05
Toll Road				
Series 1985	\$ 256,970,000	\$ 26,200,000	\$ 0	\$ 26,200,000
Series 1987	184,745,000	44,340,000	0	44,340,000
Series 1993	76,075,000	20,545,000	(10,010,000)	10,535,000
Series 1996	134,795,000	126,490,000	(3,015,000)	123,475,000
TOTAL TOLL ROAD	\$ 652,585,000	\$ 217,575,000	\$ (13,025,000)	\$ 204,550,000
Bond Bank				
Special Program Pool				
Series 1995A	\$ 4,540,000	\$ 3,315,000	\$ (3,315,000)	\$ 0
Series 1995B	13,280,000	10,615,000	(430,000)	10,185,000
Series 1997A	6,295,000	5,385,000	(195,000)	5,190,000
Series 1997C	5,010,000	4,780,000	(240,000)	4,540,000
Series 1998A	6,485,000	5,735,000	(195,000)	5,540,000
Series 2000A	31,495,000	30,070,000	(765,000)	29,305,000
Series 2000A (Refunding)	32,860,000	9,750,000	(1,505,000)	8,245,000
Series 2001A (Refunding)	20,840,000	17,020,000	(1,300,000)	15,720,000
Series 2001A	7,055,000	6,025,000	(560,000)	5,465,000
Series 2001B	9,500,000	8,570,000	(500,000)	8,070,000
Series 2002A	42,910,000	41,715,000	(1,170,000)	40,545,000
Series 2002C	3,940,000	3,430,000	(425,000)	3,005,000
Series 2002D	60,000,000	57,790,000	(1,160,000)	56,630,000
Series 2002E	10,155,000	9,905,000	(200,000)	9,705,000
Series 2003A	8,885,000	8,540,000	(430,000)	8,110,000
Series 2003B	40,385,000	40,385,000	0	40,385,000
Series 2003C	10,425,000	9,530,000	(785,000)	8,745,000
Series 2003D	27,515,000	0	27,515,000	27,515,000
Series 2003E	36,530,000	36,530,000	(450,000)	36,080,000
Series 2003F-1	17,155,000	17,155,000	(2,080,000)	15,075,000
Series 2003F-2	1,175,000	1,175,000	(20,000)	1,155,000
Series 2004A	17,210,000	17,210,000	(160,000)	17,050,000
Series 2004B	17,590,000	17,590,000	(325,000)	17,265,000
Series 2004C	35,010,000	35,010,000	0	35,010,000
Series 2004D	29,275,000	0	29,275,000	29,275,000
Series 2005A	14,790,000	0	14,790,000	14,790,000
TOTAL BOND BANK	\$ 510,310,000	\$ 397,230,000	\$ 55,370,000	\$ 452,600,000
Economics Development				
Qualitech Steel	\$ 33,100,000	\$ 25,000,000	\$ (1,400,000)	\$ 23,600,000
Steel Dynamics	21,400,000	14,000,000	(14,000,000)	0
Heartland Steel	13,800,000	10,900,000	(600,000)	10,300,000
TOTAL ECONOMIC DEVELOPMENT	\$ 68,300,000	\$ 49,900,000	\$ (16,000,000)	\$ 33,900,000
TOTAL ALL BONDS	\$ 1,231,195,000	\$ 664,705,000	\$ 26,345,000	\$ 691,050,000

Source: State Budget Agency (as of June 30, 2005)

Other Entities Issuing Debt

The following entities, although created or designated by the State, are authorities, instrumentalities, commissions, separate bodies corporate and politic, or not-for-profit corporations separate from the State. The entities may incur debt while exercising essential governmental or public functions. Any debt incurred by the entities is secured only by specific revenue and sources pledged at the time the debt is incurred and is neither direct nor indirect debt of the State. Any such debt does not constitute an indebtedness of the State within the meaning or application of any constitutional provision or limitation.

<u>Entity</u>	<u>Purpose of Debt Issuance</u>
Board for Depositories	Provide guarantees for industrial development or credit enhancement for Indiana enterprises
Indiana Health and Educational Facility Financing Authority ⁽¹⁾	Provide funds for health facilities and higher education facilities
Indiana Housing and Community Development Authority ⁽²⁾	Provide funds for construction or mortgage loans for federally assisted multi-family or for low and moderate income residential housing
Indiana Port Commission	Provide funds for ports and other projects
Indiana Secondary Market for Education Loans, Inc. ⁽³⁾	Provide funds for secondary market for higher education loans
Indiana State Fair Commission	Provide funds for State fairgrounds

⁽¹⁾ Successor agency to Indiana Health Facility Financing Authority and Indiana Educational Facilities Authority.

⁽²⁾ Formerly, Indiana Housing Finance Authority. Authorized to issue bonds, similar to the Indiana Bond Bank, that would be eligible for General Assembly appropriations to replenish the debt service reserve funds, but has not issued and does not currently expect to issue any such bonds.

⁽³⁾ A not-for-profit corporation authorized by the General Assembly.

STATE RETIREMENT SYSTEMS

There are four major State retirement systems: the Public Employees' Retirement Fund, the Indiana State Teachers' Retirement Fund, the State Judges' Retirement System and the State Police Fund. In addition, the State maintains and appropriates moneys to several other retirement plans. Under law, each board administering a retirement system is required to periodically make an actuarial investigation into the mortality, service and compensation or salary experience of the members of the system and their beneficiaries and make a valuation of the assets and liabilities of the retirement benefits in any year in which the retirement fund law is amended in any manner which affects the benefits payable.

Public Employees' Retirement Fund

The Public Employees' Retirement Fund ("PERF") has been in existence since 1945 to provide retirement, disability and survivor benefits for most State and local government employees. PERF has been administered by a five member Board of Trustees appointed by the Governor. On July 1, 2005, the Board of Trustees was expanded to include the State Budget Director. PERF is the State's largest pension fund and has management responsibility for pension assets of State employees, local government units, judges, legislators, prosecutors, municipal police and fire units and State conservation and excise officials. On July 1, 2004, the State portion of PERF, the Judges' Retirement System, the Legislators' Retirement System, the Excise Police & Conservation Officers' Retirement Plan and the Prosecuting Attorneys' Retirement Fund had 208,747 active and retired members and total assets of \$9,780,331,652.

All State employees and all employees of participating political subdivisions in covered positions, including elected and appointed officials, are required to join PERF. The PERF benefit consists of (1) a pension formula benefit based upon years of service and final average salary and (2) an additional benefit based upon the member's annuity savings account balance, derived from employee contributions. The employee contribution rate is defined by law as 3.0% of each employee's salary. For State employees, the State pays the employee contributions to PERF.

Contributions are made to PERF by the State and local units determined by normal cost and amortizing the unfunded accrued liability of each unit during periods established pursuant to statute. Contribution rates are set by the PERF Board of Trustees based on annual actuarial valuations. The State is responsible for making contributions for State employee members only. Funding for PERF is included as part of the expenditures for fringe benefits by each State agency. The table below highlights the funded status and contribution history for the State portion of PERF for the last five valuation dates.

**Table 9
Public Employees' Retirement Fund
(State-Related Portion Only)**

	July 1				
	<u>2000</u>	<u>2001⁽¹⁾</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Funded Status					
Actuarial Value of Assets	\$ 1,960,018,018	\$ 2,063,626,964	\$ 2,061,789,940	\$ 2,078,952,506	\$ 2,138,655,367
Actuarial Accrued Liability	1,701,091,436	1,896,505,744	2,010,177,846	1,860,101,326	2,019,492,456
Unfunded/(Overfunded) AAS	(258,926,582)	(167,121,220)	(51,612,904)	(218,851,183)	(98,581,259)
Funded Ratio	115.2%	108.8%	102.6%	111.8%	105.9%
Contribution History					
Annual Required Contribution	\$ 61,761,627	\$ 66,559,482	\$ 72,332,921	\$ 79,641,040	\$ 54,579,389
Actual Employer Contribution	84,353,750	76,218,663	77,420,077	80,795,703	90,708,898
Contribution Rate ⁽²⁾	5.0%	5.2%	5.6%	3.8%	4.5%

⁽¹⁾ Revised actuarial assumptions as a result of experience review completed in December 2001 for Plan years 1995-2000.

⁽²⁾ Contribution rate is set using the most recently completed actuarial valuation to go into effect the next fiscal year.

Source: Actuarial Valuation Report, Public Employees' Retirement Fund of Indiana, July 1, 2004.

Other State Plans

The State appropriates moneys to several other retirement plans that are administered by the PERF Board of Trustees. These include the Judges' Retirement System, the Legislators' Retirement System, the Excise Police and Conservation Enforcement Officers' Retirement Plan and the Prosecuting Attorneys' Retirement Fund. Table 10 highlights the actuarial valuation findings for these plans as of July 1, 2004.

**Table 10
Other State Plans Pension Funds
Summary of Results of Actuarial Valuation
(as of July 1, 2004)**

	<u>Judges'</u> <u>Retirement System</u>	<u>Legislators'</u> <u>Defined Benefit Plan</u>	<u>Excise Police &</u> <u>Conservation</u> <u>Officers'</u> <u>Retirement Plan</u>	<u>Prosecuting</u> <u>Attorneys'</u> <u>Retirement Fund</u>
Funded Status				
Actuarial Value of Assets	\$ 135,797,814	\$ 4,205,956	\$ 38,772,114	\$ 14,654,699
Actuarial Accrued Liability	209,991,843	4,856,463	50,009,686	22,588,463
Unfunded/(Overfunded) AAL	74,194,029	650,507	11,237,572	7,933,764
Funded Ratio	64.7%	86.6%	77.5%	64.9%
Contribution History⁽¹⁾				
Annual Required Contribution	\$ 10,488,119	\$ 95,387	\$ 2,190,366	\$ 144,243
Actual Employer Contribution	12,965,157	205,540	2,120,058	933,000

⁽¹⁾ Contribution History is for Plan Year 2004

Source: Actuarial Valuation Reports, July 1, 2004

The PERF Board of Trustees also administers a local police officers' and firefighters' pension and disability fund for local police officers and firefighters hired after April 30, 1977. Benefits for the members of this plan have been funded on an actuarial basis through contributions from cities and towns and from plan members.

In addition, the PERF Board of Trustees administers a pension relief fund for those local police officers and firefighters hired before May 1, 1977. Benefits for the members of this plan have been funded on a “pay-as-you-go” basis, under which benefits are paid from current revenue provided by cities and towns and by plan members’ contributions. Cities and towns receive pension relief funds from the State to reimburse them for a portion of benefit expenditures. To provide such pension relief, the State has dedicated a portion of the State’s cigarette tax revenue, liquor tax revenue, Hoosier Lottery profits and investment earnings on the Public Deposit Insurance Fund. From time to time, the General Assembly has also appropriated general and dedicated funds to pension relief. During Fiscal Year 2004, \$110.2 million was expended from the pension relief fund, and on June 30, 2004, the total net assets of the pension relief fund were \$393.8 million.

State Teachers’ Retirement Fund

The Indiana State Teachers’ Retirement Fund (“TRF”) administers a multiple-employer retirement fund established to provide pension benefits for teachers and their supervisors in the State’s public schools. Membership in TRF is required for all legally qualified and regularly employed public school teachers. TRF provides retirement benefits, as well as death and disability benefits. TRF is administered by a five member Board of Trustees appointed by the Governor (“TRF Board”). On July 1, 2005, the TRF Board was expanded to include the State Budget Director. On June 30, 2005, TRF had 117,678 total members with assets totaling \$7,179,715,875.

The TRF benefit consists of (1) a pension formula benefit based upon years of service and final average salary and (2) an additional benefit based upon the member’s annuity savings account balance, derived from employee contributions. The employee contribution rate is defined by law as 3.0% of each employee’s salary. Each employer is authorized to elect to pay the employee contribution.

For employees hired prior to July 1, 1995, moneys to pay retirement benefits are provided from State appropriations on a “pay as you go” basis. As a result, there is a substantial unfunded accrued liability in the TRF (the “Closed Plan”).

To address TRF’s unfunded liability, the State and the TRF Board took the following actions:

(a) The State capped its pension benefit obligation by (i) shifting the obligation for all teachers hired after July 1, 1995, to local school districts and (ii) implementing a level percent of payroll current funding approach (the “New Plan”). The TRF Board sets the contribution rate for the New Plan based on an actuarial valuation of the New Plan.

(b) The New Plan was intended to be responsible not only for newly hired teachers into the schools, but also for the cost of teachers who began service before 1995 but subsequently transferred to other school corporations after 1995. The liability for these transferred teachers, which shifted from the Closed Plan to the New Plan, began to cause an unfunded liability in the New Plan. The General Assembly in 2005 addressed this growing unfunded liability in the New Plan by stopping the transfer of liabilities—therefore transferred teachers remain part of the Closed Plan. In addition, the actuarial assumptions used for calculating the contributions rate into the New Plan now include an assumption for a cost of living adjustment, thereby making the contribution rate for which local schools are liable more realistic. The TRF Board has set the current contribution rate for the New Plan at 7.0%.

(c) In 1996, the State changed the State constitution to allow investment in equities, thereby increasing earnings potential for plan assets.

In addition, the State established the Pension Stabilization Fund to partially pre-fund liabilities in the Closed Plan. The Pension Stabilization Fund was funded from General Fund, Hoosier Lottery and gaming revenue, as well as investment income. As of June 30, 2005, the Pension Stabilization Fund balance was \$1.971 billion.

	June 30				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Funded Status of Closed Plan					
Actuarial Value of Assets	\$ 5,363,497,813	\$ 5,555,352,257	\$ 5,728,553,155	\$ 5,765,667,711	\$5,796,723,667
Actuarial Accrued Liability	12,695,787,691	13,497,778,031	13,354,866,440	13,548,525,320	14,254,146,576
Unfunded/(Overfunded) AAL	7,332,289,878	7,942,425,774	7,626,313,285	7,782,857,609	8,457,422,909
Funded Ratio	42.2%	41.2%	42.9%	42.6%	40.7%
Funded Status of New Plan⁽¹⁾					
Actuarial Value of Assets	\$ 447,261,751	\$ 621,222,272	\$ 825,811,772	\$ 1,038,726,916	1,268,575,809
Actuarial Accrued Liability	838,038,282	1,166,883,205	1,392,472,616	1,649,400,668	2,010,746,868
Unfunded AAL	380,776,531	545,660,933	566,660,844	610,673,752	742,171,059
Funded Ratio	54.0%	53.2%	59.3%	63.0%	63.1%

⁽¹⁾ Total Unfunded Accrued Liability of the New Plan is primarily attributable to the transfer of members (and their accrued liabilities) from the Closed Plan.

Source: Indiana State Teachers' Retirement Fund, The Report of the Annual Actuarial Valuation, June 30, 2005.

State Police Pension Trust

The State Police Pension Trust consists of two structures that provide retirement benefits to State police officers. The State makes contributions to the State Police Pension Trust from appropriations of General Fund and Motor Vehicle Highway Fund moneys. At present, members contribute and may borrow funds in an amount up to their contribution, subject to State Police Pension Advisory Board policies. Retirement benefits may not exceed one-half of either the member's highest salary in 36 consecutive months or a third year trooper's pay (depending upon the structure in which the member belongs), plus additions tied to years of service. Survivor and disability benefits may not exceed the basic pension amount. The State Police Pension Fund is funded on an actuarial basis. The Treasurer of State is custodian for the trust. Certain financial information about the State Police Pension Trust is also included in the 2005 Financial Report. *See* "FISCAL POLICIES—2005 Financial Report."

ECONOMIC AND DEMOGRAPHIC INFORMATION

Summary

Indiana has a strong and vibrant economy that is growing in diversity, even as it strengthens its manufacturing roots. With an estimated 2004 Gross State Product of approximately \$227.6 billion, Indiana's economy ranks fifteenth largest in the country in terms of the value of goods and services produced. The State ranks in the top five nationally for producing items as diverse as pharmaceuticals, medical equipment and surgical supplies, engines and parts, magnetic and optical media, household appliances, motor vehicle bodies and trailers, rubber products and steel. From 1995 to 2005, Indiana witnessed a significant shift in the distribution of employment between sectors. Employment in the Professional and Business Services sector increased by 32%, followed by a 25% gain in Education and Health Services and a 17% increase in Construction. The Manufacturing sector is 19.5% of total employment in Indiana, a decrease from 23.6% in 1995; however, manufacturing remains the largest single sector of employment in Indiana.

Indiana is rich in assets with a low cost of living, a business friendly regulatory environment and an efficient transportation system. Well-located for goods production and distribution, Indiana is within a day's drive of nearly two-thirds of the United States' population. With 10,023 miles of State highways and 1,172 miles of interstate highways, Indiana has more interstate highways passing through it than any other state.

Indiana also benefits from a relatively low cost of living. The cost of living index for Indiana's major cities has been consistently below the national average. Indiana ranks favorably among the states in housing affordability and percent of home ownership. Electricity costs are comparatively low in Indiana. According to the U.S. Energy Information Administration, average electric utility rates during 2000 were 14.6% lower than the national average for all industrial consumers while residential energy bills were 17.2% lower than the national average.

In 2005, legislation was enacted that consolidated many of the State's economic development activities into the Indiana Economic Development Corporation. The Indiana Economic Development Corporation, a body politic and corporate, separate from the State, is governed by a 12-member board, chaired by the Governor. The Indiana Economic Development Corporation is charged with leading the State's economic development efforts by, among other activities, providing grants and loans to businesses to promote economic development.

Population

Indiana is the 14th most populous state in the United States. Indiana's population grew by 1.0% from 1980 to 1990 and 9.7% from 1990 to 2000. The capital and largest city is Indianapolis. From 1990 to 2000, population within the Indianapolis MSA increased 17.8%, making it the second fastest growing major metropolitan area in the Midwest.

Table 11
Population, including Selected Indiana MSAs

	<u>1980</u>	<u>1990</u>	<u>2000</u>	Percentage Change <u>1980-2000</u>
Indiana	5,490,210	5,544,159	6,080,485	10.8%
Indianapolis MSA	1,166,575	1,294,217	1,525,104	30.7
Fort Wayne MSA	354,156	363,811	502,141	41.8
Evansville-				
Henderson MSA	235,403	235,946	251,366	6.8
Gary Primary MSA	642,733	604,526	631,362	-1.8
South Bend MSA	241,617	247,052	265,559	9.9
United States	226,542,199	248,709,873	281,421,906	24.2

Source: U.S. Census Bureau

Employment

During this past decade, employment in Indiana has shifted significantly between sectors, reflecting the fundamental changes taking place in the state's economy and following larger trends at the national level. Although manufacturing is still the largest sector of employment at 19.5% of total employment, it was the slowest growing sector from 1995 to 2005. The fastest growing sectors were Professional and Business Services, which grew by 31.9% from 1995 to 2005, followed by Education and Health Services (25.2% growth). During the last ten years, Indiana's annual unemployment rate has generally remained below that of the United States, averaging approximately 84% of the national rate.

Table 12
Indiana Non-Farm Employment by Sector; July 1995 to July 2005
(Non-Seasonally Adjusted)

<u>NAICS Super Sectors</u>	<u>1995</u>	<u>Percentage of Total</u>	<u>2005</u>	<u>Percentage of Total</u>	<u>Growth 1995-2005</u>
Professional and Business Services	208,000	7.55%	274,300	9.35%	31.88%
Educational and Health Services	296,000	10.74	370,500	12.63	25.17
Leisure and Hospitality	244,900	8.89	290,100	9.89	18.46
Construction	137,700	5.00	160,800	5.48	16.78
Government	352,900	12.81	381,400	13.00	8.08
Other Services	105,500	3.83	112,300	3.83	6.45
Financial Activities	137,200	4.98	143,100	4.88	4.30
Natural Resources and Mining	7,200	0.26	7,400	0.25	2.78
Trade, Transportation, and Utilities	574,900	20.87	581,100	19.80	1.08
Information	41,600	1.51	41,200	1.40	-0.96
Manufacturing	<u>649,100</u>	<u>23.56</u>	<u>572,200</u>	<u>19.50</u>	-11.85
Total All Sectors	<u>2,755,000</u>	<u>100.00%</u>	<u>2,934,400</u>	<u>100.00%</u>	6.51%
Goods Producing	794,000	28.82%	740,400	25.23%	-6.75%
Servicing-Providing	1,961,000	71.18%	2,194,000	74.77%	11.88%

Source: US Bureau of Labor Statistics, Current Employment Survey

Table 13
Unemployment Rate
(Annual Averages of Monthly Data)

<u>Year</u>	<u>Indiana</u>	<u>U.S.</u>	<u>Indiana as Percentage of U.S.</u>
1995	4.7%	5.6%	83.9%
1996	4.1	5.4	75.9
1997	3.5	4.9	71.4
1998	3.1	4.5	68.9
1999	3.0	4.2	71.4
2000	3.2	4.0	80.0
2001	4.4	4.7	93.6
2002	5.1	5.8	87.9
2003	5.1	6.0	85.0
2004	5.3	5.5	96.4
2005	5.4	5.1	105.9

Source: US Bureau of Labor Statistics, Current Employment Survey

Income

In 2005, Indiana's per capita personal income reached \$31,276, increasing 3.5% from 2004. During the past ten years, Indiana's personal income grew at an average annual rate of 4.6%. Indiana's personal income has grown more rapidly than the nation's in the early years of a recovery and more slowly during the later stages.

Table 14
Growth in Per Capita Personal Income

<u>Year</u>	<u>Indiana</u>	<u>U.S.</u>	<u>Indiana</u>	<u>U.S.</u>
1995	\$21,408	\$23,076	--%	--%
1996	22,368	24,175	4.5	4.8
1997	23,306	25,334	4.2	4.8
1998	24,894	26,883	6.8	6.1
1999	25,615	27,939	2.9	3.9
2000	27,134	29,847	5.9	6.8
2001	27,619	30,527	1.8	2.3
2002	28,032	30,906	1.5	1.2
2003	28,783	31,632	2.7	2.3
2004	30,204	33,050	4.9	4.5
2005	31,276	34,586	3.5	4.6
Average Annual Growth Rate (1995-2005):			4.61%	4.99%
Total Growth Rate (1995-2005):			46.09%	49.88%

Source: US Department of Commerce, Bureau of Economic Analysis

Gross State Product

With an estimated 2004 Gross State Product of approximately \$227.6 billion, Indiana's economy ranks fifteenth largest in the country in terms of the value of goods and services produced. Since 2001, Indiana's Gross State Product has grown at average annual rate of 5.4%.

Table 15
Indiana Gross State Product by Sector; 1997 to 2004
(Millions of Current Dollars)

<u>NAICS Super Sectors</u>	<u>1997</u>	<u>Percentage of Total</u>	<u>2004</u>	<u>Percentage of Total</u>	<u>Percentage Growth 1997-2004</u>
Arts, entertainment, and recreation	\$ 1,616	0.96%	\$ 2,978	1.31%	84.28%
Educational services	995	0.59	1,545	0.68	55.28
Health care and social assistance	10,454	6.22	16,035	7.05	53.39
Administrative and waste services	3,634	2.16	5,665	2.49	55.89
Professional and technical services	5,694	3.39	8,319	3.66	46.10
Finance and insurance	9,615	5.72	13,791	6.06	43.43
Real estate, rental, and leasing	15,952	9.49	22,197	9.75	39.15
Construction	7,880	4.69	10,618	4.67	34.75
Retail trade	11,507	6.84	14,886	6.54	29.36
Government	16,356	9.73	21,982	9.66	34.40
Other services, except government	3,966	2.36	5,247	2.31	32.30
Transportation and warehousing	5,685	3.38	7,615	3.35	33.95
Accommodation and food services	3,691	2.20	4,869	2.14	31.92
Mining	651	0.39	821	0.36	26.11
Manufacturing	48,370	28.77	63,477	27.89	31.23
Wholesale trade	9,303	5.53	11,937	5.25	28.31
Information	3,967	2.36	5,497	2.42	38.57
Utilities	4,240	2.52	5,362	2.36	26.46
Management of companies and enterprises	2,295	1.37	2,536	1.11	10.50
Agriculture, forestry, fishing, and hunting	<u>2,242</u>	<u>1.33</u>	<u>2,192</u>	<u>0.96</u>	-2.23
Total Gross State Product	<u>\$168,113</u>	<u>100.00%</u>	<u>\$227,569</u>	<u>100.00%</u>	35.37%

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Exports

Since 2002, Indiana businesses have significantly increased exported output. The value of exports in calendar year 2003 jumped to \$16,402 million, a 9.95% increase over 2002, in 2004 the total value increased to \$19,109 million, a 16.47% growth rate, and in 2005 increased to \$21,476 million, a 12.39% increase. Since 1997, Indiana's exports have grown at an average annual rate of 9.82% as compared to 3.90% for the United States as a whole.

Table 16
Exports
(Millions)

<u>Year</u>	<u>Exports</u>		<u>Annual Percentage Change</u>		<u>Indiana as a Percentage of U.S. Exports</u>
	<u>Indiana</u>	<u>U.S.</u>	<u>Indiana</u>	<u>U.S.</u>	
1997	\$12,029	\$689,182	- %	- %	1.75%
1998	12,318	682,138	2.41	-1.02	1.81
1999	12,910	695,797	4.81	2.00	1.86
2000	15,386	781,918	19.17	12.38	1.97
2001	14,365	729,100	-6.63	-6.75	1.97
2002	14,923	693,103	3.88	-4.94	2.15
2003	16,402	724,771	9.95	4.57	2.26
2004	19,109	818,775	16.47	12.97	2.33
2005	21,476	904,383	12.39	10.46	2.37
Average Annual Growth Rate (1997-2005):			9.82%	3.90%	
Total Growth (1997-2005):			78.54%	31.23%	

Source: U.S. Census Bureau, Foreign Trade Division

Table 17
Indiana's Leading Export Industries and Destinations
(Millions)

<u>Export Industries</u>		<u>Export Destinations</u>	
<u>Industry</u>	<u>2003 Exports</u>	<u>Country</u>	<u>2005 Exports</u>
Vehicles, excluding Railway	\$ 4,446.3	Canada	\$ 9,550
Machinery	3,531.8	Mexico	2,618
Electrical Machinery	1,312.8	United Kingdom	1,516
Organic Chemical	1,194.3	France	1,467
Optic/Medical Instruments	997.8	Japan	769
Pharmaceutical	735.9	Germany	691
Miscellaneous Chemical	643.4	Netherlands	427
Plastic	622.0	China	418
Iron and Steel	298.1	Australia	334
Aluminum	212.8	South Korea	303
Other	<u>2,407.1</u>	Other	<u>3,383</u>
Total	<u>\$16,402.3</u>		<u>\$21,476</u>

Source: U.S. Census Bureau, Foreign Trade Division

LITIGATION

The following litigation liability survey is a summary of certain significant litigation and claims currently pending against the State involving amounts exceeding \$10.0 million individually or in the aggregate. This summary is not exhaustive either as to the description of the specific litigation or claims described or as to all of the litigation or claims currently pending or threatened against the State.

The State does not establish reserves for judgments or other legal or equitable claims against the State. Judgments and other such claims must be paid from the State's unappropriated balances and reserves, if any.

Contract Litigation

In June 2000, in *Linet Alexander Chanell, et al v. Marion County Sheriff and Commissioner of Indiana Department of Administration*, plaintiffs filed a class action lawsuit, that alleged the Sheriff and the Department of Administration entered into illegal telecommunication contracts that allowed the Sheriff and the Department of Administration to collect commissions from the collect call telephone service which is provided to inmates, and that the Sheriff and the Department of Administration caused the telecommunication providers to charge unreasonable telephone rates. Plaintiffs' allegations against the Department of Administration specifically claim that the Department of Administration breached its common law duty of reasonableness, levied unauthorized taxes, was unjustly enriched and violated Indiana's antitrust statute. The Department of Administration's motion for summary judgment was filed in March 2006. The plaintiffs filed a response to the motion for summary judgment, and also a cross motion for summary judgment, which raised new factual issues. The Department of Administration and the Sheriff are in the process of taking depositions in order to prepare a reply to the plaintiffs' response and to respond to the cross motion for summary judgment. Deadlines in the summary judgment process, as well as the summary judgment hearing date, have all been extended due to these developments. If plaintiffs are successful, the damages could be in excess of \$12.0 million.

In July 2002, in *Raybestos vs. Indiana Department of Environmental Management*, plaintiff filed a breach of contract action against the State alleging that the Indiana Department of Environmental Management failed to abide by the terms of an agreed order relating to the clean-up of Shelly Ditch in Crawfordsville, Indiana. The plaintiff is seeking \$18 million in damages. On a motion for summary judgment, plaintiff prevailed on the breach of contract issue. The case is set for closing arguments in January 2006. Findings of fact and conclusions of law have been submitted.

In August 2002, in *Arthur Andersen vs. Department of Local Government and Finance*, plaintiff was hired to conduct reassessment of real property in Lake County, and later filed a breach of contract action. The firm seeks \$12.0 million in damages. Plaintiff asserts that the Department of Local Government Finance approved the firm's invoices, but then failed to abide by a contractual provision requiring the Department of Local Government Finance to take steps to force Lake County to pay invoices. Plaintiff's motion for summary judgment was denied April 29, 2004. Bench trial was held August 31, 2005. November 23, 2005, the court entered a final judgment for Arthur Anderson in the amount of \$2,439,595.40, and the State was not held responsible for this amount. January 9, 2006, the Department of Local Government Finance and Lake County each filed a response to a motion to correct errors that was filed by Anderson. On January 16, 2006, Anderson filed a request for hearing on the motion to correct errors; this hearing was denied. Notice of appeal was filed by the plaintiff. Currently settlement discussions are in progress.

Employment Litigation

In July 1993, in *Paula Brattain, et al vs. Richmond State Hospital.*, plaintiffs filed a lawsuit in a state trial court alleging that the State has failed to pay certain similarly classed State employees at an equal rate of pay from September 19, 1973, to September 19, 1993. The court certified plaintiffs' class, and class notification is complete. No trial date has been set. Plaintiffs seek damages in an unspecified amount, as well as attorneys' fees and costs. If plaintiffs are ultimately successful, the damages will be in excess of \$10.0 million.

In June 1998, in *Blythe A. Whinery vs. Sue Roberson*, the former Director of State Personnel, a group of State employees filed a class action for damages and injunctive relief, claiming violation of plaintiffs' due process and statutory and contractual rights. Plaintiffs seek damages, back wages, and attorneys' fees and costs, in excess of \$10.0 million. A State court found in favor of the State, but plaintiffs appealed. Oral arguments were heard in November 2004. Opinion was affirmed in part, reversed in part. Petition for re-hearing was denied. Petition for transfer was filed. A tentative class settlement was reached with the approval of the Attorney General and Governor. The court has preliminarily approved the class settlement and class members have been served. The final fairness hearing was held and concluded. A final judgment and order approving settlement agreement and dismissing action with prejudice was issued on February 2, 2006. A joint notice to dismiss petition to transfer to the Supreme Court based on settlement was granted on February 22, 2006.

Civil Rights Litigation

In 1968, in *United States of America, et al v. Board of School Commissioners, et al*, a lawsuit seeking to desegregate the Indianapolis Public Schools was filed in the United States District Court for the Southern District of Indiana. Since about 1978, the State has paid several million dollars per year for inter-district busing that is expected to continue through 2016. The federal court entered its final judgment in 1981 holding the State responsible for most of the costs of its desegregation plan, and those costs have been part of the State's budget since then. In June 1998, the parties negotiated an 18-year phase out of the desegregation plan that was approved by the Court. State expenditures will be gradually reduced as the plan is phased out.

Property Litigation

In December 2000, in *NJK Farms and George W. Pendygraft vs. Indiana Department of Environmental Management*, property owners filed an action against the State, including the Office of Environmental Adjudication, claiming that denial of a permit for certain land use was an unconstitutional taking of property and a denial of due process under the United States Constitution, as well as a violation of the Indiana Constitution. Plaintiffs are seeking in excess of \$30.0 million in damages plus costs and attorney fees. Federal claims against the Office of Environmental Adjudication were dismissed by the federal court. Remaining federal claims are expected to be taken up after the state court acts. Pendygraft is attempting to negotiate a settlement that would grant him a landfill permit. The State is monitoring the permit process as a component of the settlement. Pre-answered discovery continues. The case is still stayed.

In May 2000, *Greenfield Mills v. Indiana Department of National Resources* was filed against the State by property owners along the Fawn River in Northeastern Indiana, alleging violations of the Clean Water Act, unconstitutional takings of property and federal civil rights violations. Plaintiffs are seeking in excess of \$38.0 million in damages, costs and attorney fees. The federal trial court granted summary judgment in favor of the State, but the property owners appealed. A federal appeals court remanded the case to the trial court on one issue under the federal Clean Water Act. The parties have completed discovery on that issue and prepared briefs in support of new motions for summary judgment for consideration of the trial court. An order denying the State's motion for summary judgment and entering summary judgment in favor of the Plaintiffs (on liability) was issued. The parties have to file a joint status report, following a teleconference with the court, as to how this case will proceed. Currently an independent surveyor is assessing the Fawn River. This assessment may take a year to conduct.

In March 2004, in *Corbin Smyth vs. Steve Carter and Tim Berry*, an owner of unclaimed property filed a class action in state court alleging that Indiana's unclaimed property statute is unconstitutional under the federal and Indiana constitutions and that interest, dividends and the like should be paid to owners of unclaimed property. Fiscal impact is potentially more than \$10.0 million. State filed motion to dismiss. Motion to dismiss was granted. Plaintiff filed notice of appeal and appellate brief. Defendant filed appellate brief. Oral argument was held in January 2006. The Court of Appeals affirmed. Now on petition to transfer.

Tax Litigation

In July 2005, in *Marion County ex rel. Bart Peterson v. Connie Nass*, Marion County challenges: (1) constitutionality of statute that requires county to pay state for expenses of juvenile incarceration (Marion County is approximately \$62 million in arrears), and (2) the misapplication of Indiana Code Sections 11-10-2-3 and 4-24-7-2,

in that Marion County has been assessed by the State for costs incurred by Department of Correction institutions other than the Boys School and the Girls School. On July 27, 2005, plaintiff filed a motion for preliminary injunction. Court issued an order setting motion for hearing for August 16, 2005. On July 27, 2005, St. Joseph County moved to intervene as another plaintiff. On July 28, 2005, defendants filed appearances of counsel, notice of automatic enlargement, up to and including September 3, 2005, in which to respond to the complaint, and motion for change of venue from the county. The cause was venued to Shelby Superior Court. All State defendants filed their answer and motion for summary judgment. The court granted Joseph and Clark Counties' motion to intervene as plaintiffs. A hearing was held in September 2005 on motions that had been filed. Discovery is currently ongoing.

Toll Road Lease

On April 12, 2006, the Indiana Finance Authority executed an agreement with a private entity to lease the Indiana Toll Road to the private entity. See "STATE BUDGET PROFILE AND FINANCIAL RESULTS OF OPERATIONS--Toll Road Lease." Three lawsuits have been filed challenging the constitutionality of the lease.

APPENDIX B
THE SERIES 2006 C QUALIFIED OBLIGATIONS

APPENDIX B

SERIES 2006 C QUALIFIED OBLIGATIONS

<u>Series</u>	<u>Qualified Entity</u>	<u>Par Amount</u>	<u>Source of Payment</u>	<u>Final Maturity</u>	<u>Percentage of Total Debt</u>
2006 C	Fort Wayne Municipal Building Corp.	\$ 20,825,000	Revenue	12/15/2022	100.00 %

FORT WAYNE MUNICIPAL BUILDING CORP.

A. Description of the Building Corporation

The Fort Wayne Municipal Building Corporation was organized as a non-profit corporation under the laws of the State of Indiana and has been qualified since its organization to do business in Indiana. The Building Corporation was organized for the sole purpose of acquiring and owning real property and improvements and leasing such facilities to the City of Fort Wayne ("City").

B. Certain General Economic and Demographic Information

The City is located in northern Indiana, 116 miles northeast of Indianapolis, 154 miles east of Chicago and 156 miles southwest of Detroit. It is the county seat of Allen County. Interstates 69 and 469 and Highways 24, 27, 30 and 33 provide convenient access to the City. The City's population in the 2000 census was 205,727. The City's labor force is approximately 215,000. The major industries supporting the labor force for the City and surrounding communities include transportation, warehousing and utility services, manufacturing and finance, insurance and real estate, education, and healthcare. These industries comprise approximately 70% of the jobs in the City.

C. Description of Tax Increment Finance District

The Tillman - Anthony Urban Renewal Area and Tax Allocation Area (the "TIF Area") was established in 2002, and comprises over 125 acres in the southeast area of the City of Fort Wayne. The largest tract in the TIF Area is the former Southtown Mall, which was constructed between 1969 and 1982. The City purchased the former Mall in March 2004, more than a year after it had been closed. The City demolished the Mall to permit redevelopment of the property, including all new streets and utilities, all of which was completed in 2006. Fourteen lots were created on the former Mall site for private development, seven of which have been sold, or are in the process of being sold, to developers. All are in the TIF Area. Two new stores have been opened this year: Menard's Home Improvement Store (opened March, 2006), and a Firestone Service Center (opened May, 2006). A Wal-Mart Super-Center is under construction (opening September, 2006). Four smaller retail stores, a restaurant and a bank will be under construction in 2006 or early-2007. Two other lots are being held for public purposes: one is the site of the City's Safety Village, which is used to train elementary-age children about traffic and fire safety, and the other lot has been designated as the site for the proposed Fort Wayne Regional Public Safety Academy, which is anticipated to be completed by December, 2007.

D. Description of the Project

Proceeds of the Qualified Obligations will be used for the construction and equipping of a 125,000 square foot government structure in the southeast portion of the City to be used as (i) a fire, police and emergency medical training center; (ii) an academic institution for public safety degrees and training programs; and (iii) a backup emergency operations center for the City and region, and costs of issuance.

E. Description of the Series 2006 C Qualified Obligations

Total Principal - \$20,825,000

- Security and Lien - Primary sources of security include a portion of the City's distributive share of County Economic Development Income Tax Revenues, Tax Increment Financing Revenues, and Ivy Tech Community College of Indiana lease revenues.
- Repayment Schedule - Debt service payments commencing December 15, 2006 and terminating December 15, 2022.
- Debt Service Reserve - Debt service reserve requirement to be funded in part with bond proceeds and additional rental payments to the City under the Lease over a period not to exceed sixty (60) months from the date of delivery.
- F. Pro Forma Coverage - At least 1.25 times – Pledged revenues divided by the estimated combined maximum annual lease rental payment. The Indiana Bond Bank requires a pro forma coverage at the time of issuance of the Qualified Obligations to be equal to or greater than 1.25 times.

G. Financial Tables

**FORT WAYNE MUNICIPAL BUILDING CORP.
CITY OF FORT WAYNE, INDIANA**

Debt and Taxation
As of May 1, 2006

	<u>Principal Outstanding</u>	<u>% Applicable</u>	<u>Amount Applicable</u>
<u>Lease Obligations</u>			
Fort Wayne Municipal Building Corp.			
First Mortgage Bonds, Series 2000A	\$ 1,195,000	100.0 %	\$ 1,195,000
First Mortgage Refunding Bonds of 2003	2,755,000	100.0	2,755,000
First Mortgage Bonds, Series 2005	4,215,000	100.0	4,215,000
Indiana Bond Bank			
Lease Rental Revenue Bonds of 2002	665,000 ⁽¹⁾	100.0	665,000
First Mortgage Revenue Bonds, Series 2006	20,825,000	100.0	<u>20,825,000</u>
Total Lease Obligations			<u>29,655,000</u>
<u>Direct Debt</u>			
City of Fort Wayne			
CEDIT Revenue Bonds, Series 1999	2,610,000 ⁽¹⁾	100.0	2,610,000
CEDIT Revenue Bonds, Series 2001	10,630,000 ⁽¹⁾	100.0	10,630,000
CEDIT Revenue Bonds, Series 2005	25,000,000 ⁽¹⁾	100.0	<u>25,000,000</u>
Total Direct Debt			<u>38,240,000</u>
Total Lease Obligations and Direct Debt			<u>\$ 67,895,000</u>
<u>Overlapping and Underlying Direct Debt and Lease Obligations</u>			
Fort Wayne Redevelopment Authority	\$ 31,985,000	100.0 %	\$ 31,985,000
Fort Wayne Redevelopment District	30,445,000	100.0	30,445,000
Fort Wayne Park District	13,670,000	97.7	13,355,590
Fort Wayne Community Schools	123,382,823	92.1	113,635,580
Allen County	106,268,640	54.4	57,810,140
Allen County Public Library	72,760,000	54.4	39,581,440
Fort Wayne International Airport Building Authority	34,205,000	54.4	18,607,520
Northwest Allen County Schools	101,660,000	20.4	20,738,640
East Allen County School	62,650,000	17.2	10,775,800
MSD Southwest Allen County Schools	97,070,000	1.1	<u>1,067,770</u>
Total Overlapping and Underlying Direct Debt and Lease Obligations			<u>\$ 338,002,480</u>
Total Lease Obligations and Direct Debt and Overlapping and Underlying Direct Debt and Lease Obligations			<u><u>\$ 405,897,480</u></u>

(1) Payable from the City's share of the Allen County Economic Development Income Tax (CEDIT). These Bonds do not constitute a claim against the base property taxes collected.

Direct Debt Issuance Limitation

The City is limited to the issuance of direct general obligation debt in an amount not to exceed 2% of one-third of its Net Assessed Valuation. **The Bonds being issued herein are not a general obligation of the City and are not subject to this debt issuance limitation.**

Assessed Valuation - 2005 Payable 2006	\$ 7,654,703,471
Statutory Limitation - 2% of One-Third Thereof	\$ 51,031,356
Direct Debt of the City	
CEDIT Revenue Bonds, Series 1999	2,610,000
CEDIT Revenue Bonds, Series 2001	10,630,000
CEDIT Revenue Bonds, Series 2005	25,000,000
Total Direct Debt of the City	38,240,000
Issuance Margin	\$ 12,791,356

Per Capita Debt Analysis

Population - 2000	205,727
Assessed Valuation - 2005 Payable 2006	\$ 7,654,703,471

<u>Description</u>	<u>Amount</u>	<u>Debt Per Capita</u>	<u>Ratio Debt/ Assessed Valuation</u>
Total Lease Obligations and Direct Debt	\$ 67,895,000	\$ 330.02	0.89 %
Total Overlapping and Underlying Direct Debt and Lease Obligations	338,002,480	1,642.97	4.42
Total Lease Obligations and Direct Debt and Overlapping and Underlying Direct Debt and Lease Obligations	\$ 405,897,480	\$ 1,972.99	5.31 %

Statement of City of Fort Wayne Utility Revenue Debt

The City of Fort Wayne owns and operates the municipal sewer, water and stormwater utilities which have heretofore issued and have outstanding the following revenue bonds. All such revenue bonds constitute a lien on the revenues of the utilities and are not, pursuant to Indiana statutes, direct obligations of the City of Fort Wayne. Utility revenue bonds issued and outstanding as of May 1, 2006 were as follows:

	Outstanding <u>Debt</u>
<u>City of Fort Wayne Sewage Works</u>	
Sewage Works - 1998 Series A	\$ 5,890,000
Sewage Works - 1998 Series B	9,450,000
Sewage Works - Series 2002 A	21,890,000
Sewage Works - Series 2002 B	15,955,000
Sewage Works - Series 2002 C	4,820,000
Sewage Works - Series 2003	10,980,000
Sewage Works - Series 2005	<u>40,000,000</u>
 Total Sewage Works	 \$ 108,985,000
 <u>City of Fort Wayne Municipal Water Utility</u>	
Waterworks 1997	\$ 3,575,000
Waterworks 2002	1,150,000
Waterworks 2003	4,865,000
Waterworks 2005	<u>16,700,000</u>
 Total Water Utility	 \$ 26,290,000
 <u>City of Fort Wayne Stormwater Management District</u>	
Stormwater 2006	\$ 17,000,000

Lease of Electric Utility

Effective March 1, 1975, the City of Fort Wayne leased its Electric Utility to Indiana and Michigan Electric Company for a term of thirty-five years with an option for another fifteen years. Rental payments are due and payable in equal monthly installments in advance on the first day of each month. Rental payments made at any time within thirty days after the due date are not delinquent. Annual rentals to May 1, 2006 are as follows:

<u>Amount</u>	<u>Year</u>	<u>Totals</u>	<u>Received</u>	<u>Future Rentals</u>
\$ 1,440,000	3/1/75 - 2/29/80	\$ 7,200,000	\$ 7,200,000	\$ -
1,490,000	3/1/80 - 2/28/85	7,450,000	7,450,000	-
1,540,000	3/1/85 - 2/28/90	7,700,000	7,700,000	-
1,590,000	3/1/90 - 2/28/95	7,950,000	7,950,000	-
1,640,000	3/1/95 - 2/28/00	8,200,000	8,200,000	-
1,690,000	3/1/00 - 2/28/05	8,450,000	8,450,000	-
1,740,000	3/1/05 - 2/25/10	8,700,000	2,175,000	6,525,000
Totals		<u>\$ 55,650,000</u>	<u>\$ 49,125,000</u>	<u>\$ 6,525,000</u>

Largest Area Employers

The largest area employers in Fort Wayne, Indiana and total number of employees for 2005 are:

<u>Employer</u>	<u>Business</u>	<u>Approximate Number of Employees</u>
Parkview Health Systems	Hospital	4,254
Fort Wayne Community Schools	Education	3,445
Lutheran Health Network	Hospital	2,889
Allen County Government	Government	1,993
City of Fort Wayne	Government	1,671
ITT Aerospace Communications Division	Communications System	1,634
Shambaugh & Sons, Inc.	Electric Contractor	1,500
Sirva	Relocation Services	1,500
Lincoln Financial Group	Financial Services	1,500
Verizon Data Services, Inc.	Business Solutions	1,459

Source: Indiana University - Purdue University Fort Wayne at www.ipfw.edu/cri/empnumber.html

Total City Tax Rates ⁽¹⁾
 (Per \$100 Assessed Valuation)
 Last Five Fiscal Years

	Years Payable				
	2006	2005	2004	2003 ⁽²⁾	2002
State	\$0.0024	\$0.0235	\$0.0223	\$0.0224	\$0.0292
County	0.5890	0.5452	0.4746	0.4229	0.5685
Wayne Township	0.0893	0.1267	0.0747	0.0757	0.0966
Schools	1.4743	1.4078	1.4306	1.2566	1.6064
Airport	0.0243	0.0237	0.0225	0.0217	0.0267
Library	0.1607	0.1579	0.1415	0.1456	0.1947
Public Transportation	0.0393	0.0390	0.0367	0.0353	0.0444
	<u>2.3793</u>	<u>2.3238</u>	<u>2.2029</u>	<u>1.9802</u>	<u>2.5665</u>
City of Fort Wayne and Special Districts					
General Fund	0.5043	0.5158	0.4477	0.4275	0.5288
Fire Pension	0.0367	0.0272	0.0264	0.0160	0.0233
Police Pension	0.0437	0.0370	0.0296	0.0188	0.0155
Sanitary Officer Pension	0.0059	0.0059	0.0053	0.0028	0.0069
Fire	0.3765	0.3613	0.3313	0.3066	0.4157
Park	0.1082	0.0939	0.0973	0.1023	0.1146
Redevelopment General	0.0041	0.0049	0.0044	0.0038	0.0046
Abandoned Vehicle	-	-	-	-	0.0005
Domestic Violence Fund	-	-	-	-	0.0001
Community Services Fund	0.0001	-	0.0001	0.0001	-
Total Civil City	<u>1.0795</u>	<u>1.0460</u>	<u>0.9421</u>	<u>0.8779</u>	<u>1.1100</u>
Tax Increment Replacement	<u>0.0074</u>	<u>-</u>	<u>-</u>	<u>0.0067</u>	<u>-</u>
Total Tax Rate	<u><u>\$ 3.4662</u></u>	<u><u>\$ 3.3698</u></u>	<u><u>\$ 3.1450</u></u>	<u><u>\$ 2.8648</u></u>	<u><u>\$ 3.6765</u></u>

(1) Includes Allen County and overlapping levies, payable in succeeding year. All tax rates exhibited are before deduction of 11%-24% thereof for residential property tax relief funds provided from State of Indiana tax sources and before deduction of homestead credits.

(2) Decrease due to reassessment.

Record of Taxes Levied and Collected

<u>Collection Year</u>	<u>Net Levy</u>	<u>Current & Delinquent Collected (\$)</u>	<u>Current & Delinquent Collected (%)</u>
2005	\$ 77,554,663	\$ 76,082,534	98.10 %
2004	74,042,925	71,299,129	96.29
2003	64,197,369	64,301,276	100.16
2002	62,263,460	60,157,078	96.62
2001	58,316,430	59,977,220	102.85

Net Assessed Valuation

<u>Pay Year</u>	<u>City of Fort Wayne</u>
2006	\$ 7,654,703,471
2005 ⁽¹⁾	7,472,333,269
2004 ⁽²⁾	7,930,416,214
2003 ⁽³⁾	7,382,671,491
2002	5,676,599,315

- (1) Drop in property value in Wayne Township.
- (2) Continuing adjustments due to reassessment.
- (3) Increase due to reassessment.

Largest Taxpayers

<u>Taxpayer</u>	<u>Business or Product</u>	<u>2005 Pay 2006 Net Assessed Valuation</u>
GGP Glenbrook LLC	Retail Mall Owners	\$ 114,784,990
Verizon North Inc.	Communications	103,188,020
Indiana Michigan Power	Electric Utility	61,775,820
Regency Canterbury	Hotel	53,563,100
St. Joseph Health System	Hospital	50,375,850
Sommerfeld Nicholas	Commercial Real Estate	48,964,800
Meijer Stores LP	Grocery Store	44,844,320
Wal-Mart Real Estate Business	Retail	44,015,630
Rose Edward Development	Real Estate Development	43,130,130
IMI Jefferson Pointe LLC	Real Estate Development	41,129,900
		<hr/>
Total		<u><u>\$ 605,772,560</u></u>

H. Coverage Calculation

Debt Service Coverage Calculation

County Economic Development Income Tax	\$ 1,065,000
Tax Increment Financing Revenues	556,938
Ivy Tech State College Lease	<u>1,000,000</u>
Revenues Available for Debt Service	<u>2,621,938</u>
Maximum Annual Lease Rental Payment	<u>2,097,000</u>
Coverage - \$	<u><u>\$ 524,938</u></u>
Coverage - %	<u><u>125%</u></u>

FORT WAYNE MUNICIPAL BUILDING CORP.
Fort Wayne, Indiana

Study of
County Economic Development Income Tax Revenues
Available for Debt Service

First Mortgage Revenue Bonds, Series 2006
(Public Safety Academy Project)

June 19, 2006



FORT WAYNE MUNICIPAL BUILDING CORP.
Fort Wayne, Indiana

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FORT WAYNE MUNICIPAL BUILDING CORP.
Fort Wayne, Indiana

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FORT WAYNE MUNICIPAL BUILDING CORP.
Fort Wayne, Indiana

PURPOSE OF STUDY

Pursuant to an engagement with the City of Fort Wayne, Indiana (“City”), Crowe Chizek and Company LLC (“Crowe Chizek”) has made an analysis of the City’s historical receipts of its share of the County’s Economic Development Income Tax (CEDIT). The results of our analysis are contained in this Study of County Economic Development Income Tax Revenues Available for Debt Service (“Study”). The purpose of this Study is to determine whether the City has the ability to support its pledge of revenues to the proposed bond issue given its estimated receipts of CEDIT Revenues.

The information presented in this Study was prepared from information provided by the City. Exhibit D shows the historical distributions by units of government within Allen County (“County”). Exhibits E and F show the certified CEDIT distributions for the County and the City, respectively. The projected CEDIT revenues the City has available for debt service can be found on Exhibit G. Exhibit J shows the estimated cash flow and debt service coverage calculation.

In the course of preparing this Study, we have not conducted an audit, review or compilation of any financial or supplemental data used in the accompanying Exhibits and Schedules. We have made certain projections of revenues which may vary from actual results because events and circumstances frequently do not occur as expected and such variances may be material. We have no responsibility to update this Study for events and circumstances occurring after the date of this Study.

The Study is based on:

- estimates, assumptions and other data developed by us from knowledge of and participation in other CEDIT financings and studies; and
- data supplied by and consultations with City officials, Indiana Department of Revenue and other interested parties.

FORT WAYNE MUNICIPAL BUILDING CORP.
Fort Wayne, Indiana

County Economic Development Income Tax (CEDIT)

CEDIT is authorized pursuant to Indiana Code 6-3.5-7 ("CEDIT Statute") and is imposed on the adjusted gross income of county taxpayers. County taxpayers are individuals who (i) reside in such county on January 1 of the calendar year in which the individual's taxable year commences, or (ii) maintain a principal place of business or employment in such county on January 1 of the calendar year in which the individual's taxable year commences and who do not on that same date reside in another county in which CEDIT is in effect.

Subject to the limitations provided, the CEDIT Statute provides for increases or decreases in the tax rate and for rescission of the tax by the body that imposed it. The CEDIT Statute expressly states that the Indiana General Assembly may not repeal or amend the CEDIT Statute in a manner that would adversely affect any outstanding bonds payable from CEDIT revenues. CEDIT may be imposed in increments of .1% up to .2% and at any multiple of .05% above .2% but not to exceed .5%. In counties in which County Option Income Tax (COIT) has been enacted, the combined rates of COIT and CEDIT generally may not exceed 1%. In counties in which County Adjusted Gross Income Tax (CAGIT) has been enacted, the combined rates of CAGIT and CEDIT may not exceed 1.25%. Allen County has enacted COIT at a rate of .6% and CEDIT at a rate of .4%.

The Indiana Department of State Revenue ("Department of Revenue") is required to collect CEDIT after adoption by the appropriate body in any county. Such collections are credited to a special account within the State general fund until distribution to the enacting county. In addition, any interest income earned on money credited to such special account is required to be added to each county's CEDIT proceeds. Further, any funds remaining in any county's CEDIT account at the end of a fiscal year may not be transferred to any other account in the State general fund. Before July 2 of each calendar year, the Department of Revenue, after reviewing the recommendation of the State Budget Agency, must estimate and certify to the county auditor of each adopting county the amount of CEDIT that will be collected from that county during the twelve month period beginning July 1 of that calendar year. The amount certified is the county's certified distribution, which must be distributed in equal installments on May 1 and November 1 of the following calendar year. The certified distribution may be adjusted upward or downward, upon recommendation of the State Budget Agency, if the Department of Revenue determines that there will be a greater or lesser amount of CEDIT revenues available for distribution from a county's account. The certified distribution may be decreased only if the Department of Revenue determines that a part of such projected collections needs to be distributed during the current calendar year in order for a county to realize its full certified distribution for the current calendar year.

FORT WAYNE MUNICIPAL BUILDING CORP.
Fort Wayne, Indiana

County Economic Development Income Tax (CEDIT)

The county auditor is required to distribute CEDIT revenues (i) based on the proportionate share of the property taxes due and payable to the county and each city and town within the county (each, a "unit") to the total property taxes due and payable to the county and all units within the county or (ii) for counties that adopt CEDIT after June 1, 1992, upon passage of an ordinance by the appropriate body, based on each unit's proportionate share of population within the county to the total population of the county.

The CEDIT Statute provides that CEDIT may be pledged to defray the debt service for bonds or long term lease rentals in order to undertake improvements and expenditures pursuant to a Plan. If bonds are issued and outstanding pursuant to the CEDIT Statute, a county income tax council or a county council may not reduce the CEDIT rate below a rate that would (or could be projected to) produce 1.25 times the maximum annual debt service on such bonds. The calculation for such minimum tax rate must be based on the average of the county's preceding three years' tax collections.

FORT WAYNE MUNICIPAL BUILDING CORP.
Fort Wayne, Indiana

Summary of Significant Assumptions

1. No increase in total Allen County Projected Distribution has been assumed for purposes of estimating CEDIT Revenues for the County's projected distribution of CEDIT (Exhibit G); however, the City's distributive share of the CEDIT Revenues is increased for years 2007 and 2008 to reflect the Northeast V and Southwest Extension annexations. For years 2008 and thereafter, the City's share of the County's projected distribution of CEDIT is held constant.
2. Based on year 2005 population, approximately 66.42% of the total County's distribution will go to the City. In 2007, the estimated percentage will increase to 67.77% due to the Northeast V annexation effective December 31, 2004. In 2008, the distribution is estimated to increase to 75.33% due to the Southwest Extension annexation effective January 1, 2006 (Exhibit G).

FORT WAYNE MUNICIPAL BUILDING CORP.
Fort Wayne, Indiana

Risk Factors

Readers of this Study should be aware and take into account the risk factors related to estimates and other events which are beyond the control of the City. These risk factors include but are not limited to the following matters concerning this Study:

1. There can be no assurance that CEDIT Revenues will continue to be collected at the levels indicated in this Study.
2. The City may not modify the rate at which the Allen County Economic Development Income Tax is levied unless the Allen County Income Tax Council (“Income Tax Council”) takes the necessary action. The Income Tax Council is prohibited by statute from taking any action that would result in a civil taxing unit having a smaller distributive share than the share to which it was entitled when it pledged the CEDIT.
3. The legislature or an administrative agency with jurisdiction in the matter could modify or enact new laws or regulations or a court of competent jurisdiction could interpret the laws or regulations governing all matters associated with CEDIT Revenues in a manner that would negatively affect the owners of the Proposed First Mortgage Revenue Bonds, Series 2006.
4. The amount of the City’s distributive share of CEDIT is based upon the ratio of the City’s population to the total population of the County. If the City’s population declines as a percentage of the total population of the County, the City’s distributive share of CEDIT would decline.

FORT WAYNE MUNICIPAL BUILDING CORP.
Fort Wayne, Indiana

Historical CEDIT Distributions for Allen County and City of Fort Wayne

Historical CEDIT Distributions (1)

<u>Unit of Government</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Allen County	\$ 7,572,878	\$ 6,612,963	\$ 8,058,309	\$ 8,444,474	\$ 9,134,922
City of Fort Wayne	18,559,384	16,206,853	15,830,142	16,522,168	22,752,533
Other Cities and Towns	<u>1,808,498</u>	<u>1,579,257</u>	<u>1,653,213</u>	<u>1,684,526</u>	<u>1,862,666</u>
Total	<u>\$ 27,940,760</u>	<u>\$ 24,399,073</u>	<u>\$ 25,541,664</u>	<u>\$ 26,651,168</u>	<u>\$ 33,750,121</u>

Percentage of CEDIT Distributions (2)

Allen County	27.10 %	27.10 %	31.55 %	31.69 %	27.07 %
City of Fort Wayne	66.42	66.42	61.98	61.99	67.41
Other Cities and Towns	<u>6.48</u>	<u>6.48</u>	<u>6.47</u>	<u>6.32</u>	<u>5.52</u>
Total	<u>100.00 %</u>				

Population Estimates for CEDIT Distributions

Allen County	89,966	89,966	104,725	105,147	81,464
City of Fort Wayne	220,486	220,486	205,727	205,727	202,904
Other Cities and Towns	<u>21,485</u>	<u>21,485</u>	<u>21,485</u>	<u>20,975</u>	<u>16,611</u>
Total	<u>331,937</u>	<u>331,937</u>	<u>331,937</u>	<u>331,849</u>	<u>300,979</u>

(1) Actual certified distribution.

(2) Percentages have been rounded to the nearest hundredth of a percent.

Source: Department of Local Government Finance

FORT WAYNE MUNICIPAL BUILDING CORP.
Fort Wayne, Indiana

Analysis of Historical Certified Distributions
of County Economic Development Income Tax (CEDIT)
in Allen County

Distribution <u>Year</u>	CEDIT <u>Rate (1)</u>	Total County <u>Certified Distributions</u>	Rate of <u>Growth</u>
2006	0.40 %	\$ 27,940,760	14.52 %
2005	0.40	24,399,073	(4.47)
2004	0.40	25,541,664	(4.16)
2003	0.40	26,651,168	(21.03)
2002	0.40	33,750,121 (2)	14.36
2001	0.40	29,511,098	12.60
2000	0.40	26,208,791	6.85
1999	0.40	24,528,587	119.29
1998	0.20	11,185,613	6.53
1997	0.20	10,500,000	7.94
1996	0.20	9,727,255	18.75
1995	0.20	8,191,200	
Average Annual Compound Growth since 1995:			11.80 %
Average Annual Compound Growth since 1999:			1.19

(1) CEDIT rate on the taxable income of County residents.

(2) The 2002 distribution includes money distributed by the State of Indiana to correct previous shortages in distribution.

Source: Department of Local Government Finance

FORT WAYNE MUNICIPAL BUILDING CORP.
Fort Wayne, Indiana

Analysis of Historical Certified Distributions
of County Economic Development Income Tax (CEDIT)
in the City of Fort Wayne

<u>Distribution Year</u>	<u>CEDIT Rate (1)</u>	<u>Total City Certified Distributions</u>	<u>Rate of Growth</u>
2006	0.40 %	\$ 18,559,384	14.52 %
2005	0.40	16,206,853	2.38
2004	0.40	15,830,142	(4.19)
2003	0.40	16,522,168	(27.38)
2002	0.40	22,752,533 (2)	14.36
2001	0.40	19,894,809	12.60
2000	0.40	17,668,570	47.72
1999	0.40	11,960,695	64.47
1998	0.20	7,272,282	8.66
1997	0.20	6,692,700	7.95
1996	0.20	6,200,011	23.60
1995	0.20	5,015,992	
Average Annual Compound Growth since 1995:			12.63 %
Average Annual Compound Growth since 1999:			4.07

(1) CEDIT rate on the taxable income of County residents.

(2) The 2002 distribution includes money distributed by the State of Indiana to correct previous shortages in distribution.

Source: Department of Local Government Finance

FORT WAYNE MUNICIPAL BUILDING CORP.
Fort Wayne, Indiana

Projected City of Fort Wayne CEDIT Revenues
.4% CEDIT Rate

<u>Year of Collection</u>	<u>Entire Allen County Projected Distribution</u>	<u>Projected CEDIT Ratio (1)</u>	<u>Projected CEDIT Amount Available For Debt Service</u>
2006	\$ 27,940,760	66.42 %	\$ 18,559,384 (2)
2007	27,940,760	67.77	18,935,453
2008	27,940,760	75.33	21,047,775
2009	27,940,760	75.33	21,047,775
2010	27,940,760	75.33	21,047,775
2011	27,940,760	75.33	21,047,775
2012	27,940,760	75.33	21,047,775
2013	27,940,760	75.33	21,047,775
2014	27,940,760	75.33	21,047,775
2015	27,940,760	75.33	21,047,775
2016	27,940,760	75.33	21,047,775
2017	27,940,760	75.33	21,047,775
2018	27,940,760	75.33	21,047,775
2019	27,940,760	75.33	21,047,775
2020	27,940,760	75.33	21,047,775
2021	27,940,760	75.33	<u>21,047,775</u>
Total			<u>\$ 332,163,687</u>

(1) Based on year 2006 distribution analysis, approximately 66.42% of the total CEDIT certified distribution will go to the City. The CEDIT Ratio increase in year 2007 is due to the Northeast V annexation effective December 31, 2004 and the increase in year 2008 is due to the Southwest Extension annexation effective January 1, 2006. These numbers were obtained from the 2005 CEDIT Plan prepared by the City.

(2) Actual certified distribution. Projected CEDIT Ratio has been rounded to the nearest hundredth of a percent.

FORT WAYNE MUNICIPAL BUILDING CORP.
Fort Wayne, Indiana

First Mortgage Revenue Bonds, Series 2006
(Public Safety Academy Project)
Amortization and Lease Rental Payment Schedule

<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>	<u>Cash Funded Interest</u>	<u>Fiscal Total</u>	<u>Annual Debt Service Reserve</u>	<u>Annual Lease⁽¹⁾</u>	<u>Semi-Annual Lease</u>
12/15/06			\$ 444,767	\$ 444,767	\$ 444,767				\$ 1,048,500
6/15/07			482,278	482,278	482,278		\$ 416,500	\$ 2,097,000	1,048,500
12/15/07			482,278	482,278	482,278				1,048,500
6/15/08			482,278	482,278	482,278				1,048,500
12/15/08	\$ 710,000	4.10 %	467,723	1,192,278		\$ 1,674,556	\$ 416,500	\$ 2,097,000	1,048,500
6/15/09	740,000	4.15	467,723	1,207,723		1,675,446	416,500	2,097,000	1,048,500
12/15/09			452,368	452,368					1,048,500
6/15/10			452,368	1,222,368		1,674,736	416,500	2,097,000	1,048,500
12/15/10	770,000	4.23	436,083	436,083					1,044,000
6/15/11			436,083	1,646,083		2,082,166		2,088,000	1,044,000
12/15/11	1,210,000	4.30	410,068	410,068					1,045,500
6/15/12			410,068	1,675,068		2,085,136		2,091,000	1,045,500
12/15/12	1,265,000	4.35	382,554	382,554					1,045,500
6/15/13			382,554	1,702,554		2,085,108		2,091,000	1,045,500
12/15/13	1,320,000	4.38	353,646	353,646					1,044,000
6/15/14			353,646	1,728,646		2,082,292		2,088,000	1,044,000
12/15/14	1,375,000	4.44	323,121	323,121					1,046,000
6/15/15			323,121	1,763,121		2,086,242		2,092,000	1,046,000
12/15/15	1,440,000	4.50	290,721	290,721					1,043,500
6/15/16			290,721	1,790,721		2,081,442		2,087,000	1,043,500
12/15/16	1,500,000	4.62	256,071	256,071					1,044,000
6/15/17			256,071	1,826,071		2,082,142		2,088,000	1,044,000
12/15/17	1,570,000	4.70	219,176	219,176					1,044,500
6/15/18			219,176	1,864,176		2,083,352		2,089,000	1,044,500
12/15/18	1,645,000	4.80	179,696	179,696					1,045,000
6/15/19			179,696	1,904,696		2,084,392		2,090,000	1,045,000
12/15/19	1,725,000	4.86	137,778	137,778					1,045,500
6/15/20			137,778	1,947,778		2,085,556		2,091,000	1,045,500
12/15/20	1,810,000	4.90	93,433	93,433					1,043,500
6/15/21			93,433	1,988,433		2,081,866		2,087,000	1,043,500
12/15/21	1,895,000	4.97	46,343	46,343					974,000
6/15/22			46,343	1,896,343		1,942,686		1,948,000 ⁽²⁾	974,000
12/15/22	1,850,000	5.01							
Total	\$ 20,825,000		\$ 10,471,441	\$ 31,296,441	\$ 1,409,323	\$ 29,887,118	\$ 1,249,500	\$ 31,221,000	\$ 31,221,000

(1) The City of Fort Wayne by ordinance has pledged up to \$1,065,000 annually through 2022 of its CEDIT revenues, if necessary, to make lease rental payments to the Fort Wayne Municipal Building Corp. should other pledged revenues be insufficient.

(2) Lease rental payment will be paid from CEDIT pledged revenues, TIF revenues and the debt service reserve funded from bond proceeds at closing.

FORT WAYNE MUNICIPAL BUILDING CORP.
Fort Wayne, Indiana

Statement of Estimated CREDIT Cash Flow and Debt Service Coverage

Year	Projected City of Fort Wayne CREDIT Revenues (1)		Redevelopment District				Municipal Building Corporation				County Economic Development Income Tax (CEDIT)				Total CREDIT Commitments	Estimated Excess Funds	Coverage
	Revenue Bonds Series 2002	Revenue Bonds Series 2005 A-1 Series 2005 A-2	Revenue Bonds Series 2005 B	Lease Rental Revenue Bonds of 2002 (IBF)	First Mortgage Revenue Bonds of 2005	First Mortgage Bonds, Series 2006 (2)(3)	Revenue Bonds Series 1999	Revenue Bonds Series 2001	Revenue Bonds Series 2005	Other CREDIT Pledges (4)							
2006	\$ 18,559,384	\$ 1,192,319	\$ 477,654	\$ 389,600	\$ 383,000	\$ 135,000	\$ 2,693,301	\$ 2,365,212	\$ 1,028,076	\$ 707,125	\$ 9,371,287	\$ 9,188,097	1.98				
2007	18,935,453	1,194,531	737,654	1,237,163	387,000	131,000	2,693,301	2,376,712	3,082,576	707,125	9,853,761	9,081,692	1.92				
2008	21,047,775	1,198,206	995,821	1,232,063	389,000	132,000	2,693,301	2,380,738	3,083,676	632,125	11,108,629	9,939,146	1.89				
2009	21,047,775	1,203,306	992,648	1,225,438	385,000	137,000	2,693,301	2,389,681	3,081,476	632,125	11,111,674	9,936,101	1.89				
2010	21,047,775	1,206,375	993,620	1,226,219	386,000	137,000	2,693,301	2,394,163	3,080,776	632,125	11,121,278	9,926,497	1.89				
2011	21,047,775	1,211,169	997,994	1,220,088	387,000	136,000	2,693,301	2,394,163	3,081,376	632,125	8,730,752	12,317,023	2.41				
2012	21,047,775	1,217,719	999,810	1,220,888	386,000	136,000	2,693,301	2,394,163	3,078,276	632,125	8,599,818	12,447,957	2.45				
2013	21,047,775	995,118	995,118	1,210,188	386,000	136,000	2,693,301	2,394,163	3,084,544	632,125	7,372,975	13,674,800	2.85				
2014	21,047,775	993,837	993,837	1,218,088	385,000	136,000	2,693,301	2,394,163	3,081,388	632,125	7,375,438	13,672,337	2.85				
2015	21,047,775	994,776	994,776	1,213,738	388,000	136,000	2,693,301	2,394,163	3,078,557	632,125	7,372,196	13,675,579	2.86				
2016	21,047,775	997,932	997,932	1,216,610	385,000	136,000	2,693,301	2,394,163	3,085,626	632,125	7,382,293	13,665,482	2.85				
2017	21,047,775	992,809	992,809	1,216,610	387,000	136,000	2,693,301	2,394,163	3,085,626	432,125	2,876,934	18,170,841	7.32				
2018	21,047,775	991,167	991,167	1,216,610	382,000	136,000	2,693,301	2,394,163	3,085,626	432,125	2,870,292	18,177,483	7.33				
2019	21,047,775	993,655	993,655	1,216,610	387,000	136,000	2,693,301	2,394,163	3,085,626	432,125	2,877,780	18,169,995	7.31				
2020	21,047,775	994,026	994,026	1,216,610	386,000	136,000	2,693,301	2,394,163	3,085,626	432,125	2,877,151	18,170,624	7.32				
2021	21,047,775	497,037	497,037	1,216,610	386,000	136,000	2,693,301	2,394,163	3,085,626	432,125	1,994,162	19,053,613	10.55				
2022	21,047,775			1,216,610	386,000	136,000	2,693,301	2,394,163	3,085,626	432,125	1,497,125	19,550,650	14.06				
Totals	\$ 353,211,462	\$ 8,423,625	\$ 14,645,558	\$ 12,610,083	\$ 57,890,000	\$ 808,000	\$ 2,693,301	\$ 11,906,506	\$ 31,846,347	\$ 9,696,125	\$ 114,393,545	\$ 238,817,917					

(1) 2006 certified distribution with base adjustment for annexations in 2007, 2008
(2) Assuming interest payments through December 15, 2007 will be capitalized.
(3) The City of Fort Wayne by ordinance has pledged up to \$1,065,000 annually through 2022 of its CREDIT revenues, if necessary, to make lease rental payments to the Fort Wayne Municipal Building Corp. should other pledged revenues be insufficient.
(4) Allen County, Indiana through its Redevelopment Commission issued in 1999 \$2,440,000 of Tax Incremental Financing (TIF) bonds. The City of Fort Wayne by ordinance has pledged through 2016 up to \$200,000 per year of its CREDIT revenues, if necessary, to make payments of principal and interest on these TIF Bonds should the tax increment available be insufficient to meet the debt service on these TIF Bonds.
The City has pledged through 2007 up to \$75,000 annually to the Fort Wayne Redevelopment Commission to repay a \$600,000 loan from the Fort Wayne Community Trust Fund should other revenues available to the Redevelopment Commission prove insufficient to retire the debt.
The City has pledged up to \$432,125 for up to 30 years for lease payments from the Fort Wayne Redevelopment Commission to the Fort Wayne Redevelopment Authority in connection with the financing of the Grand Wayne Center expansion.

FORT WAYNE MUNICIPAL BUILDING CORP.
Fort Wayne, Indiana

First Mortgage Revenue Bonds, Series 2006
(Public Safety Academy Project)
Estimated Sources and Uses of Funds

Sources of Funds:

Par Amount of Bonds	\$ 20,825,000
Cash Contribution	3,624,914
Estimated Interest Earnings	378,301
Mall Property Sales	<u>1,720,494</u>
 Total Sources of Funds	 <u><u>\$ 26,548,709</u></u>

Uses of Funds:

Project Fund	\$ 23,808,740
Cash Funded Interest	1,409,323
Debt Service Reserve	833,000
Other Costs of Issuance	495,000
Project Contingency	<u>2,646</u>
 Total Uses of Funds	 <u><u>\$ 26,548,709</u></u>

FORT WAYNE MUNICIPAL BUILDING CORP.

Fort Wayne, Indiana

Redevelopment District Revenue Bonds, Series 2002
Amortization Schedule

<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Total</u>
6/1/06	\$ 450,000	3.50 %	\$ 145,097	\$ 595,097	
12/1/06	460,000	3.50	137,222	597,222	\$ 1,192,319
6/1/07	470,000	3.75	129,172	599,172	
12/1/07	475,000	3.75	120,359	595,359	1,194,531
6/1/08	485,000	4.00	111,453	596,453	
12/1/08	500,000	4.00	101,753	601,753	1,198,206
6/1/09	510,000	4.00	91,753	601,753	
12/1/09	520,000	4.00	81,553	601,553	1,203,306
6/1/10	530,000	4.13	71,153	601,153	
12/1/10	545,000	4.13	60,222	605,222	1,206,375
6/1/11	555,000	4.25	48,981	603,981	
12/1/11	570,000	4.25	37,188	607,188	1,211,169
6/1/12	585,000	4.25	25,075	610,075	
12/1/12	<u>595,000</u>	4.25	<u>12,644</u>	<u>607,644</u>	1,217,719
Total	<u>\$ 7,250,000</u>		<u>\$ 1,173,625</u>	<u>\$ 8,423,625</u>	

FORT WAYNE MUNICIPAL BUILDING CORP.

Fort Wayne, Indiana

Redevelopment District Revenue Bonds, Series 2005 A-1
 Redevelopment District Taxable Revenue Bonds, Series 2005 A-2
 (Southtown Redevelopment Project)
 Combined Amortization Schedule

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Total</u>
6/1/06		\$ 238,827	\$ 238,827	
12/1/06		238,827	238,827	\$ 477,654
6/1/07		238,827	238,827	
12/1/07	\$ 260,000	238,827	498,827	737,654
6/1/08	265,000	233,253	498,253	
12/1/08	270,000	227,568	497,568	995,821
6/1/09	275,000	221,772	496,772	
12/1/09	280,000	215,876	495,876	992,648
6/1/10	285,000	209,869	494,869	
12/1/10	295,000	203,751	498,751	993,620
6/1/11	300,000	197,422	497,422	
12/1/11	310,000	190,572	500,572	997,994
6/1/12	315,000	183,501	498,501	
12/1/12	325,000	176,309	501,309	999,810
6/1/13	330,000	168,895	498,895	
12/1/13	335,000	161,223	496,223	995,118
6/1/14	345,000	153,429	498,429	
12/1/14	350,000	145,408	495,408	993,837
6/1/15	360,000	136,807	496,807	
12/1/15	370,000	127,969	497,969	994,776
6/1/16	380,000	118,869	498,869	
12/1/16	390,000	109,063	499,063	997,932
6/1/17	395,000	99,001	494,001	
12/1/17	410,000	88,808	498,808	992,809
6/1/18	415,000	78,228	493,228	
12/1/18	430,000	67,939	497,939	991,167
6/1/19	440,000	57,278	497,278	
12/1/19	450,000	46,377	496,377	993,655
6/1/20	460,000	35,215	495,215	
12/1/20	475,000	23,811	498,811	994,026
6/1/21	485,000	12,037	497,037	497,037
Total	\$ 10,000,000	\$ 4,645,558	\$ 14,645,558	

FORT WAYNE MUNICIPAL BUILDING CORP.
Fort Wayne, Indiana

Redevelopment District Revenue Bonds, Series 2005 A-1
(Southtown Redevelopment Project)
Amortization Schedule

<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Total</u>
6/1/06			\$ 71,584	\$ 71,584	
12/1/06			71,584	71,584	\$ 143,168
6/1/07			71,584	71,584	
12/1/07	\$ 90,000	4.00 %	71,584	161,584	233,168
6/1/08	90,000	4.00	69,784	159,784	
12/1/08	90,000	4.00	67,984	157,984	317,768
6/1/09	95,000	4.00	66,184	161,184	
12/1/09	95,000	4.00	64,284	159,284	320,468
6/1/10	95,000	4.00	62,384	157,384	
12/1/10	100,000	4.00	60,484	160,484	317,868
6/1/11	100,000	4.00	58,484	158,484	
12/1/11	105,000	4.00	56,484	161,484	319,968
6/1/12	105,000	4.00	54,384	159,384	
12/1/12	110,000	4.00	52,284	162,284	321,668
6/1/13	110,000	4.25	50,084	160,084	
12/1/13	110,000	4.25	47,747	157,747	317,831
6/1/14	115,000	4.25	45,409	160,409	
12/1/14	115,000	4.25	42,966	157,966	318,375
6/1/15	120,000	4.25	40,522	160,522	
12/1/15	120,000	4.25	37,972	157,972	318,494
6/1/16	125,000	5.00	35,422	160,422	
12/1/16	130,000	5.00	32,297	162,297	322,719
6/1/17	130,000	5.00	29,047	159,047	
12/1/17	135,000	5.00	25,797	160,797	319,844
6/1/18	135,000	4.38	22,422	157,422	
12/1/18	140,000	4.38	19,469	159,469	316,891
6/1/19	145,000	4.38	16,406	161,406	
12/1/19	145,000	4.38	13,234	158,234	319,640
6/1/20	150,000	4.38	10,063	160,063	
12/1/20	155,000	4.38	6,781	161,781	321,844
6/1/21	155,000	4.38	3,391	158,391	158,391
Total	\$ 3,310,000		\$ 1,378,105	\$ 4,688,105	

FORT WAYNE MUNICIPAL BUILDING CORP.
Fort Wayne, Indiana

Redevelopment District Taxable Revenue Bonds, Series 2005 A-2
(Southtown Redevelopment Project)
Amortization Schedule

<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Total</u>
6/1/06			\$ 167,243	\$ 167,243	
12/1/06			167,243	167,243	\$ 334,486
6/1/07			167,243	167,243	
12/1/07	\$ 170,000	4.44 %	167,243	337,243	504,486
6/1/08	175,000	4.44	163,469	338,469	
12/1/08	180,000	4.44	159,584	339,584	678,053
6/1/09	180,000	4.44	155,588	335,588	
12/1/09	185,000	4.44	151,592	336,592	672,180
6/1/10	190,000	4.44	147,485	337,485	
12/1/10	195,000	4.44	143,267	338,267	675,752
6/1/11	200,000	4.85	138,938	338,938	
12/1/11	205,000	4.85	134,088	339,088	678,026
6/1/12	210,000	4.85	129,117	339,117	
12/1/12	215,000	4.85	124,025	339,025	678,142
6/1/13	220,000	4.85	118,811	338,811	
12/1/13	225,000	4.85	113,476	338,476	677,287
6/1/14	230,000	4.85	108,020	338,020	
12/1/14	235,000	5.24	102,442	337,442	675,462
6/1/15	240,000	5.24	96,285	336,285	
12/1/15	250,000	5.24	89,997	339,997	676,282
6/1/16	255,000	5.24	83,447	338,447	
12/1/16	260,000	5.24	76,766	336,766	675,213
6/1/17	265,000	5.24	69,954	334,954	
12/1/17	275,000	5.24	63,011	338,011	672,965
6/1/18	280,000	5.24	55,806	335,806	
12/1/18	290,000	5.24	48,470	338,470	674,276
6/1/19	295,000	5.24	40,872	335,872	
12/1/19	305,000	5.24	33,143	338,143	674,015
6/1/20	310,000	5.24	25,152	335,152	
12/1/20	320,000	5.24	17,030	337,030	672,182
6/1/21	330,000	5.24	8,646	338,646	338,646
Total	\$ 6,690,000		\$ 3,267,453	\$ 9,957,453	

FORT WAYNE MUNICIPAL BUILDING CORP.
Fort Wayne, Indiana

Redevelopment District Revenue Bonds, Series 2005 B
Amortization Schedule

<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Total</u>
6/1/06			\$ 194,800	\$ 194,800	
12/1/06			194,800	194,800	\$ 389,600
6/1/07	\$ 425,000	3.50 %	194,800	619,800	
12/1/07	430,000	3.50	187,363	617,363	1,237,163
6/1/08	435,000	3.50	179,838	614,838	
12/1/08	445,000	3.50	172,225	617,225	1,232,063
6/1/09	450,000	3.75	164,438	614,438	
12/1/09	455,000	3.75	156,000	611,000	1,225,438
6/1/10	465,000	3.75	147,469	612,469	
12/1/10	475,000	3.75	138,750	613,750	1,226,219
6/1/11	480,000	4.00	129,844	609,844	
12/1/11	490,000	4.00	120,244	610,244	1,220,088
6/1/12	500,000	4.00	110,444	610,444	
12/1/12	510,000	4.00	100,444	610,444	1,220,888
6/1/13	515,000	4.00	90,244	605,244	
12/1/13	525,000	4.00	79,944	604,944	1,210,188
6/1/14	540,000	4.00	69,444	609,444	
12/1/14	550,000	4.00	58,644	608,644	1,218,088
6/1/15	560,000	4.13	47,644	607,644	
12/1/15	570,000	4.13	36,094	606,094	1,213,738
6/1/16	585,000	4.13	24,338	609,338	
12/1/16	<u>595,000</u>	4.13	<u>12,272</u>	<u>607,272</u>	1,216,610
Total	<u>\$ 10,000,000</u>		<u>\$ 2,610,083</u>	<u>\$ 12,610,083</u>	

FORT WAYNE MUNICIPAL BUILDING CORP.
Fort Wayne, Indiana

Lease Rental Revenue Bonds of 2002⁽¹⁾
(Transportation Building Project)
Amortization and Lease Rental Payment Schedule

<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Total</u>	<u>Annual Lease</u>
7/1/06			\$ 14,704	\$ 14,704		
1/1/07	\$ 100,000	3.90 %	14,704	114,704	\$ 129,408	\$ 135,000
7/1/07			12,754	12,754		
1/1/08	100,000	4.20	12,754	112,754	125,508	131,000
7/1/08			10,654	10,654		
1/1/09	105,000	4.40	10,654	115,654	126,308	132,000
7/1/09			8,344	8,344		
1/1/10	115,000	4.55	8,344	123,344	131,688	137,000
7/1/10			5,728	5,728		
1/1/11	120,000	4.65	5,728	125,728	131,456	137,000
7/1/11			2,938	2,938		
1/1/12	<u>125,000</u>	4.70	<u>2,938</u>	<u>127,938</u>	130,876	<u>136,000</u>
Total	<u>\$ 665,000</u>		<u>\$ 110,244</u>	<u>\$ 775,244</u>		<u>\$ 808,000</u>

(1) Issued through the Indiana Bond Bank.

FORT WAYNE MUNICIPAL BUILDING CORP.
Fort Wayne, Indiana

First Mortgage Revenue Bonds of 2005
Amortization and Lease Rental Payment Schedule

<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Total</u>	<u>Annual Lease</u>
6/15/06	\$ 105,000	3.00 %	\$ 85,647	\$ 190,647		
12/15/06	105,000	3.00	84,072	189,072	\$ 379,719	\$ 383,000
6/15/07	110,000	3.50	82,497	192,497		
12/15/07	110,000	3.50	80,572	190,572	383,069	387,000
6/15/08	115,000	3.75	78,647	193,647		
12/15/08	115,000	3.75	76,491	191,491	385,138	389,000
6/15/09	115,000	3.75	74,334	189,334		
12/15/09	120,000	3.75	72,178	192,178	381,512	385,000
6/15/10	120,000	3.75	69,928	189,928		
12/15/10	125,000	3.75	67,678	192,678	382,606	386,000
6/15/11	125,000	4.00	65,334	190,334		
12/15/11	130,000	4.00	62,834	192,834	383,168	387,000
6/15/12	130,000	4.00	60,234	190,234		
12/15/12	135,000	4.00	57,634	192,634	382,868	386,000
6/15/13	135,000	4.00	54,934	189,934		
12/15/13	140,000	4.00	52,234	192,234	382,168	386,000
6/15/14	140,000	4.00	49,434	189,434		
12/15/14	145,000	4.00	46,634	191,634	381,068	385,000
6/15/15	150,000	4.13	43,734	193,734		
12/15/15	150,000	4.13	40,641	190,641	384,375	388,000
6/15/16	155,000	4.25	37,547	192,547		
12/15/16	155,000	4.25	34,253	189,253	381,800	385,000
6/15/17	160,000	4.38	30,959	190,959		
12/15/17	165,000	4.38	27,459	192,459	383,418	387,000
6/15/18	165,000	4.50	23,850	188,850		
12/15/18	170,000	4.50	20,138	190,138	378,988	382,000
6/15/19	175,000	4.50	16,313	191,313		
12/15/19	180,000	4.50	12,375	192,375	383,688	387,000
6/15/20	185,000	4.50	8,325	193,325		
12/15/20	185,000	4.50	4,163	189,163	382,488	386,000
Total	\$ 4,215,000		\$ 1,521,073	\$ 5,736,073		\$5,789,000

FORT WAYNE MUNICIPAL BUILDING CORP.
Fort Wayne, Indiana

Economic Development Income Tax (CEDIT) Revenue Bonds of 1999
Amortization Schedule

<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Total</u>
6/1/06	\$ 1,300,000	4.25 %	\$ 55,463	\$ 1,355,463	
12/1/06	<u>1,310,000</u>	4.25	<u>27,838</u>	<u>1,337,838</u>	\$ 2,693,301
Total	<u>\$ 2,610,000</u>		<u>\$ 83,301</u>	<u>\$ 2,693,301</u>	

FORT WAYNE MUNICIPAL BUILDING CORP.
Fort Wayne, Indiana

County Economic Development Income Tax (CEDIT) Revenue Bonds of 2001
Amortization Schedule

<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Total</u>
6/1/06	\$ 960,000	4.00 %	\$ 222,206	\$ 1,182,206	
12/1/06	980,000	4.00	203,006	1,183,006	\$ 2,365,212
6/1/07	1,005,000	4.00	183,406	1,188,406	
12/1/07	1,025,000	4.25	163,306	1,188,306	2,376,712
6/1/08	1,050,000	4.25	141,525	1,191,525	
12/1/08	1,070,000	4.25	119,213	1,189,213	2,380,738
6/1/09	1,095,000	4.25	96,475	1,191,475	
12/1/09	1,125,000	4.25	73,206	1,198,206	2,389,681
6/1/10	1,150,000	4.25	49,300	1,199,300	
12/1/10	<u>1,170,000</u>	4.25	<u>24,863</u>	<u>1,194,863</u>	2,394,163
Total	<u>\$ 10,630,000</u>		<u>\$ 1,276,506</u>	<u>\$ 11,906,506</u>	

FORT WAYNE MUNICIPAL BUILDING CORP.
Fort Wayne, Indiana

County Economic Development Income Tax (CEDIT) Revenue Bonds of 2005
Amortization Schedule

<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Total</u>
6/1/06			\$ 514,038	\$ 514,038	
12/1/06			514,038	514,038	\$ 1,028,076
6/1/07	\$ 1,025,000	4.00 %	514,038	1,539,038	
12/1/07	1,050,000	4.00	493,538	1,543,538	3,082,576
6/1/08	1,070,000	4.00	472,538	1,542,538	
12/1/08	1,090,000	4.00	451,138	1,541,138	3,083,676
6/1/09	1,110,000	4.00	429,338	1,539,338	
12/1/09	1,135,000	4.00	407,138	1,542,138	3,081,476
6/1/10	1,155,000	4.00	384,438	1,539,438	
12/1/10	1,180,000	4.00	361,338	1,541,338	3,080,776
6/1/11	1,205,000	4.00	337,738	1,542,738	
12/1/11	1,225,000	4.00	313,638	1,538,638	3,081,376
6/1/12	1,250,000	4.00	289,138	1,539,138	
12/1/12	1,275,000	4.00	264,138	1,539,138	3,078,276
6/1/13	1,305,000	4.25	238,638	1,543,638	
12/1/13	1,330,000	4.25	210,906	1,540,906	3,084,544
6/1/14	1,360,000	4.25	182,644	1,542,644	
12/1/14	1,385,000	4.25	153,744	1,538,744	3,081,388
6/1/15	1,415,000	4.25	124,313	1,539,313	
12/1/15	1,445,000	4.25	94,244	1,539,244	3,078,557
6/1/16	1,480,000	4.25	63,538	1,543,538	
12/1/16	<u>1,510,000</u>	4.25	<u>32,088</u>	<u>1,542,088</u>	3,085,626
Total	<u>\$ 25,000,000</u>		<u>\$ 6,846,347</u>	<u>\$ 31,846,347</u>	

APPENDIX C

FORM OF APPROVING BOND COUNSEL OPINION

Upon delivery of the Series 2006 C Bonds, Baker & Daniels LLP,
Indianapolis, Indiana, Bond Counsel, proposes to deliver an
opinion in substantially the following form:

June 29, 2006

Indiana Bond Bank
Indianapolis, Indiana

Re: Indiana Bond Bank Special Program Bonds, Series 2006 C
(Fort Wayne Regional Public Safety Academy Project)

Ladies and Gentlemen:

We have acted as bond counsel to the Indiana Bond Bank (the "Issuer") in connection with the issuance by the Issuer of Twenty Million Six Hundred Sixty Thousand Dollars (\$20,660,000) aggregate principal amount of the Indiana Bond Bank Special Program Bonds, Series 2006 C (Fort Wayne Regional Public Safety Academy Project), originally dated June 29, 2006 (the "Series 2006 C Bonds"). The Series 2006 C Bonds are being issued pursuant to Indiana Code 5-1.5, as amended (the "Act"), and a certain Trust Indenture dated as of June 1, 2006, between the Issuer and U.S. Bank National Association, as trustee (the "Indenture").

We have examined the law and such certified proceedings and other certificates, instruments and documents as we have deemed necessary or appropriate for purposes of rendering this opinion.

As to questions of fact material to our opinion, we have relied upon representations, covenants and certifications of the Issuer, public officials and others contained in the certified proceedings and other certificates, instruments and documents furnished to us.

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

1. The Indenture constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer. The Indenture creates the valid pledge that it purports to create of the Funds and Accounts (as defined in the Indenture) thereunder and the obligations of the Qualified Entity (as defined in the Indenture) being acquired with the proceeds of the Series 2006 C Bonds, subject to the application thereof to the purposes of and the conditions permitted by the Indenture.

2. The Series 2006 C Bonds have been duly authorized, executed and issued by the Issuer in accordance with the Act, and are valid and binding special obligations of the Issuer, payable solely from and secured solely by the sources provided therefor in and pursuant to the Indenture.

3. The interest on the Series 2006 C Bonds is excludable pursuant to Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of delivery of the Series 2006 C Bonds (the "Code"), from gross income for federal income tax purposes, and the Series 2006 C Bonds are not "private activity bonds" under Section 141 of the Code; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), interest on the Series 2006 C Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The initial public

offering price of the Bonds maturing on February 1, 2019 (collectively, the "Discount Bonds"), is less than the amount payable thereon at maturity. The difference between the initial public offering price of the Discount Bonds and the amount payable at maturity is original issue discount that constitutes interest that is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code.

The opinions set forth in the preceding paragraph are subject to the condition that the Issuer and the Qualified Entity comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2006 C Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer and the Qualified Entity have covenanted to comply with each of such requirements. Failure to comply with certain of such requirements may cause the interest on the Series 2006 C Bonds to cease to be excludable from gross income for federal income tax purposes retroactive to the date of issuance of the Series 2006 C Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Series 2006 C Bonds.

4 The interest on the Series 2006 C Bonds is exempt from taxation in the State of Indiana for all purposes except the Indiana financial institutions tax and the Indiana inheritance tax.

It is to be understood that the rights of the holders of the Series 2006 C Bonds and the enforceability of the Series 2006 C Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain additional provisions of the Indenture not otherwise discussed in this Official Statement. This summary is qualified in its entirety by reference to the Indenture. Certain capitalized terms in this summary not defined in this Official Statement will have the meanings set forth in the Indenture.

Accounts and Reports

The Bond Bank will keep proper and separate books of records and accounts in which complete and correct entries will be made of its transactions relating to the Funds and Accounts established by the Indenture. Such books, and all other books and papers of the Bond Bank, and all Funds and Accounts will at all reasonable times be subject to the inspection of the Trustee and the owners of an aggregate of at least five percent (5%) in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

Before the twentieth day of each month, the Trustee will provide the Bond Bank with a statement of the amounts on deposit in each Fund and Account as of the first day of that month and the total deposits to and withdrawals from each Fund and Account during the preceding month. The Bond Bank may provide for less frequent statements so long as such statements are supplied no less frequently than quarterly.

Preservation of Tax Exemption for the Bonds

In order to assure the continuing excludability of interest on the Bonds from the gross income of the owners thereof for purposes of federal income taxation, the Bond Bank covenants and agrees that it will not take any action or fail to take any action with respect to the Bonds, that would result in the loss of the exclusion from gross income for federal tax purposes of interest on any of the Bonds pursuant to Section 103 of the Code, nor will the Bond Bank act in any other manner which would adversely affect such exclusion; and it will not make any investment or do any other act or thing during the period that the Bonds are Outstanding which would cause any of the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, all as in effect on the date of delivery of the particular Series of Bonds. Pursuant to the Indenture, all of these covenants are based solely on current law as in existence and effect on the date of delivery of the particular Series of Bonds. It will not be an Event of Default under the Indenture if the interest on the Bonds is not excluded from gross income for federal tax purposes or otherwise pursuant to any provision of the Code which is not currently in effect and in existence on the date of the issuance of such Bonds. The Bond Bank will rebate any necessary amounts to the United States of America to the extent required by the Code, as provided under the Indenture.

In making any determination regarding the covenants, the Bond Bank may rely on an Opinion of Bond Counsel.

Covenants Concerning the Bonds

In order to provide for the payment of the principal of and interest on the Bonds and of Program Expenses, the Bond Bank will from time to time, with all practical dispatch and in a sound and economical manner in accordance with the Act, the Indenture and sound banking practices and principals (i) do all acts and things as are necessary to receive and collect Revenues (including the enforcement of the prompt collection of any arrears on all Qualified Obligation Payments), and (ii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Bond Bank to protect the rights of the Bond Bank with respect to the Series 2006 C Qualified Obligations and to enforce all terms, covenants and conditions of the Series 2006 C Qualified Obligations. Whenever necessary in order to provide for the payment of principal of and interest on the Bonds, the Bond Bank will also commence appropriate remedies with respect to any Series 2006 C Qualified Obligation which is in default.

Covenants with Respect to the Series 2006 C Qualified Obligations

With respect to the Series 2006 C Qualified Obligations, the Bond Bank covenants as follows:

(a) Not to permit or agree to any material change in any Series 2006 C Qualified Obligation (other than ones for which consent of the Bond Bank is not required) unless the Bond Bank supplies the Trustee with a Cash Flow Certificate to the effect that, after such change, Revenues expected to be received in each Fiscal Year, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds along with Program Expenses, if any, in each such Fiscal Year.

(b) To the extent that such action would not adversely affect the validity of the Series 2006 C Qualified Obligation or other obligations of the Series 2006 C Qualified Entity, or cause such Series 2006 C Qualified Obligation to be considered debt of the Series 2006 C Qualified Entity, the Bond Bank will pursue the remedies set forth in the Act, particularly Indiana Code § 5-1.5-8-5, for the collection of deficiencies in the Series 2006 C Qualified Obligation Payments on any Series 2006 C Qualified Obligation by collection of such deficiencies out of certain State funds payable but not yet paid to the defaulting Series 2006 C Qualified Entity.

(c) To enforce or authorize the enforcement of all remedies available to the Bond Bank as the owner or holder of the Series 2006 C Qualified Obligations, unless the Bond Bank provides the Trustee with a Cash Flow Certificate to the effect that, if such remedies are not enforced, Revenues expected to be received in each Fiscal Year, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds in each such Fiscal Year and the Trustee determines that failure to enforce such remedies will not adversely affect the interests of the Bondholders in any material way.

(d) Not to sell or dispose of the Series 2006 C Qualified Obligations, unless the Bond Bank first provides the Trustee with (i) a Cash Flow Certificate to the effect that, after such sale, Revenues expected to be received in each Fiscal Year, together with moneys expected to be held in the Funds and Accounts, minus any proceeds of such sale or disposition transferred from any Fund or Account, will at least equal debt service on all Outstanding Bonds along with Program Expenses, if any, in each such Fiscal Year; and (ii) an Opinion of Bond Counsel stating to the effect that such sale or disposal shall not affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Certification Covenants

In the event that a deficiency in the Debt Service Reserve Fund is projected in the annual budget of the Bond Bank, the Chairman of the Board of Directors of the Bond Bank will certify such projected deficiency to the State General Assembly on or before December 1 of the Fiscal Year in which such deficiency is projected to occur. Further, regardless of whether any such deficiency was projected, the Bond Bank will immediately take all actions required or allowed under the Act to certify any deficiency to the State General Assembly any deficiency in the Debt Service Reserve Fund resulting from the amount on deposit therein or deemed to be on deposit therein being less than the Reserve Requirement, or any amount necessary to restore the Debt Service Reserve Fund to the Reserve Requirement.

Budgets

The Bond Bank will adopt and file with the Trustee and appropriate State officials under the Act an annual budget covering its fiscal operations for the succeeding Fiscal Year not later than June 1 of each year. The annual budget will be open to inspection by any Owner of Bonds. In the event the Bond Bank does not adopt an annual budget for the succeeding Fiscal Year on or before June 1, the budget for the preceding Fiscal Year will be deemed to have been adopted and be in effect for the succeeding Fiscal Year until the annual budget for such Fiscal Year has been duly adopted. The Bond Bank may at any time adopt an amended annual budget in the manner then provided in the Act.

Discharge of Lien of Indenture

If payment or provision for payment is made to the Trustee of the principal of and interest due and to become due on all of the Bonds then Outstanding under the Indenture, and if the Trustee receives all payments due and to become due under the Indenture, then the Indenture may be discharged in accordance with its provisions. In the event of any early redemption of Bonds in accordance with their terms, the Trustee must receive irrevocable instructions from the Bond Bank, satisfactory to the Trustee, to call such Bonds for redemption at a specified date and mail notice of such redemption pursuant to the Indenture. Outstanding Bonds will continue to be a limited obligation of the Bond Bank payable only out of the moneys or securities held by the Trustee for the payment of the principal of and interest on the Bonds.

Any Bond will be deemed to be paid when payment of the principal of that Bond, plus interest to its due date, either (a) has been made or has been caused to be made in accordance with its terms, or (b) has been provided for by irrevocably depositing with the Trustee, in trust and exclusively for such payment, (i) moneys sufficient to make such payment, (ii) noncallable or non-prepayable Governmental Obligations maturing as to principal and interest in such amounts and at such times, without consideration of any reinvestment thereof, as will ensure the availability of sufficient moneys to make such payments, or (iii) a combination of such moneys and Governmental Obligations, and all other sums payable under the Indenture, including the necessary and proper fees and expenses of the Trustee pertaining to the Bonds, have been paid or deposited with the Trustee.

Events of Default and Remedies

Any of the following events constitutes an “Event of Default” under the Indenture:

- (a) The Bond Bank defaults in the due and punctual payment of any interest on any Bond;
- (b) The Bond Bank defaults in the due and punctual payment of the principal of any Bond, whether at the stated maturity thereof or any date fixed for redemption;
- (c) The Bond Bank defaults in carrying out any of its other covenants, agreements or conditions contained in the Indenture or in the Bonds, and fails to remedy such Event of Default within sixty (60) days after receipt of notice, all in accordance with the Indenture;
- (d) Any warranty, representation or other statement by or on behalf of the Bond Bank contained in the Indenture, or in any instrument furnished in compliance with or in reference to the Indenture, is materially false or misleading when made, and there has been a failure to remedy such Event of Default within sixty (60) days after receipt of notice, all in accordance with the Indenture;
- (e) The Bond Bank fails to make remittances required by the Indenture to the Trustee within the time limits prescribed in the Indenture;
- (f) A petition is filed against the Bond Bank under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect and is not dismissed within sixty (60) days after such filing;
- (g) The Bond Bank files a voluntary petition in bankruptcy or seeking relief under any provisions of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law;
- (h) The Bond Bank is generally not paying its debts as such debts become due, or becomes insolvent, bankrupt, or makes an assignment for the benefit of creditors, or a liquidator or trustee of the Bond Bank or any of its property is appointed by court order or takes possession and such order remains in effect or such possession continues for more than sixty (60) days;

(i) The Bond Bank fails to restore the Debt Service Reserve Fund to the applicable Debt Service Reserve Requirement within thirty (30) days after the end of the Fiscal Year during which a deficiency occurs; or

(j) The Bond Bank is rendered incapable of fulfilling its obligations under the Indenture for any reason.

Upon the occurrence and continuance of an Event of Default, the Trustee will notify the Series 2006 C Bond Insurer and the Owners of Outstanding Bonds of such Event of Default by registered or certified mail will have the following rights and remedies:

(a) The Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of and interest on Bonds outstanding under the Indenture, including any and all such actions arising under, or by reason of, the Series 2006 C Qualified Obligations;

(b) The Trustee may by action at law or in equity require the Bond Bank to account as if it were the trustee of an express trust for the Owners of the Bonds, and may take such action with respect to the Series 2006 C Qualified Obligations as the Trustee deems necessary, appropriate and in the best interest of the Bondholders, subject to the terms of the Series 2006 C Qualified Obligations.

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

(d) By notice to the Bond Bank and the Attorney General of the State, the Trustee may declare the principal of and accrued interest on all Bonds to be due and payable immediately in accordance with the provisions of the Indenture and the Act; provided, however, for so long as the Series 2006 C Municipal Bond Insurance Policy is in full force and effect, the Trustee may, with the prior written consent of the Series 2006 C Bond Insurer, and shall, at the direction of the Series 2006 C Bond Insurer or twenty five percent (25%) of the holders of the Series 2006 C Bonds with the consent of the Series 2006 C Bond Insurer, by written notice to the Bond Bank, the Attorney General of the State and the Series 2006 C Bond Insurer, declare the principal of the Series 2006 C Bonds to be immediately due and payable, whereupon that portion of the principal of the Series 2006 C Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Indenture or the Series 2006 C Bonds to the contrary notwithstanding

If an Event of Default has occurred, if requested to do so by the Owners of twenty-five percent (25%) or more in aggregate principal amount of the Bonds Outstanding under the Indenture, and if indemnified as provided in the Indenture, the Trustee will be obligated to exercise one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, deems most expedient in the interest of the Bondholders.

Subject to the rights of the Series 2006 C Bond Insurer described below in “Rights of the Series 2006 C Bond Insurer Upon Default,” the Owners of a majority in aggregate principal amount of the Bonds Outstanding under the Indenture will have the right, at any time during the continuance of an Event of Default, by a written instrument or instruments executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture. However, such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Waivers of Events of Default

Subject to the rights of the Series 2006 C Bond Insurer described below in “Rights of the Series 2006 C Bond Insurer Upon Default,” the Trustee, at its discretion, may waive any Event of Default and its consequences, and must do so upon the written request of the owners of (a) more than sixty-six and two-thirds percent (66 2/3%) in

aggregate principal amount of all Bonds then Outstanding in the case of default in the payment of principal or interest on the Bonds or (b) more than fifty percent (50%) in aggregate principal amount of all Bonds then Outstanding in the case of any other default. However, there may not be waived (i) any Event of Default in the payment of the principal of any Bond then Outstanding under the Indenture at the specified date of maturity or (ii) any Event of Default in the payment when due of the interest on any Bond then Outstanding under the Indenture unless, prior to the waiver, all arrears of interest or principal due, as the case may be, with interest on overdue principal at the rate borne by such Bond, and all expenses of the Trustee in connection with the Event of Default have been paid or provided for. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default is discontinued or abandoned or determined adversely, then the Bond Bank, the Trustee and the Bondholders will be restored to their former respective positions and right under the Indenture. No waiver or rescission will extend to any subsequent or other Event of Default or impair any right consequent thereon.

Rights and Remedies of Owners of Bonds

Subject to the rights of the Series 2006 C Bond Insurer described below in “Rights of the Series 2006 C Bond Insurer Upon Default,” no Owner of any Bond will have any right to institute any suit, action or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or for any other remedy under the Indenture, unless (a) an Event of Default has occurred and the Owners of not less than twenty-five (25%) in aggregate principal amount of Bonds then Outstanding have made written request to the Trustee and have offered the Trustee reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, (b) such Owners of Bonds have offered to indemnify the Trustee, as provided in the Indenture, and (c) the Trustee has refused, or for sixty (60) days after receipt of such request and offer of indemnification has failed, to exercise the remedies granted in the Indenture or to institute such action, suit or proceeding in its own name. All proceedings at law or in equity must be carried out as provided in the Indenture and for the equal benefit of the Owners of all Outstanding Bonds. However, nothing contained in the Indenture will affect or impair the right of any Owner of Bonds to enforce the payment of the principal of and interest on any Bond at and after its maturity, or the limited obligation of the Bond Bank to pay the principal of and interest on each of the Bonds to the respective owners of the Bonds at the time and place, from the source and in the manner expressed in the Bonds.

Rights of the Series 2006 C Bond Insurer upon Default

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default and for so long as the Series 2006 C Municipal Bond Insurance Policy remains in full force and effect, the Series 2006 C Bond Insurer, acting alone, shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Series 2006 C Bonds or the Trustee for the benefit of the holders of the Series 2006 C Bonds under the Indenture.

Supplemental Indentures

The Bond Bank and the Trustee may, without the consent of or notice to any of the owners of Bonds, enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

- (a) To cure any ambiguity, formal defect or omission in the Indenture;
- (b) To grant to or confer upon the Trustee for the benefit of the owners of Bonds then Outstanding any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee, or to make any change which, in the judgment of the Trustee, does not materially and adversely affect the interests of the Bondholders and does not otherwise require the unanimous consent of all Bondholders under the Indenture;
- (c) To subject to the lien and pledge of the Indenture additional Revenues, properties or collateral;

(d) To modify, amend or supplement the Indenture or any supplemental indenture in order to permit qualification under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if the Bond Bank and the Trustee so determine, to add to the Indenture or to any supplemental indenture such other terms, conditions and provisions as may be permitted by the Trust Indenture Act of 1939 or any other federal or state statute;

(e) To give evidence of the appointment of a separate or co-trustee, or the succession of a new Trustee, under the Indenture or the succession of a new registrar and/or paying agent;

(f) To provide for the issuance of each Series of Bonds permitted by the Indenture, other than the Series 2006 C Bonds;

(g) To provide for the refunding of all or a portion of the Bonds;

(h) To amend the Indenture to permit the Bond Bank to comply with any covenants contained in any Supplemental Indenture with respect to compliance with future federal or State tax laws; and

(i) To modify, amend or supplement the Indenture in any manner that does not adversely affect the owners of the Bonds.

With the exception of supplemental indentures for the purposes set forth in the preceding paragraph and subject to the terms of the Indenture, the owners of not less than a majority of the aggregate principal amount of the Bonds then Outstanding which are affected (other than Bonds held by the Bond Bank) will have the right from time to time to consent to and approve the execution by the Bond Bank and the Trustee of any supplemental indenture or indentures deemed necessary and desirable by the Bond Bank or Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, that, so long as the Series 2006 C Municipal Bond Insurance Policy remains in full force and effect, the Series 2006 C Bond Insurer shall have the sole right to consent to any indenture or indentures supplemental hereto for and on behalf of itself and the holders of the Bonds; provided further, however, that nothing in the Indenture shall permit, or be construed as permitting, without the consent of the owners of all then Outstanding Bonds and the Series 2006 C Bond Insurer for so long as the Series 2006 C Municipal Bond Insurance Policy remains in full force and effect, (a) an extension of a Principal Payment Date, an Interest Payment Date or a redemption date for any Bond issued under the Indenture, or (b) a reduction in the principal amount of any Bond or change in the rate of interest or redemption premium, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Indenture, or (e) the creation of any lien securing any Bonds other than a lien ratably securing all of the Bonds at any time Outstanding hereunder, or (f) a reduction in the Reserve Requirement, or (g) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee, with the written consent of the Trustee.

APPENDIX E

DEFINITIONS

The following are definitions of certain terms used in the Official Statement, including its Appendices:

“Accounts” means the accounts created pursuant to the Indenture.

“Act” means the provisions of Indiana Code § 5-1.5-1 et seq., as amended from time to time.

“Additional Bonds” means Bonds issued pursuant to Section 2.05 of the Indenture and any Supplemental Indenture.

“Agreement” means the Insurance Agreement dated June 29, 2006, between the Bond Bank and the Series 2006 C Bond Insurer.

“Authorized Officer” means the Chairman, Vice Chairman or Executive Director of the Bond Bank or such other person or persons who are duly authorized to act on behalf of the Bond Bank.

“Bankruptcy Code” means 11 U.S.C. § 101 *et seq.*, as the same may be amended from time to time.

“Bond Bank” means the Indiana Bond Bank, established under the Act as a public body corporate and politic, not a state agency, but an independent public instrumentality of the State exercising essential public functions, or any successor to its functions.

“Bondholder” or “Holder” or “holder of Bonds” or “owner of Bonds” or any similar term means the registered owner of any Bond.

“Bond Issuance Expense Account” means the Account by that name created by Section 6.02 of the Indenture.

“Bonds”, means the Series 2006 C Bonds and any Additional Bonds or Refunding Bonds.

“Capitalized Interest Account” means the Account by that name created by Section 6.02 of the Indenture.

“Cash Flow Certificate” means a certificate prepared by an accountant or firm of accountants in accordance with the Indenture concerning anticipated Revenues and payments.

“Code” means the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2006 C Bonds, and the applicable regulations or rulings promulgated or proposed thereunder, and any successor thereto.

“Costs of Issuance” shall mean items of expense payable or reimbursable directly or indirectly by the Bond Bank and related to the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of the Trustee, underwriters’ discounts, legal fees and charges, professional consultants’ fees, costs of credit ratings, fees and charges for execution, transportation and safekeeping of Bonds, bond or reserve fund insurance premiums, credit enhancements (including Credit Facilities) or liquidity facility fees, and other costs, charges and fees in connection with the foregoing and any other costs of a similar nature authorized by the Act.

“Counsel” means an attorney duly admitted to practice law before the highest court of any state and approved by the Bond Bank.

“Credit Facility” means any letter of credit, revolving credit agreement, liquidity facility, standby bond purchase agreement, surety bond (including a Qualified Surety Bond), insurance policy or other agreement or similar instrument issued by a Credit Provider, which provides for payment of principal or purchase price of, or

interest on any Series of Bonds or a portion thereof, or is issued for deposit in the Debt Service Reserve Fund to satisfy all or a portion of the Reserve Requirement.

“Credit Provider” means the issuer of any Credit Facility, and its successor in such capacity and its assigns. To qualify under the Indenture, the Credit Provider providing such Credit Facility shall meet one or more of the following:

(i) an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in a rating category that is at least as high as the rating assigned to the Bonds by the rating agency or agencies rating the Series 2006 C Bonds (without regard to any such Credit Facility);

(ii) a bank or trust company which at the time of issuance of such Credit Facility has an outstanding, unsecured, uninsured and unguaranteed debt issue rated in a rating category that is at least as high as the rating assigned to the Series 2006 C Bonds by the rating agency or agencies rating the Series 2006 C Bonds (without regard to any such Credit Facility); or

(iii) any entity having the qualifications set forth in the Supplemental Indenture authorizing the issuance of a Series of Bonds.

“Debt Service Reserve Fund” means the Fund by that name created by Section 6.02 of the Indenture.

“Debt Service Reserve Fund Surety Bond” means the Qualified Surety Bond issued by Financial Security Assurance Inc. to fully fund the Reserve Requirement.

“Debt Service Reserve Fund Reimbursement Obligation” means any obligation to reimburse the Credit Provider of any Qualified Surety Bond for any payment made under such Qualified Surety Bond or any other obligation to repay any amounts (including but not limited to, fees or additional interest) to the Credit Provider, including specifically all amounts owing pursuant to the Agreement.

“Default” means an event or condition, the occurrence of which, with the lapse of time or the giving of notice or both, would become an Event of Default under the Indenture.

“Depository Company” or “DTC” means The Depository Trust Company, New York, New York, and its successors and assigns, including any surviving, resulting or transferee corporation, or any successor corporation that may be appointed in a manner consistent with the Indenture and shall include any direct or indirect participants of The Depository Trust Company.

“Event of Default” means any occurrence or event specified in the Indenture.

“Fees and Charges” means fees and charges established by the Bond Bank from time to time pursuant to the Act which are payable by the Qualified Entity.

“Fiscal Year” means the twelve (12) month period from July 1 through the following June 30.

“Funds” means the funds created pursuant to the Indenture.

“General Account” means the Account by that name created by Section 6.02 of the Indenture.

“General Fund” means the Fund by that name created by Section 6.02 the Indenture.

“Governmental Obligations” means (a) direct obligations of (including obligations issued or held in book-entry form on the books of) the Department of Treasury of the United States of America or (b) senior debt obligations of other government sponsored agencies approved by the Series 2006 C Bond Insurer.

“Indenture” means the Trust Indenture, dated as of June 1, 2006, between the Bond Bank and U.S. Bank National Association, as trustee, and all supplements and amendments thereto entered into pursuant thereto.

“Interest Payment Date” means any date on which interest is payable on the Bonds.

“Investment Earnings” means earnings and profits (after consideration of any accrued interest paid and/or amortization of premium or discount on the investment) on the moneys in the Funds and Accounts established under the Indenture.

“Investment Securities” means any of the following:

- (a) Governmental Obligations;
- (b) Federal Housing Administration debentures;
- (c) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
 - (1) Federal Home Loan Mortgage Corporation (FHLMC);
 - (2) participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) - senior debt obligations;
 - (3) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes;
 - (4) Federal Home Loan Banks (FHL Banks) consolidated debt obligations;
 - (5) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);
 - (6) Student Loan Marketing Association (SLMA) senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);
 - (7) Financing Corporation (FICO) debt obligations; and
 - (8) Resolution Funding Corporation (REFCORP) debt obligations;
- (d) unsecured certificates of deposit, time deposits and bankers’ acceptances (having maturities of not more than 30 days) of any bank, the short-term obligations of which are rated “A-1” or better by S&P;
- (e) deposits, the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million;
- (f) commercial paper (having original maturities of not more than 270 days) rated “A-1+” by S&P and “Prime-1” by Moody’s;
- (g) money market funds rated “AAm” or “AAm-G” by S&P, or better, which funds may be funds of the Trustee or any of its affiliates;
- (h) “State Obligations,” which means:

(1) direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state, the unsecured general obligation debt of which is rated “A3” by Moody’s and “A” by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated;

(2) direct general short-term obligations of any state agency or subdivision or agency thereof described in paragraph (1) above and rated “A-1+” by S&P and “MIG-1” by Moody’s; and

(3) special revenue bonds (as defined in the Bankruptcy Code) of any state, state agency or subdivision described in paragraph (1) above and rated “AA” or better by S&P and “Aa” or better by Moody’s;

(i) pre-refunded municipal obligations rated “AAA” by S&P and “Aaa” by Moody’s meeting the following requirements:

(1) (A) the municipal obligations are not subject to redemption prior to maturity or (B) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(2) the municipal obligations are secured by cash or United States Treasury Obligations, which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(3) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);

(4) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(5) no substitution of a United States Treasury Obligation shall be permitted, except with another United States Treasury Obligation and upon delivery of a new Verification; and

(6) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent;

(j) repurchase agreements with: (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “A” by S&P and Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “A” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated “A” or better by S&P and Moody’s and acceptable to the Series 2006 C Bond Insurer, provided that:

(1) the market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach);

(2) the Trustee or a third party acting solely as agent therefor or for the Bond Bank (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);

(3) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(4) all other requirements of S&P in respect of repurchase agreements shall be met; and

(5) the repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the Bond Bank or the Trustee (who shall give such direction if so directed by the Series 2006 C Bond Insurer), within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Bond Bank or the Trustee;

notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in paragraph (1) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively; and

(k) investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company), the long-term debt of which, or, in the case of a guaranteed corporation, the long-term debt, or, in the case of a monoline financial guaranty insurance company, the claims paying ability, of the guarantor, is rated at least "AA" by S&P and "Aa" by Moody's; provided that, by the terms of the investment agreement:

(1) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service on the Series 2006 C Bonds;

(2) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice, and the Bond Bank and the Trustee agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(3) the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(4) the Bond Bank or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Bond Bank and the Series 2006 C Bond Insurer) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Bond Bank and the Series 2006 C Bond Insurer;

(5) the investment agreement shall provide that if during its term:

(A) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3," respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either: (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Bond Bank, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims, the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment; and

(B) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3," respectively, the provider must, at the direction of the Bond Bank or the Trustee (who shall give such direction if so directed by the Series 2006 C Bond Insurer), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Bond Bank or the Trustee;

(6) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the

collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and

(7) the investment agreement must provide that if during its term:

(A) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Bond Bank or the Trustee (who shall give such direction if so directed by the Series 2006 C Bond Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Bond Bank or the Trustee, as appropriate; and

(B) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Bond Bank or the Trustee, as appropriate.

"Moody's" means Moody's Investors Service or any successor thereto.

"Notice Address" means, with respect to the Series 2006 C Qualified Entity, the Series 2006 C Qualified Entity's address given in connection with the sale of its Series 2006 C Qualified Obligations to the Bond Bank, and, with respect to the Bond Bank, the Trustee and the Series 2006 C Bond Insurer:

Bond Bank:	Indiana Bond Bank Attention: Executive Director 2980 Market Tower 10 West Market Street Indianapolis, IN 46204
Trustee:	U.S. Bank National Association Attention: Corporate Trust Services 10 West Market Street, Suite 1150 Indianapolis, IN 46204
Series 2006 C Bond Insurer:	Financial Security Assurance Inc. 31 West 52 nd Street New York, NY 10019 Attention: Legal Department

"Opinion of Bond Counsel" means an opinion of Counsel by a nationally recognized firm experienced in matters relating to the tax exemption for interest payable on obligations of states and their instrumentalities and political subdivisions under federal law and which is acceptable to the Bond Bank and the Trustee.

"Opinion of Counsel" means a written opinion of Counsel addressed to the Trustee, for the benefit of the owners of the Bonds, who may (except as otherwise expressly provided in the Indenture) be Counsel to the Bond Bank or Counsel to the owners of the Bonds and who is acceptable to the Trustee.

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

- (1) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;
- (2) Bonds deemed paid under the Indenture; and
- (3) Bonds in lieu of which other Bonds have been authenticated under the Indenture or under any Supplemental Indenture.

“Principal Payment Date” means the maturity date or the mandatory sinking fund redemption date of any Bond.

“Program” means the program for purchasing Qualified Obligations by the Bond Bank pursuant to the Act.

“Program Expenses” means all of the Bond Bank’s expenses in carrying out and administering the Program pursuant to this Indenture and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, credit enhancement fees, liquidity facility fees, legal, accounting, management, consulting and banking services and expenses, fees and expenses of the Trustee costs of verifications required under Section 6.12 of the Indenture, Costs of Issuance not paid from the proceeds of Bonds, travel, payments for pension, retirement, health and hospitalization, life and disability insurance benefits, any other costs permitted under the Act, and rebate payments, if any, which in the Opinion of Bond Counsel are required to be made under the Code in order to preserve or protect the exclusion from gross income for federal tax purposes of interest on the Bonds, all to the extent property allocable to the Program.

“Project” means the Project, as such term is defined in the Series 2006 C Qualified Obligations.

“Purchase Account” means the Account by that name created by Section 6.02 of the Indenture.

“Purchase Agreement” means the Qualified Entity Purchase Agreement between the Bond Bank, and the Series 2006 C Qualified Entity, pursuant to which one or more Qualified Obligations are sold to the Bond Bank, the form of which was approved at the meeting of the Board of Directors of the Bond Bank on May 9, 2006.

“Purchase Contract” means the Bond Purchase Agreement, for the Series 2006 C Bonds between the Bond Bank and the Representative, on behalf of the Underwriters, dated June 20, 2006, the form of which was approved at the meeting of the Board of Directors of the Bond Bank on May 9, 2006.

“Qualified Entity” means an entity defined in Indiana Code § 5-1.5-1-8, as amended from time to time, including the Series 2006 C Qualified Entity.

“Qualified Obligation” means a “Security” (as that term is defined in the Act), including the Series 2006 C Qualified Obligations, issued by the Series 2006 C Qualified Entity which has been acquired by the Bond Bank pursuant to the Indenture.

“Qualified Obligation Interest Payment” means that portion of a Qualified Obligation Payment which represents the interest due or to become due on a Qualified Obligation held by the Trustee pursuant to the Indenture.

“Qualified Obligation Payment” means the amounts paid or required to be paid, from time to time, for principal of and interest on a Qualified Obligation held by the Trustee pursuant to the Indenture.

“Qualified Obligation Principal Payment” means that portion of a Qualified Obligation Payment which represents the principal due or to become due on a Qualified Obligation held by the Trustee pursuant to the Indenture.

“Qualified Surety Bond” means a surety bond issued by an insurance company rated in the highest rating category by S&P and acceptable to the Series 2006 C Bond Insurer.

“Rebate Fund” means the Fund by that name created by Section 6.02 of the Indenture.

“Record Date” means, with respect to any Interest Payment Date, the fifteenth day of the calendar month immediately preceding the month of such Interest Payment Date, or such other day designated in any Supplemental Indenture.

“Redemption Account” means the Account by that name created by Section 6.02 of the Indenture.

“Redemption Price” means, with respect to any Bond, the principal amount of the Bond, plus the applicable premium, if any, payable upon redemption of such Bond prior to maturity.

“Refunding Bonds” means Bonds issued pursuant to Section 2.06 of the Indenture and any Supplemental Indenture.

“Representative” means, with regard to the Series 2006 C Bonds, J.P. Morgan Securities Inc.

“Reserve Requirement” means an amount equal to the maximum annual debt service on the Bonds, which at the time of issuance of the Series 2006 C Bonds means an amount equal to \$2,081,120; provided that, if the Reserve Requirement is ever satisfied using money, rather than a Debt Service Reserve Fund Surety Bond, such amount will be recalculated on the first day of each year to the maximum annual debt service on all Outstanding Bonds in the present or any succeeding Fiscal Year.

“Revenues” means the Funds and Accounts and all income, revenues and profits of the Funds and Accounts referred to in the granting clauses of the Indenture including, without limitation, all Qualified Obligation Payments, but excluding amounts required to be deposited and maintained in the Rebate Fund.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successor thereof.

“Series of Bonds” or “Bonds of a Series” or “Series” or words of similar meaning means any Series of Bonds authorized by the Indenture or by a Supplemental Indenture.

“Series 2006 C Bond Insurer” means Financial Security Assurance Inc., a New York domiciled financial guaranty insurance company.

“Series 2006 C Bonds” means the Indiana Bond Bank Special Program Bonds, Series 2006 C (Fort Wayne Regional Public Safety Academy Project) issued pursuant to the Indenture.

“Series 2006 C Municipal Bond Insurance Policy” means the insurance policy issued by the Series 2006 C Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2006 C Bonds when due.

“Series 2006 C Qualified Entity” means the Fort Wayne Municipal Building Corp., and its successors and assigns, a qualified entity under Indiana Code § 5-1.5-1-8, as amended from time to time.

“Series 2006 C Qualified Obligations” means the Fort Wayne Municipal Building Corp. First Mortgage Bonds, Series 2006.

“State” means the State of Indiana.

“Supplemental Indenture” means an indenture supplemental to or amendatory of the Indenture, executed by the Bond Bank and the Trustee in accordance with the Indenture.

“Trustee” means initially, U.S. Bank National Association, a national banking association or any successor thereto under the Indenture.

“Trust Estate” means the property, rights, moneys, and amounts pledged and assigned to the Trustee pursuant to the granting clause of the Indenture,

“Underwriters” mean with regard to the Series 2006 C Bonds, those parties identified in Exhibit B of the Purchase Contract.

APPENDIX F
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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**FINANCIAL
SECURITY
ASSURANCE®**

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS:

Effective Date:

Premium: \$

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment

made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____

Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
31 West 52nd Street, New York, N.Y. 10019

(212) 826-0100

Form 500NY (5/90)

APPENDIX G

SPECIMAN DEBT SERVICE RESERVE FUND SURETY BOND

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**FINANCIAL
SECURITY
ASSURANCE®**

MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: -R

Effective Date:

Premium: \$

Termination Date:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") as set forth in the documentation (the "Bond Document") providing for the issuance of and securing the Bonds, for the benefit of the Owners, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Security will make payment as provided in this Policy to the Trustee or Paying Agent on the later of the Business Day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment in a form reasonably satisfactory to it. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Issuer, as appropriate, who may submit an amended Notice of Nonpayment. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy. Upon such payment, Financial Security shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the **[Bond Document] [Insurance Agreement]**.

The amount available under this Policy for payment shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or Paying Agent under the terms of this Policy shall automatically be reduced by any payment under this Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (exclusive of interest and expenses) to Financial Security by or on behalf of the Issuer. Within three Business Days of such reimbursement, Financial Security shall provide the Trustee, the Paying Agent and the Issuer with notice of the reimbursement and reinstatement.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the Termination Date of this Policy or (b) Bonds that are not outstanding under the Bond Document. If the amount payable under this Policy is also payable under another insurance policy or surety bond insuring the Bonds, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall Financial Security incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other insurance policy or surety bond that Financial Security has issued.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York are, or the Insurer's Fiscal Agent is, authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to

interest on a Bond, payable on the stated date for payment of interest. "Insurance Agreement" means the Insurance Agreement dated as of the effective date hereof in respect of this Policy, as the same may be amended or supplemented from time to time. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer that has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from the Issuer, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment of principal or interest thereunder, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. "Policy Limit" shall be the dollar amount of the debt service reserve fund required to be maintained for the Bonds by the Bond Document from time to time (the "Debt Service Reserve Requirement"), but in no event shall the Policy Limit exceed \$. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of each reduction in the Debt Service Reserve Requirement, as provided in the Bond Document.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be cancelled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
31 West 52nd Street, New York, N.Y. 10019

(212) 826-0100