

**Book-Entry-Only**

In the opinion of Barnes & Thornburg LLP, Indianapolis, Indiana ("Bond Counsel"), under existing law, interest on the Series 2010 A-1 Bonds and the Series 2010 A-3 Bonds (each 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 respectively of the Series 2010 A-1 Bonds and the Series 2010 A-3 Bonds. Such exclusion is conditioned on continuing compliance with the Tax Covenants (as hereinafter defined). **Interest on the Series 2010 A-2 Bonds (as hereinafter defined) is not excludable from gross income for federal income tax purposes.** In the opinion of Bond Counsel, under existing law, interest on the Series 2010 A Bonds (as hereinafter defined) is exempt from income taxation in the State of Indiana for all purposes except the Indiana financial institutions tax. See "TAX MATTERS" and Appendix C herein.

**\$8,595,000**  
**Indiana Bond Bank**  
**Special Program**  
**Multipurpose Bonds,**  
**Series 2010 A-1**

**\$6,395,000**  
**Indiana Bond Bank**  
**Taxable Special Program**  
**Multipurpose Bonds,**  
**Series 2010 A-2**

**\$770,000**  
**Indiana Bond Bank**  
**Special Program Multipurpose Bonds,**  
**Series 2010 A-3**  
**(Carlisle Utility Project)**

**Dated: Date of Delivery****Due: As Shown on the Inside Cover**

The Indiana Bond Bank Special Program Multipurpose Bonds, Series 2010 A-1 (the "Series 2010 A-1 Bonds"), the Indiana Bond Bank Taxable Special Program Multipurpose Bonds, Series 2010 A-2 (the "Series 2010 A-2 Bonds") and the Indiana Bond Bank Special Program Multipurpose Bonds, Series 2010 A-3 (Carlisle Utility Project) (the "Series 2010 A-3 Bonds") (the Series 2010 A-1 Bonds, the Series 2010 A-2 Bonds and the Series 2010 A-3 Bonds shall be referred to, collectively, as the "Series 2010 A Bonds") will initially be dated their date of delivery, and will bear interest from that date to their respective maturities in the amounts and at the rates set forth on the inside front cover. The Series 2010 A 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 2010 A 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 2010 A Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interests in the Series 2010 A Bonds. Interest on the Series 2010 A Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2010. The principal of, redemption premium, if any, and interest on the Series 2010 A Bonds will be paid directly to DTC by The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") under the Indenture, as defined and described herein, so long as DTC or its nominee is the registered owner of the Series 2010 A Bonds. The final disbursement of such payments to the Beneficial Owners of the Series 2010 A Bonds will be the responsibility of the DTC Participants and the Indirect Participants, all as defined and more fully described herein under the caption "THE SERIES 2010 A BONDS – Book-Entry-Only System."

The Series 2010 A Bonds are authorized by a resolution adopted by the Board of Directors of the Indiana Bond Bank (the "Bond Bank") and are issued under and secured by the Indenture, all pursuant to the laws of the State of Indiana (the "State"), particularly Indiana Code 5-1.5 (the "Act"). The Series 2010 A Bonds are issued by the Bond Bank for the principal purposes of (1) providing funds for the refunding of certain outstanding obligations of the Bond Bank; (2) providing funds to purchase the Series 2010 A-3 Qualified Obligations of the 2010 A-3 Qualified Entity (each as defined and described herein); (3) paying a portion of the interest due on the Series 2010 A Bonds on August 1, 2010; (4) acquiring the call rights of the Series 2010 A Qualified Entities as provided in the applicable Assigned Series 2010 A Qualified Obligations (each as defined herein); and (5) paying the bond insurance premium and the debt service reserve fund credit facility premiums to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) and other costs related to the issuance of the Series 2010 A Bonds, all as more fully described in this Official Statement.

The Series 2010 A Bonds are subject to redemption as described herein under the caption "THE SERIES 2010 A BONDS – Redemption."

THE SERIES 2010 A BONDS ARE LIMITED OBLIGATIONS OF THE BOND BANK PAYABLE SOLELY OUT OF THE REVENUES AND FUNDS OF THE BOND BANK PLEDGED THEREFOR UNDER THE INDENTURE, AS MORE FULLY DESCRIBED HEREIN. THE SERIES 2010 A 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 ANY QUALIFIED ENTITY (AS DEFINED HEREIN), UNDER THE CONSTITUTION AND LAWS OF THE STATE OR A PLEDGE OF THE FAITH, CREDIT AND TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING ANY QUALIFIED ENTITY. THE SOURCE OF PAYMENT OF, AND SECURITY FOR, THE SERIES 2010 A BONDS ARE MORE FULLY DESCRIBED HEREIN. THE BOND BANK HAS NO TAXING POWER.

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

The scheduled payment of principal of and interest on the Series 2010 A Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2010 A Bonds by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) (the "Series 2010 A Bond Insurer").



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

The Series 2010 A Bonds are offered when, as and if issued by the Bond Bank and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel. Certain legal matters will be passed on for the Bond Bank by its Special Counsel, Graham & Associates, PC, Indianapolis, Indiana, and for the Underwriter by its counsel, Bose McKinney & Evans LLP, Indianapolis, Indiana. It is expected that the Series 2010 A Bonds will be available for delivery to DTC in New York, New York, on or about June 8, 2010.

**Morgan Keegan & Company, Inc.**

The date of this Official Statement is May 25, 2010

**\$8,595,000**  
**Indiana Bond Bank**  
**Special Program Multipurpose Bonds, Series 2010 A-1**

Base CUSIP #454624

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Price</u> | <u>CUSIP</u> |
|----------------------|-------------------------|----------------------|--------------|--------------|
| 02/01/2011           | \$930,000               | 3.000%               | 101.449%     | L70          |
| 02/01/2012           | 865,000                 | 3.000%               | 103.175%     | L88          |
| 02/01/2013           | 795,000                 | 2.500%               | 102.847%     | L96          |
| 02/01/2014           | 860,000                 | 2.500%               | 102.637%     | M20          |
| 02/01/2015           | 840,000                 | 2.750%               | 102.638%     | M38          |
| 02/01/2016           | 870,000                 | 3.000%               | 102.086%     | M46          |
| 02/01/2017           | 895,000                 | 3.000%               | 100.000%     | M53          |
| 02/01/2018           | 835,000                 | 3.500%               | 102.017%     | M61          |
| 02/01/2019           | 870,000                 | 3.250%               | 98.881%      | M79          |
| 02/01/2020           | 545,000                 | 3.375%               | 98.577%      | M87          |
| 02/01/2021           | 290,000                 | 3.500%               | 98.249%      | M95          |

**\$6,395,000**  
**Indiana Bond Bank**  
**Taxable Special Program Multipurpose Bonds, Series 2010 A-2**

Base CUSIP #454624

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Price</u> | <u>CUSIP</u> |
|----------------------|-------------------------|----------------------|--------------|--------------|
| 02/01/2011           | \$1,575,000             | 1.092%               | 100%         | N29          |
| 02/01/2012           | 1,485,000               | 1.518%               | 100%         | N37          |
| 02/01/2013           | 945,000                 | 2.160%               | 100%         | N45          |
| 02/01/2014           | 685,000                 | 2.660%               | 100%         | N52          |
| 02/01/2015           | 610,000                 | 3.049%               | 100%         | N60          |
| 02/01/2016           | 310,000                 | 3.399%               | 100%         | N78          |
| 02/01/2017           | 325,000                 | 3.735%               | 100%         | N86          |
| 02/01/2018           | 145,000                 | 4.135%               | 100%         | N94          |
| 02/01/2019           | 155,000                 | 4.356%               | 100%         | P27          |
| 02/01/2020           | 160,000                 | 4.506%               | 100%         | P35          |

**\$770,000**  
**Indiana Bond Bank**  
**Special Program Multipurpose Bonds, Series 2010 A-3**  
**(Carlisle Utility Project)**

Base CUSIP #454624

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Price</u> | <u>CUSIP</u> |
|----------------------|-------------------------|----------------------|--------------|--------------|
| 02/01/2012           | \$20,000                | 2.500%               | 102.361%     | P43          |
| 02/01/2013           | 20,000                  | 2.500%               | 102.847%     | P50          |
| 02/01/2014           | 25,000                  | 2.500%               | 102.637%     | P68          |
| 02/01/2015           | 70,000                  | 2.750%               | 102.638%     | P76          |
| 02/01/2016           | 80,000                  | 3.000%               | 102.086%     | P84          |
| 02/01/2017           | 85,000                  | 3.000%               | 100.000%     | P92          |
| 02/01/2018           | 85,000                  | 3.000%               | 98.650%      | Q26          |
| 02/01/2019           | 85,000                  | 3.250%               | 98.881%      | Q34          |
| 02/01/2020           | 55,000                  | 3.375%               | 98.577%      | Q42          |
| 02/01/2021           | 55,000                  | 3.500%               | 98.249%      | Q59          |
| 02/01/2022           | 55,000                  | 3.750%               | 99.529%      | Q67          |
| 02/01/2023           | 65,000                  | 3.750%               | 98.509%      | Q75          |
| 02/01/2024           | 70,000                  | 3.800%               | 98.425%      | Q83          |

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE BOND BANK OR BY THE UNDERWRITER TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, SUCH OTHER 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, AND THERE SHALL NOT BE ANY SALE OF ANY OF THE SECURITIES DESCRIBED HEREIN 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 SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE BOND BANK OR ANY OTHER PERSON SUBSEQUENT TO THE DATE AS OF WHICH SUCH INFORMATION IS PRESENTED.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2010 A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, AND SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

**THE SERIES 2010 A BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE BOND BANK AND THE TERMS OF THE OFFERING. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SERIES 2010 A BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

THE SERIES 2010 A BOND INSURER MAKES NO REPRESENTATION REGARDING THE SERIES 2010 A BONDS OR THE ADVISABILITY OF INVESTING IN THE SERIES 2010 A BONDS. IN ADDITION, THE SERIES 2010 A BOND INSURER HAS NOT INDEPENDENTLY VERIFIED, MAKES NO REPRESENTATION REGARDING, AND DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT OR ANY INFORMATION OR DISCLOSURE CONTAINED HEREIN, OR OMITTED HEREFROM, OTHER THAN WITH RESPECT TO THE ACCURACY OF THE INFORMATION REGARDING THE SERIES 2010 A BOND INSURER SUPPLIED BY THE SERIES 2010 A BOND INSURER AND PRESENTED UNDER THE HEADING "BOND INSURANCE" AND "EXHIBIT F – SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

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

THE BOND BANK HAS HEREBY DEEMED THE INFORMATION CONTAINED HEREIN TO BE "FINAL" AS OF ITS DATE FOR PURPOSES OF RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION (THE "RULE"), EXCEPT FOR PERMITTED OMISSIONS INCLUDING THE OFFERING PRICES, THE INTEREST RATES, THE SELLING COMPENSATION, THE AGGREGATE PRINCIPAL AMOUNT, THE PRINCIPAL AMOUNT PER MATURITY, THE DELIVERY DATES AND OTHER TERMS OF THE SERIES 2010 A BONDS DEPENDING ON SUCH MATTERS.

# **INDIANA BOND BANK**

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Clark H. Byrum, Vice Chairman

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## **Officer of the Bond Bank**

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## **Trustee**

The Bank of New York Mellon Trust Company, N.A.

St. Louis, Missouri

## **Indiana Bond Bank Special Counsel**

Graham & Associates, PC

Indianapolis, Indiana

## **Bond Counsel**

Barnes & Thornburg LLP

Indianapolis, Indiana

## **Financial Advisor**

Crowe Horwath LLP

Indianapolis, Indiana

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## OFFICIAL STATEMENT

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| <b>\$8,595,000</b><br><b>Indiana Bond Bank</b><br><b>Special Program Multipurpose Bonds,</b><br><b>Series 2010 A-1</b> | <b>\$6,395,000</b><br><b>Indiana Bond Bank</b><br><b>Taxable Special Program Multipurpose Bonds,</b><br><b>Series 2010 A-2</b> | <b>\$770,000</b><br><b>Indiana Bond Bank</b><br><b>Special Program Multipurpose Bonds,</b><br><b>Series 2010 A-3 (Carlisle Utility Project)</b> |
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## INTRODUCTION

The purpose of this Official Statement, including the cover page and appendices, is to set forth certain information concerning the issuance and sale by the Indiana Bond Bank (the “Bond Bank”) of its (i) \$8,595,000 aggregate principal amount of Special Program Multipurpose Bonds, Series 2010 A-1 (the “Series 2010 A-1 Bonds”); (ii) \$6,395,000 aggregate principal amount of Taxable Special Program Multipurpose Bonds, Series 2010 A-2 (the “Series 2010 A-2 Bonds”); and \$770,000 aggregate principal amount of Special Program Multipurpose Bonds, Series 2010 A-3 (Carlisle Utility Project) (the “Series 2010 A-3 Bonds”) (the Series 2010 A-1 Bonds, the Series 2010 A-2 Bonds and the Series 2010 A-3 Bonds shall be referred to, collectively, as the “Series 2010 A Bonds”), to be issued by the Bond Bank. The Series 2010 A Bonds are authorized by a Resolution adopted by the Board of Directors of the Bond Bank on March 24, 2010, and are issued pursuant to the provisions of a Trust Indenture, dated as of May 1, 2010, between the Bond Bank and the Trustee (as hereinafter defined) (the “Indenture”), and the laws of the State of Indiana, including particularly Indiana Code 5-1.5, as amended from time to time (the “Act”). The Bank of New York Mellon Trust Company, N.A., St. Louis, Missouri, is the trustee, registrar and paying agent (the “Trustee”) under the Indenture.

### The Program

The proceeds from the sale of the Series 2010 A Bonds, together with certain other money of the Bond Bank available for application therefore, will be used to provide funds to (a) defease and refund all of the outstanding Indiana Bond Bank Special Program Bonds, Series 1998A, originally dated October 1, 1998, currently outstanding in the aggregate principal amount of \$4,420,000 (the “Refunded 1998 Bonds”), and issued in accordance with an Indenture of Trust (the “1998 Indenture”) dated as of October 1, 1998, between the Bond Bank and U.S. Bank, National Association (as successor to National City Bank of Indiana), as trustee; (b) defease and refund all of the outstanding Indiana Bond Bank Special Program Refunding Bonds, Series 2000A, originally dated January 15, 2000, currently outstanding in the aggregate principal amount of \$2,785,000 (the “Refunded 2000 Bonds”), and issued in accordance with the Trust Indenture (the “2000 Indenture”) dated as of January 15, 2000, between the Bond Bank and The Bank of New York Mellon Trust Company, N.A. (as successor to Bank One Trust Company, N.A.), as trustee; (c) defease and refund all of the outstanding Indiana Bond Bank Special Program Refunding Bonds, Series 2001A, originally dated January 15, 2001, currently outstanding in the aggregate principal amount of \$8,135,000 (the “Refunded 2001 A-2 Bonds”), and issued in accordance with the Trust Indenture (the “2001 A-2 Indenture”) dated as of January 1, 2001, between the Bond Bank and The Bank of New York Mellon Trust Company, N.A. (as successor to Bank One Trust Company, N.A.), as trustee; (d) defease and refund all of the outstanding Indiana Bond Bank Special Program Bonds, Series 2001A, originally dated July 1, 2001, currently outstanding in the aggregate principal amount of \$3,585,000 (the “Refunded 2001 A-1 Bonds”), and issued in accordance with the Trust Indenture (the “2001 A-1 Indenture”) dated as of July 1, 2001, between the Bond Bank and U.S. Bank, National Association (as successor to National City Bank of Indiana), as trustee; (e) acquire the Series 2010 A-3 Qualified Obligations (as defined in Appendix E); (f) acquire the call rights of the Series 2010 A Qualified Entities as provided in the applicable Assigned Series 2010 A Qualified Obligations (each as hereinafter defined) (the Series 2010 A-3 Qualified Obligations and the Assigned Series 2010 A Qualified Obligations are hereinafter collectively referred to as the “Series 2010 A Qualified Obligations”); (g) pay a portion of the interest due on the Series 2010 A Bonds on August 1, 2010; and (h) pay all of the Costs of Issuance (as defined in Appendix E) of the Series 2010 A Bonds, including the Underwriter’s discount and the municipal bond insurance policy premium and the debt service reserve fund credit facility premiums payable to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) (the “Series 2010 A Bond Insurer”). See the caption “PLAN OF FINANCING.”

Upon the defeasance of the Refunded 1998 Bonds, the Refunded 2000 Bonds, the Refunded 2001 A-1 Bonds and the Refunded 2001 A-2 Bonds (collectively, the “Refunded Bonds”), (a) the qualified obligations pledged under the 1998 Indenture, the 2000 Indenture, the 2001 A-1 Indenture and the 2001 A-2 Indenture (collectively, the “Prior Indentures”) will be released from the respective liens thereof; (b) the Series 2010 A Qualified Entities which have agreed to waive their call rights will issue to the Bond Bank refunding bonds (the “Assigned Series 2010 A Qualified Obligations”) in exchange for such Series 2010 A Qualified Entities’ qualified obligations pledged under the Prior Indentures (the “Prior Qualified Obligations”); and (c) the Bond Bank will pledge the Assigned Series 2010 A Qualified Obligations to the lien of the Indenture as a part of the Trust Estate, all as more particularly described in this Official Statement under the captions “PLAN OF FINANCING” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 A BONDS.”

### **Security and Sources of Payment for the Series 2010 A Bonds**

The Series 2010 A Bonds will be issued under and secured by the Indenture. The principal of, redemption premium, if any, and interest on any and all of the Series 2010 A Bonds, together with any refunding bonds that may be authorized and issued by the Bond Bank under the Indenture on a parity with the Series 2010 A Bonds (collectively, the “Bonds”), are payable from those revenues and funds of the Bond Bank which, together with the Series 2010 A Qualified Obligations, are pledged pursuant to the Indenture for the benefit of the owners of the Bonds equally, ratably and without priority. **Neither the faith, credit nor taxing power of State of Indiana (the “State”) or any political subdivision thereof, including any Qualified Entity (as defined in Appendix E), is pledged to the payment of the principal of, redemption premium, if any, and interest on any of the Bonds. The Bonds are not a debt, liability, loan of the credit or pledge of the faith and credit of the State or of any political subdivision thereof, including any Qualified Entity. The Bond Bank has no taxing power and has only those powers and sources of revenue set forth in the Act. The Bonds are issued and secured separately from any other obligations issued by the Bond Bank.**

The Bonds are secured by the pledge of the Trust Estate established under the Indenture (the “Trust Estate”), defined to be all cash and securities in the funds and accounts established by the Indenture (except the Rebate Fund and accounts therein, as described herein) (hereinafter the “Funds” and “Accounts”) and the investment earnings thereon and all proceeds thereof and the Series 2010 A Qualified Obligations and the earnings thereon and the proceeds thereof. All Bonds will be secured equally and ratably by all of the foregoing. The sources of payment for the Bonds are further described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 A BONDS.”

The payment of principal of and interest on the Series 2010 A Qualified Obligations is derived by each of the respective Series 2010 A Qualified Entities (as defined in Appendix E) from revenues or, in some cases, taxes required by law to be levied or collected by or on behalf of the Series 2010 A Qualified Entity. Each of the Series 2010 A Qualified Obligations has been issued pursuant to a separate detailed resolution, ordinance or indenture of the governing body of the respective Series 2010 A Qualified Entity (collectively and individually, the “Authorizing Instruments”). The sources of payment on the Series 2010 A Qualified Obligations are further described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 A BONDS – Provisions for Payment of the Series 2010 A Qualified Obligations.”

The Indenture provides that in order to further secure the payment of principal of and interest on the Series 2010 A-1 Bonds, the Series 2010 A-2 Bonds and the Series 2010 A-3 Bonds, the Bond Bank will establish thereunder a separate debt service reserve fund for each series designated as the Series 2010 A-1 Debt Service Reserve Fund, the Series 2010 A-2 Debt Service Reserve Fund and the Series 2010 A-3 Debt Service Reserve Fund, respectively (collectively, the “Debt Service Reserve Funds”). The Bond Bank will satisfy the Series 2010 A-1 Reserve Requirement, the Series 2010 A-2 Reserve Requirement and the Series 2010 A-3 Reserve Requirement (each as hereinafter defined) of the Series 2010 A-1 Debt Service Reserve Fund, the Series 2010 A-2 Debt Service Reserve Fund and the Series 2010 A-3 Debt Service Reserve Fund, respectively, by depositing in each such fund a Debt Service Reserve Fund Credit Facility (as defined in Appendix E). See the caption “SECURITY AND

SOURCES OF PAYMENT FOR THE SERIES 2010 A BONDS – Debt Service Reserve Funds” for further discussion of the Debt Service Reserve Funds.

The Act provides that the State General Assembly may annually appropriate to the Bond Bank for deposit in the Debt Service Reserve Funds 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 Funds to the respective amounts then required to be on deposit in the Debt Service Reserve Funds pursuant to the Indenture. 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 respective amounts in the Debt Service Reserve Funds are projected to be less than the applicable Reserve Requirements (as hereinafter defined). However, nothing in these provisions or in any other provision of the Act creates a debt or an obligation on the part of the State to make any payments or appropriations to or for the use of the Bond Bank. The Bond Bank has previously issued and has outstanding as of the date of this Official Statement an aggregate principal amount of approximately \$559,560,000 in separate program obligations secured by debt service reserve funds which are also eligible for annual appropriations from the General Assembly. See the captions “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 A BONDS – State Appropriations Mechanism” and “RISKS TO THE OWNERS OF THE SERIES 2010 A BONDS.”

### **The Series 2010 A Bonds**

Interest on the Series 2010 A Bonds will accrue over time at the rates per annum set forth on the inside front cover hereof and will be payable on August 1, 2010, and semiannually on each February 1 and August 1 thereafter. The Series 2010 A Bonds will be issued in fully registered form in the denomination of \$5,000 or any integral multiple thereof. See “THE SERIES 2010 A BONDS.”

When issued, the Series 2010 A Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). Purchases of beneficial interests in the Series 2010 A Bonds will be made in book-entry-only form. Purchasers of beneficial interests in the Series 2010 A Bonds (the “Beneficial Owners”) will not receive physical delivery of certificates representing their interest in the Series 2010 A Bonds. Interest on the Series 2010 A Bonds, together with principal of the Series 2010 A Bonds, will be paid by the Paying Agent directly to DTC, so long as DTC or its nominee is the registered owner of the Series 2010 A Bonds. The final disbursement of such payments to Beneficial Owners of the Series 2010 A Bonds will be the responsibility of the DTC Participants and Indirect Participants, all as defined and more fully described herein. See “THE SERIES 2010 A BONDS – Book-Entry-Only System.”

The Series 2010 A Bonds are subject to optional, mandatory sinking fund and extraordinary redemption prior to maturity as described herein under the caption “THE SERIES 2010 A BONDS – Redemption.”

### **The Bond Bank**

The Bond Bank is 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. The Bond Bank is governed by a Board of seven Directors, including the Treasurer of the State, who serves as Chairman Ex Officio, and the Public Finance Director of the State, who serves as a Director Ex Officio and five additional Directors, each appointed by the Governor of the State.

Under separate trust indentures and other instruments authorized under the Act, the Bond Bank has previously issued and had outstanding as of May 1, 2010, an aggregate principal amount of approximately \$2,370,560,371 in separate program obligations not secured by the Indenture, approximately \$559,560,000 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 financings, if any, will be

secured separately from the Series 2010 A 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 political subdivisions, as defined in Indiana Code 36-1-2-13, 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” includes entities such as cities, towns, counties, school corporations, library corporations, special taxing districts, commissions, authorities and instrumentalities of the State and nonprofit corporations and associations which lease facilities or equipment to such entities. Each of the entities listed in Appendix B is a “qualified entity” within the meaning of the Act.

### **Risks to the Owners of the Series 2010 A Bonds**

There are certain risks involved in the ownership of the Series 2010 A Bonds which should be considered by prospective purchasers. The ability of the Bond Bank to pay principal of, redemption premium, if any, and interest on the Series 2010 A Bonds depends primarily upon the receipt by the Bond Bank of Qualified Obligation Payments (as hereinafter defined) from all Qualified Entities that issued the Series 2010 A Qualified Obligations which are obligated to make such payments to the Bond Bank, together with investment earnings on certain amounts in the Funds and Accounts defined in and established under the Indenture. Except for the Debt Service Reserve Funds, there are no sources of funds which are required to makeup for any deficiencies in the event of one or more defaults by one or more Qualified Entities in such payments on the Series 2010 A Qualified Obligations. There can be no representation or assurance that all of the Qualified Entities that issued the Series 2010 A Qualified Obligations will realize sufficient rates, charges, or other revenues to make their required Qualified Obligation Payments. The receipt of such revenues by any Qualified Entity is subject to, among other things, future economic conditions, actions by creditors, and other conditions which are variable and not certain of prediction. For a description of procedures for providing for the payment of the Series 2010 A Qualified Obligations, see the captions “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 A BONDS – Provisions for Payment of the Qualified Obligations.”

The State General Assembly may determine to appropriate funds to the extent of any deficiencies in the Debt Service Reserve Funds; however, the State General Assembly is not and cannot be obligated to appropriate any such funds. Further, factors beyond the control of the Bond Bank may make it difficult or impossible for the State General Assembly to appropriate sufficient funds in a timely fashion to replenish any deficiencies in the Debt Service Reserve Funds. Failure of the Bond Bank and/or any Qualified Entity that issued a Series 2010 A Qualified Obligation to comply with certain tax covenants may also adversely affect the exempt status of the interest on all of the Series 2010 A Bonds (excluding the Series 2010 A-2 Bonds) as described under the caption “TAX MATTERS.” See the caption “RISKS TO THE OWNERS OF THE SERIES 2010 A BONDS” in this Official Statement.

### **The Official Statement; Additional Information**

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

The information contained in this Introduction is qualified by reference to this entire Official Statement (including the appendices). This Introduction is only a brief description and a full review should be made of this entire Official Statement (including the appendices), as well as the documents summarized or described in this Official Statement. 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 2010 A Qualified Entities and copies of the Indenture and the Authorizing Instruments 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.

It is the Bond Bank's current policy to provide its financial statements to holders of its obligations, including the Bonds, upon written request. In addition, certain other information concerning the Bond Bank is available to the Trustee and owners of the Bonds pursuant to the Indenture. See the caption "CONTINUING DISCLOSURE."

## **THE SERIES 2010 A BONDS**

### **General Description**

The Series 2010 A Bonds are issuable as fully registered bonds in denomination of \$5,000 or any integral multiple thereof. The Series 2010 A Bonds will be dated as of their date of delivery. The Series 2010 A Bonds will be issued in the combined aggregate principal amount of \$15,760,000, and will mature and bear interest as set forth on the inside cover of this Official Statement.

Interest on the Series 2010 A Bonds will be payable on February 1 and August 1 of each year, commencing August 1, 2010 (each an "Interest Payment Date"). The Series 2010 A Bonds will bear interest (calculated on the basis of a 30-day month and a 360-day year) at the rates and will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Each Series 2010 A Bond will bear interest from the Interest Payment Date next preceding the date on which it is authenticated unless it is (a) authenticated after the fifteenth day of the calendar month immediately preceding an Interest Payment Date (a "Record Date") and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or b) authenticated prior to the closing of business on the Record Date preceding the first Interest Payment Date, in which event it will bear interest from their dated date; provided, however, that if, at the time of authentication of any Series 2010 A Bond, interest is in default, such Series 2010 A Bond will bear interest from the date to which interest has been paid.

When issued, all Series 2010 A Bonds will be registered in the name of and held by Cede & Co., as nominee for DTC. Purchases of beneficial interests from DTC in the Series 2010 A Bonds will be made in book-entry-only form (without certificates) in the denomination of \$5,000 or any integral multiple thereof. For so long as DTC or its nominee is the registered owner of the Series 2010 A Bonds, payments of the principal of, premium, if any, and interest on the Series 2010 A Bonds will be made directly by the Trustee to Cede & Co., as nominee for DTC. Interest on the Series 2010 A Bonds will be paid on each Interest Payment Date by wire transfer to DTC or its nominee. Principal will be paid to DTC or its nominee by wire transfer of funds upon presentation and surrender of the Series 2010 A Bonds at the principal office of the Trustee. Neither the Bond Bank nor the Trustee will have any responsibility for the Beneficial Owner's receipt from DTC or its nominee, or from any DTC Direct Participant or Indirect Participant, of any payments of principal or interest on the Series 2010 A Bonds such payments being the sole responsibility of DTC or its nominee and the ultimate disbursement of such payments to the Beneficial Owners of the Series 2010 A Bonds will be the responsibility of the DTC Direct Participants and the DTC Indirect Participants, as defined herein. See "THE SERIES 2010 A BONDS – Book-Entry-Only System."

If DTC or its nominee is not the registered owner of the Series 2010 A Bonds, principal of and premium, if any, on all of the Series 2010 A Bonds will be payable at maturity upon the surrender thereof at the principal corporate trust office of the Paying Agent. Interest on the Series 2010 A Bonds, when due and payable, will be paid by check dated the due date mailed by the Paying Agent one business day prior to the due date (or, in the case of an owner of Series 2010 A 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 Paying Agent 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 2010 A Bonds are registered, at their addresses as they appear on the bond registration books maintained by the Registrar on the Record Date, irrespective of any transfer or exchange of such Series 2010 A Bonds subsequent to such Record Date and prior to such Interest Payment Date, unless the Bond Bank shall default in payment of interest due on such Interest Payment Date.

Except as provided under “Book-Entry-Only System,” in all cases in which the privilege of exchanging or transferring Series 2010 A Bonds is exercised, the Bond Bank will execute and the Trustee will deliver Series 2010 A Bonds in accordance with the provisions of the Indenture. The Series 2010 A Bonds will be exchanged or transferred at the corporate trust operations office of the Trustee only for Series 2010 A Bonds of the same tenor and maturity. In connection with any transfer or exchange of Series 2010 A 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 2010 A 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 2010 A Bond to the extent of the sum or sums so paid.

## **Redemption**

*Optional Redemption.* The Series 2010 A-1 Bonds maturing on or after February 1, 2019, may be redeemed on or after August 1, 2018, at the option of the Bond Bank in whole or in part on any date in any order of maturity or portion thereof as selected by the Bond Bank, within a maturity by lot in such manner as the Trustee may determine, at a redemption price of par plus accrued interest to the redemption date.

The Series 2010 A-2 Bonds are not subject to optional redemption prior to maturity.

The Series 2010 A-3 Bonds maturing on or after February 1, 2019, may be redeemed on or after August 1, 2018, at the option of the Bond Bank in whole or in part on any date in any order of maturity or portion thereof as selected by the Bond Bank, within a maturity by lot in such manner as the Trustee may determine, at a redemption price of par plus accrued interest to the redemption date.

*Extraordinary Redemption.* The Series 2010 A Bonds are also subject to extraordinary mandatory redemption in whole or in part, at any time, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, from and to the extent that moneys are deposited in the Redemption Account from an extraordinary redemption of a Series 2010 A Qualified Obligation or from proceeds received upon a default on a Series 2010 A Qualified Obligation, unless such moneys can be invested at a yield calculated in accordance with the Code (as defined in Appendix E) over any period of time ending on any subsequent Interest Payment Date which equals or exceeds the average interest rate on the Outstanding Series 2010 A Bonds provided that in the Opinion of Bond Counsel (as defined in Appendix E) such investment would not cause any of the Series 2010 A-1 Bonds or Series 2010 A-3 Bonds to be “arbitrage bonds” as defined in the Code or otherwise cause the interest on the Series 2010 A-1 Bonds or Series 2010 A-3 Bonds to be includable in the gross income of the owners thereof for federal income tax purposes. Notwithstanding the foregoing, for so long as the Policy (as hereinafter defined) remains in full force and effect, upon the occurrence of an extraordinary mandatory redemption in part, the selection of the Series 2010 A Bonds to be redeemed shall be subject to the approval of the Series 2010 A Bond Insurer.

*Cash Flow Certificate.* Prior to any optional or extraordinary mandatory redemption of any Series 2010 A 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, giving effect to such redemption, 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.

*Notice of Redemption.* In the case of redemption of the Series 2010 A Bonds, notice of the call for any such redemption identifying the Series 2010 A Bonds, or portions of fully registered Series 2010 A Bonds, to be redeemed will be given by mailing a copy of the redemption notice by registered or certified mail not less than 30 days nor more than 45 days prior to the date fixed for redemption to the registered owner of each Series 2010 A Bond to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, to the registered owner of any Series 2010 A Bond shall not affect the validity of any proceedings for the redemption of any other Series 2010 A Bonds. On and after the redemption date specified in the aforementioned notices, such Series 2010 A Bonds, or portions thereof, thus called (provided funds for their redemption are on deposit at the place of payment) shall not bear interest, shall no longer be protected by the Indenture and shall not be deemed to be outstanding under the provisions of the Indenture, and the owners thereof shall have the right to receive the redemption price thereof plus accrued interest thereon to the date fixed for redemption only from the funds deposited with the Trustee for the redemption of such Series 2010 A Bonds.

For so long as the Series 2010 A Bonds are registered in the name of DTC or its nominee, the Trustee will send notices of redemption of Series 2010 A Bonds only to DTC or its nominee, in accordance with the preceding paragraph. Neither the Bond Bank nor the Trustee will have any responsibility for any Beneficial Owner's receipt from DTC or its nominee, or from any DTC Direct Participant or Indirect Participant, of any notices of redemption. See "THE SERIES 2010 A BONDS – Book-Entry-Only System."

*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 2010 A Bonds called, together with accrued interest on the Series 2010 A 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 2010 A Bonds that have been called.

For so long as the Series 2010 A Bonds are registered in the name of DTC or its nominee, redemption payments on the Series 2010 A Bonds will be paid by the Trustee only to DTC or its nominee, in accordance with the preceding paragraph. Neither the Bond Bank nor the Trustee will have any responsibility for any Beneficial Owner's receipt from DTC or its nominee, or from any DTC Direct Participant or Indirect Participant, of any redemption payments on any Series 2010 A Bonds. See "THE SERIES 2010 A BONDS – Book-Entry-Only System."

#### **Selection of Series 2010 A Bonds for Redemption**

If fewer than all of the Series 2010 A Bonds are to be redeemed, the Series 2010 A Bonds will be redeemed only in whole multiples of \$5,000. For purposes of redemption, each \$5,000 of principal will be considered as a Bond. If fewer than all of the Series 2010 A Bonds will be called for redemption, the principal amount and maturity of the particular Series 2010 A Bonds to be redeemed will be selected by the Bond Bank. The Trustee will select the particular Series 2010 A-1 Bonds and Series 2010 A-3 Bonds to be redeemed by lot within a maturity in such manner as the Trustee may determine and the Series 2010 A-2 Bonds to be redeemed on a pro rata basis described as follows:

$$\frac{(\text{principal of such maturity to be redeemed}) \times (\text{principal amount of such maturity owned by the registered owner})}{(\text{principal amount of such maturity})}$$

For so long as the Series 2010 A Bonds are registered in the name of DTC or its nominee, the Trustee will select for redemption only Series 2010 A Bonds or portions thereof registered in the name of DTC or its nominee, in accordance with the preceding paragraph. Neither the Bond Bank nor the Trustee will have any responsibility for selecting for redemption any Beneficial Owner's interests in the Series 2010 A Bonds. See "THE SERIES 2010 A BONDS – Book-Entry-Only System."

## **Exchange and Transfer**

The Series 2010 A Bonds may be transferred or exchanged at the principal corporate trust office of the Trustee, to the extent and upon the conditions set forth in the Indenture, including the payment of a sum sufficient to cover any tax or other governmental charge for any such transfer or exchange that may be imposed upon the Bond Bank or the Trustee.

If any Bond is mutilated, lost, stolen or destroyed, the Bond Bank may issue and the Trustee may authenticate a new Bond in accordance with the provisions therefore in the Indenture including an indemnity satisfactory to both, and the Bond Bank and the Trustee may charge the holder or Owner of such Series 2010 A Bonds for its reasonable fees and expenses in connection therewith, including the cost of having a replacement Bond printed.

For so long as the Series 2010 A Bonds are registered in the name of DTC or its nominee, the Trustee will transfer and exchange Series 2010 A Bonds only on behalf of DTC or its nominee, in accordance with the preceding paragraph. Neither the Bond Bank, nor the Trustee will have any responsibility for transferring or exchanging any Beneficial Owner's interests in the Series 2010 A Bonds. See "THE SERIES 2010 A BONDS – Book-Entry-Only System."

## **Book-Entry-Only System**

DTC will act as securities depository for the Series 2010 A Bonds. The Series 2010 A 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 2010 A Bond will be issued for each maturity of the Series 2010 A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust and Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Series 2010 A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010 A Bonds on DTC's records. The ownership interest of each actual purchaser of each 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 2010 A Bonds are to be

accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2010 A Bonds, except in the event that use of the book-entry system for the Series 2010 A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 A 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 2010 A 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 2010 A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010 A Bonds are credited, which may or may not be the Beneficial Owners. The Direct or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices will be sent to DTC. If less than all of the Series 2010 A 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 the Series 2010 A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee 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 2010 A Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any and interest payments on the Series 2010 A 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 the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Bond Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium redemption, if any 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 the Trustee, disbursements of such payments to Direct Participants will be the responsibility of DTC, and disbursements 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 2010 A 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, 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, Bond Certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the 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 2010 A Bonds or (ii) the Bond Bank

elects to discontinue its use of DTC as a clearing agency for the Series 2010 A 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 2010 A Bonds, as are necessary or appropriate to discontinue use of DTC as a clearing agency for the Series 2010 A Bonds, and to transfer the ownership of each of the Series 2010 A Bonds, in accordance with the Indenture. See “– Payment of the Series 2010 A Bonds” and “–Exchange and Transfer” in this section.

### **Payment of the Series 2010 A Bonds**

If DTC or its nominee is not the registered owner of the Series 2010 A Bonds, the principal of and interest on the Series 2010 A Bonds and the principal and accreted value of the Series 2010 A Bonds is payable to the registered Owner thereof or his assignee upon maturity at the principal corporate trust office of the Trustee. Payment will be made in such coin or currency of the United States of America as, at the respective times of payment, is legal tender for the payment of public and private debts.

### **SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 A BONDS**

The Series 2010 A Bonds, together with any refunding bonds that may be authorized and issued by the Bond Bank under the Indenture on a parity with the Series 2010 A Bonds, are payable only out of the Trust Estate. The Indenture creates a continuing pledge of and lien upon the Trust Estate to secure the full and final payment of the principal of, redemption premium, if any, and interest on all of the Bonds. **The Series 2010 A Bonds and the interest on therein do not constitute a debt, liability or loan of the credit of the State or any political subdivision thereof, including any Qualified Entity, under the constitution of the State or a pledge of the faith, credit or taxing power of the State or any political subdivision thereof, including any Qualified Entity. 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 sources of payment of, and security for, the Series 2010 A Bonds are more fully described below.

Under the Indenture, the Series 2010 A Bonds are secured by a pledge to the Trustee of the Series 2010 A Qualified Obligations and all principal and interest payments made or required to be made on the Series 2010 A Qualified Obligations (collectively, the “Qualified Obligation Payments”), as described therein. In addition, the Indenture pledges to the payment of the Bonds all proceeds of the Trust Estate, including without limitation all cash and securities held in the Funds and Accounts created by the Indenture, except for the Rebate Fund and the accounts thereunder, together with proceeds thereof (except to the extent transferred to the Rebate Fund from such Funds and Accounts under the Indenture), and all other funds, accounts and moneys to be pledged by the Bond Bank to the Trustee as security under the Indenture, 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 2010 A Bonds under the Indenture and such Series 2010 A 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 Series 2010 A Qualified Entities and the Series 2010 A Qualified Obligations**

The Bond Bank has previously issued the Refunded Bonds. See “PLAN OF FINANCING” for a discussion of the Refunded Bonds. The Refunded Bonds were issued to provide for the purchase of certain of the Prior Qualified Obligations. From the proceeds of the Series 2010 A Bonds and certain other funds on hand or in trust, the Bond Bank intends to refund all of the Refunded Bonds. Upon defeasance of the Refunded Bonds, the Prior Trustees (as defined in Appendix E) will release the Prior Qualified Obligations and the Series 2010 A Qualified Entities which have agreed to waive their call rights will issue to the Bond Bank their respective Assigned Series 2010 A Qualified Obligations in exchange for their respective Prior Qualified Obligations. The Bond Bank will pledge to the Trustee as security for the Series 2010 A Bonds, the Assigned Series 2010 A Qualified Obligations. Thereafter, the Assigned Series 2010 A Qualified Obligations will secure payment of the Series 2010 A Bonds. The Assigned Series 2010 A Qualified Obligations are listed in Appendix B. The Bond Bank will also use a portion of the proceeds of the Series 2010 A Bonds to purchase the Series 2010 A-3 Qualified Obligations from the Town of Carlisle, Indiana (the “Series 2010 A-3 Qualified Entity”) as set forth in Appendix B. See “PLAN OF FINANCING” and Appendix B for a discussion of the Series 2010 A Qualified Obligations. The Qualified Obligation Payments have been structured to be sufficient along with earnings thereon, and along with other monies in the Funds and Accounts and earnings thereon, to pay the principal of and interest on the Series 2010 A Bonds when due. See the caption “VERIFICATION OF MATHEMATICAL CALCULATIONS” herein.

### **Provisions for Payment of the Series 2010 A Qualified Obligations**

The payment of principal of and interest on the Series 2010 A Qualified Obligations is derived by each of the Series 2010 A Qualified Entities from revenues or, in some cases, from taxes required to be levied and collected by or on behalf of the Series 2010 A Qualified Entity. Each of the Series 2010 A Qualified Obligations has been issued pursuant to an Authorizing Instrument of the respective Series 2010 A Qualified Entity. The sources of payment of the Series 2010 A Qualified Obligations are further described below.

*Municipal Utility Revenue Obligations.* Under the provisions of Indiana Code 8-1.5, the Indiana Utility Regulatory Commission (the “IURC”) has jurisdiction over the rates and charges of all municipally owned water, electric and gas utilities, except for utilities owned by a municipality in which the voters or, in certain circumstances, the legislative body has elected to be taken out of the jurisdiction of the IURC. The municipal legislative body determines and enacts rates and charges for such utilities and, except for such utilities which have been removed from the jurisdiction of the IURC, the IURC is required by law to adjudicate reasonable and just rates and charges for services for each such municipally owned utility. Under the provisions of Indiana Code 8-1.5-3-8, the rates and charges made by such a municipally owned utility must be sufficient to provide, among other things, a sinking fund for the liquidation of bonds or other evidences of indebtedness and a debt service reserve in an amount not to exceed the maximum annual debt service on such obligations. Also under the statute, rates and charges which are too low to meet the cash operating and other statutory revenue requirements of the utility, including the payment of debt service, are unlawful. The statutory revenue requirements are applicable to all municipal utilities described above, whether or not such municipal utility is subject to IURC jurisdiction.

*Municipal Sewer and Regional Wastewater District Utility Revenue Obligations.* The rates and charges of municipal sewage works utilities are presently not under the jurisdiction of the IURC. Under the provisions of Indiana Code 36-9-23 or Indiana Code 13-26-11, respectively, the legislative body of a municipality, or the Board of Trustees of a regional wastewater district, owning a sewage works utility must enact fair and equitable rates and charges sufficient to provide, among other things, net revenues which fund a sinking fund for the liquidation of bonds or other evidence of indebtedness. Such net revenues are defined as gross revenues less reasonable operation, repair and maintenance costs. Also under these statutes, rates and charges which are too low to meet the cash operating and other requirements of the utility, including the payment of debt service, are unlawful.

*Conservancy District Obligations.* Pursuant to Indiana Code 14-33-2, a conservancy district may be established to provide for, among other things, flood prevention and control, drainage, irrigation, water supply and sewage collection. To provide funds to pay for the costs of such works, a conservancy district may issue bonds payable from the net revenues of a project, or payable from a combination of net revenues and other monies

available to the district, including special benefits taxes levied upon the property in the district and the assessment of exceptional benefits. In addition, a conservancy district constitutes a special taxing district with the power to levy special benefits taxes for the payment of its obligations.

*Tax-Based Obligations.* Political subdivisions in Indiana may issue general obligation bonds and special taxing district bonds payable from ad valorem taxes and secured by the full faith and credit of the political subdivision or the special taxing district involved. Each year, political subdivisions in Indiana are required to meet to fix a budget, establish a tax rate and determine the tax levy for the ensuing budget year. The officers of each political subdivision are required by the provisions of Indiana Code 6-1.1-18-3(b) to fix tax rates which are sufficient to provide funds to pay, among other things, the principal of and interest on any obligation of the political subdivision described therein. The appropriation is reviewed by the Department of Local Government Finance to ascertain that the amount of the appropriation is sufficient to meet the political subdivision's debt service obligations. Upon review, the Department of Local Government Finance is authorized by the provisions of Indiana Code 6-1.1-17-17 to increase the tax rate and tax levy of a political subdivision to pay, among other things (i) the principal and interest upon a fund, refunding or judgment funding obligation of the political subdivision, (ii) principal and interest upon an outstanding obligation of a political subdivision, or (iii) lease rentals of a political subdivision.

See Appendix B for additional information concerning the Series 2010 A Qualified Obligations.

### **Additional Bonds**

Additional bonds of the Bond Bank may be issued on a parity with the Series 2010 A Bonds pursuant to the Indenture only for the purpose of refunding (in whole or in part) Bonds issued by the Bond Bank pursuant to the Indenture.

### **Enforcement of the Series 2010 A Qualified Obligations**

As owner of the Series 2010 A Qualified Obligations, the Bond Bank has available to it all remedies available to owners or holders of securities issued by Qualified Entities. The Act provides that upon the sale and the delivery of any qualified obligation to the Bond Bank, a Qualified Entity will be deemed to have agreed that all statutory defenses to nonpayment are waived in the event that such Qualified Entity fails to pay principal or interest on such qualified obligation when due.

In the case of a Series 2010 A Qualified Obligation that is a sewage works revenue bond, in certain circumstances including failure to make required payments on such Series 2010 A Qualified Obligation, the Bond Bank, as the owner or holder of the Series 2010 A Qualified Obligation, is permitted to obtain a lien upon and seek the appointment of a receiver for the facilities the revenues of which are pledged for the payment of such Series 2010 A Qualified Obligation and to compel, subject to any applicable regulatory approvals, the establishment of rates and charges to provide revenues sufficient to pay debt service and operating expenses. In the case of a Series 2010 A Qualified Obligation that is a special taxing district bond or other tax-based obligation, under the Act, upon nonpayment and demand for payment and if the necessary funds are not available in the treasury of the Series 2010 A Qualified Entity for such payment, an action in mandamus will lie for the levy of a tax to make such payment. In the case of a Series 2010 A Qualified Obligation that is a utility revenue bond, other than a sewage works revenue bond, Indiana law does not prescribe any specific procedures for enforcement upon a default.

The Bond Bank will be constituted a holder or owner of securities that are in default. 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 Qualified Entity.

Further, each Series 2010 A Qualified Entity whose Series 2010 A Qualified Obligations are subject to the Code has agreed under the Purchase Agreement (as defined in Appendix E) for its respective Series 2010 A Qualified Obligations to report to the Bond Bank on its compliance with certain covenants which the Series 2010 A

Qualified Entity has made regarding various actions and conditions necessary to preserve the tax-exempt status of interest paid on the Series 2010 A Qualified Obligations. See the caption "TAX MATTERS." The Bond Bank has also determined to consult with the Series 2010 A Qualified Entities, as necessary from time to time, with regard to the action needed to be taken by the Series 2010 A Qualified Entities to preserve the exclusion of the interest on the Series 2010 A-1 Bonds and the Series 2010 A-3 Bonds from the gross income of the holders of the Series 2010 A-1 Bonds and the Series 2010 A-3 Bonds.

The Bond Bank will monitor the compliance and consult regularly with the Qualified Entities with respect to their respective requirements under the Series 2010 A Qualified Obligations, including the making of Qualified Obligation Payments to the Bond Bank.

### **Debt Service Reserve Funds**

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

- (i) Monies available to the Bond Bank required to be deposited in the Debt Service Reserve Funds by the terms of the Indenture (or any future Bond proceeds or other money required by a Supplemental Indenture or resolution of the Bond Bank);
- (ii) All money required to be transferred to the Debt Service Reserve Funds 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 Funds; and
- (iv) Any other available money or funds that the Bond Bank may decide to deposit in the Debt Service Reserve Funds.

Under the Indenture, the (i) Series 2010 A-1 Debt Service Reserve Fund is required to contain an amount equal to the maximum annual debt service on the Series 2010 A-1 Bonds, which at the time of issuance of the Series 2010 A-1 Bonds means an amount equal to \$1,096,542.42, and thereafter, if less than such amount, shall be the maximum annual debt service on Outstanding Series 2010 A-1 Bonds in the present or succeeding fiscal year (the "Series 2010 A-1 Reserve Requirement"); (ii) the Series 2010 A-2 Debt Service Reserve Fund is required to contain an amount equal to the maximum annual debt service on the Series 2010 A-2 Bonds, which at the time of issuance of the Series 2010 A-2 Bonds means an amount equal to \$1,665,356.11, and thereafter, if less than such amount, shall be the maximum annual debt service on Outstanding Series 2010 A-2 Bonds in the present or succeeding fiscal year (the "Series 2010 A-2 Reserve Requirement"); and (iii) the Series 2010 A-3 Debt Service Reserve Fund is required to contain an amount equal to the maximum annual debt service on the Series 2010 A-3 Bonds, which at the time of issuance of the Series 2010 A-3 Bonds means an amount equal to \$103,803.76, and thereafter, if less than such amount, shall be the maximum annual debt service on Outstanding Series 2010 A-3 Bonds in the present or succeeding fiscal year (the "Series 2010 A-3 Reserve Requirement", together with the Series 2010 A-1 Reserve Requirement and the Series 2010 A-2 Reserve Requirement, collectively, the "Reserve Requirements").

The Bond Bank may satisfy all or a portion of the Reserve Requirements by depositing a Debt Service Reserve Fund Credit Facility in each of the respective Debt Service Reserve Funds and, with respect to the Series 2010 A Bonds, will satisfy the Reserve Requirements of the respective Debt Service Reserve Funds by depositing a separate Debt Service Reserve Fund Credit Facility in each respective fund. See "DEBT SERVICE RESERVE FUND CREDIT FACILITIES."

### **State Appropriations Mechanism**

The Act provides that in order to assure the maintenance of the Reserve Requirements in the Debt Service Reserve Funds, the State General Assembly may annually appropriate to the Bond Bank for deposit in the Debt

Service Reserve Funds any sum, required by the Act to be certified by the Chairman of the Board of Directors of the Bond Bank prior to December 1 of any year to the State General Assembly, as necessary to restore the Debt Service Reserve Funds to the Reserve Requirements. 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 in which the amounts in the Debt Service Reserve Funds are projected to be less than the applicable Reserve Requirements. 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 any deficiency in any of the Debt Service Reserve Funds, 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 deficiencies, 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 \$559,560,000 in separate program obligations secured by debt service reserve funds, which are also eligible for annual appropriations from the General Assembly.

In accordance with the Constitution of the State, the State General Assembly meets for a maximum period of 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 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.

Also under the Act, the State has pledged to and agreed with the owners of the bonds or notes of the Bond Bank 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 2010 A Bonds, the Series 2010 A Bond Insurer will issue its Municipal Bond Insurance Policy for the Series 2010 A Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2010 A Bonds when due as set forth in the form of the Policy included as Appendix F 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.

### **The Series 2010 A Bond Insurer**

The Series 2010 A Bond Insurer is a New York domiciled financial insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or the Series 2010 A Bond Insurer is liable for the obligations of the Series 2010 A Bond Insurer.

On July 1, 2009, AGL acquired the financial guaranty operations of Holdings from Dexia SA (“Dexia”). In connection with such acquisition, Holdings’ financial products operations were separated from its financial guaranty operations and retained by Dexia. For more information regarding the acquisition by AGL of the financial guaranty operations of Holdings, see Item 1.01 of the Current Report on Form 8-K filed by AGL with the Securities and Exchange Commission (the “SEC”) on July 8, 2009.

Effective November 9, 2009, Financial Security Assurance Inc. changed its name to Assured Guaranty Municipal Corp.

The Series 2010 A Bond Insurer’s financial strength is rated “AAA” (negative outlook) by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and “Aa3” (negative outlook) by Moody’s Investors Service, Inc. (“Moody’s”). On February 24, 2010, Fitch, Inc. (“Fitch”), at the request of the Series 2010 A Bond Insurer, withdrew its “AA” (Negative Outlook) insurer financial strength rating of the Series 2010 A Bond Insurer at the then current rating level. Each rating of the Series 2010 A Bond Insurer should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of the Series 2010 A Bond Insurer in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by the Series 2010 A Bond Insurer. The Series 2010 A Bond Insurer does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

#### *Recent Developments*

##### Ratings

In a press release dated February 24, 2010, Fitch announced that, at the request of AGL, it had withdrawn the “AA-” (Negative Outlook) insurer financial strength rating of the Series 2010 A Bond Insurer at the then current rating level. Reference is made to the press release, a copy of which is available at [www.fitchratings.com](http://www.fitchratings.com), for the complete text of Fitch’s comments.

In a press release dated December 18, 2009, Moody’s announced that it had confirmed its “Aa3” insurance financial strength rating of the Series 2010 A Bond Insurer, with a negative outlook. Reference is made to the press release, a copy of which is available at [www.moody.com](http://www.moody.com), for the complete text of Moody’s comments.

On July 1, 2009, S&P published a Research Update in which it affirmed its “AAA” counterparty credit and financial strength ratings on Financial Security Assurance Inc., now known as Assured Guaranty Municipal Corp. At the same time, S&P continued its negative outlook on the Series 2010 A Bond Insurer. Reference is made to the Research Update, a copy of which is available at [www.standardandpoors.com](http://www.standardandpoors.com), for the complete text of S&P’s comments.

There can be no assurance as to any further ratings action that Moody’s or S&P may take with respect to the Series 2010 A Bond Insurer.

For more information regarding the Series 2010 A Bond Insurer’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which was filed by AGL with the Securities and Exchange Commission (“SEC”) on March 1, 2010 and AGL’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010, which was filed by AGL with the SEC on May 10, 2010. Effective July 31, 2009, Holdings is no longer subject to the reporting requirements of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”).

### *Capitalization of the Series 2010 A Bond Insurer*

As of March 31, 2010, the Series 2010 A Bond Insurer consolidated policyholders' surplus and contingency reserves were approximately \$2,220,015,145 and its total net unearned premium reserve was approximately \$2,228,912,193 in accordance with statutory accounting principles.

### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the SEC that relate to the Series 2010 A Bond Insurer are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) The Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (which was filed by AGL with the SEC on March 1, 2010); and
- (ii) The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010 (which was filed by AGL with the SEC on May 10, 2010).

All information relating to the Series 2010 A Bond Insurer included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the filing of the last document referred to above and before the termination of the offering of the Series 2010 A Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.): 31 West 52<sup>nd</sup> Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding the Series 2010 A Bond Insurer included herein under the caption "BOND INSURANCE – The Series 2010 A Bond Insurer" or included in a document incorporated by reference herein (collectively, the "Series 2010 A Bond Insurer Information") shall be modified or superseded to the extent that any subsequently included Series 2010 A Bond Insurer Information (either directly or through incorporation by reference) modifies or supersedes such previously included Series 2010 A Bond Insurer Information. Any Series 2010 A Bond Insurer Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

The Series 2010 A Bond Insurer makes no representation regarding the Series 2010 A Bonds or the advisability of investing in the Series 2010 A Bonds. In addition, the Series 2010 A Bond Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Series 2010 A Bond Insurer supplied by the Series 2010 A Bond Insurer and presented under the heading "BOND INSURANCE".

### **DEBT SERVICE RESERVE FUND CREDIT FACILITIES**

The Indenture requires the establishment of the Debt Service Reserve Funds. Under the Indenture (i) the Series 2010 A-1 Debt Service Reserve Fund is required to contain an amount equal to the Series 2010 A-1 Reserve Requirement, which at the time of issuance of the Series 2010 A-1 Bonds means an amount equal to \$1,096,542.42; (ii) the Series 2010 A-2 Debt Service Reserve Fund is required to contain an amount equal to the Series 2010 A-2 Reserve Requirement, which at the time of issuance of the Series 2010 A-2 Bonds means an amount equal to \$1,665,356.11; and (iii) the Series 2010 A-3 Debt Service Reserve Fund is required to contain an amount equal to the Series 2010 A-3 Reserve Requirement, which at the time of issuance of the Series 2010 A-3 Bonds means an amount equal to \$103,803.76. The Indenture authorizes the Bond Bank to obtain a Debt Service Reserve Fund Credit Facility in place of fully funding each of the Debt Service Reserve Funds. Accordingly, a commitment has been made by the Series 2010 A Bond Insurer for the issuance of separate Debt Service Reserve Fund Credit

Facilities for the purpose of funding each of the Debt Service Reserve Funds (collectively, the “Series 2010 A Credit Facilities”) (see “OPERATION OF FUNDS AND ACCOUNTS” herein). The Series 2010 A Bonds will only be delivered upon the issuance of the Series 2010 A Credit Facilities. The premiums on the Series 2010 A Credit Facilities are to be fully paid at or prior to the issuance and delivery of the Series 2010 A Bonds. The Series 2010 A Credit Facilities provide that upon the later of (i) one day after receipt by the Series 2010 A Bond Insurer of a demand for payment executed by the Trustee certifying that provision for the payment of principal of or interest on the respective Series 2010 A Bonds when due has not been made or (ii) the principal or interest payment date specified in the notice of nonpayment submitted to the Series 2010 A Bond Insurer, the Series 2010 A Bond Insurer will promptly deposit funds with the Trustee sufficient to enable the Trustee to make such payments due on the respective Series 2010 A Bonds, but in no event exceeding the Series 2010 A Credit Facility coverage for such Series 2010 A Bonds, as defined in the Series 2010 A Credit Facility for such Series 2010 A Bonds.

Pursuant to the terms of each Series 2010 A Credit Facility, the Series 2010 A Credit Facility coverage is automatically reduced to the extent of each payment made by the Series 2010 A Bond Insurer under the terms of the Series 2010 A Credit Facility and the Bond Bank is required to reimburse the Series 2010 A Bond Insurer for any draws under the Series 2010 A Credit Facility with interest at the rate set forth in the Indenture. Upon such reimbursement, the Series 2010 A Credit Facility is reinstated to the extent of each principal reimbursement up to but not exceeding the Series 2010 A Credit Facility coverage. The reimbursement obligation for the Bond Bank is subordinate to the Bond Bank’s obligations with respect to the Series 2010 A Bonds.

In the event the amount on deposit, or credited to a Debt Service Reserve Fund, exceeds the amount of the Series 2010 A Credit Facility for such Debt Service Reserve Fund, any draw on the Series 2010 A Credit Facility will be made only after all the funds in such Debt Service Reserve Fund have been expended. In the event that the amount on deposit in or credited to a Debt Service Reserve Fund, in addition to the amount available under the Series 2010 A Credit Facility for such Debt Service Reserve Fund, includes amounts available under a letter of credit, insurance policy, surety bond or other such funding instrument (the “Additional Funding Instrument”), draws on the Series 2010 A Credit Facility and the Additional Funding Instrument will be made on a pro rata basis to fund the insufficiency.

### **RISKS TO OWNERS OF THE SERIES 2010 A BONDS**

Purchasers of the Bonds are advised of certain risk factors with respect to the payment of the Series 2010 A Bonds. This discussion is not intended to be all-inclusive, and other risks may also be present.

#### **Sources of Payment for the Series 2010 A Bonds**

The ability of the Bond Bank to pay principal of, and interest on, the Series 2010 A Bonds depends primarily upon the receipt by the Bond Bank of payments pursuant to the Series 2010 A 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. Except for the Debt Service Reserve Funds, there are no sources of funds which are required to make up for any deficiencies in the event of one or more defaults by one or more Qualified Entities in such payments on the Series 2010 A Qualified Obligations. There can be no representation or assurance that all of the Qualified Entities that issued the Series 2010 A Qualified Obligations will receive sufficient taxes or revenues, as the case may be, or otherwise have sufficient funds available to make their required payments on the Series 2010 A Qualified Obligations. The receipt of such revenues by any Qualified Entity is subject to, among other things, future economic conditions, actions by creditors, and other conditions which are variable and not certain of prediction. For a description of procedures for providing for the payment of the Series 2010 A Qualified Obligations, see the captions “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 A BONDS – Provisions for Payment of the Series 2010 A Qualified Obligations.”

The State General Assembly may determine to appropriate funds to the extent of any deficiencies in the Debt Service Reserve Funds (see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 A BONDS – State Appropriations Mechanism”). However, the State General Assembly is not and cannot be obligated

to appropriate any such funds. Moreover, the State General Assembly meets for only a portion of each year commencing in January and ending not later than April 30, unless extended by a special session called by the Governor, and 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 deficiencies in the Debt Service Reserve Funds, 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 deficiencies, 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. In no event can or will the Series 2010 A Bonds be deemed to be a debt or obligation of the State. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 A BONDS – State Appropriations Mechanism.”

### **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 2010 A-1 Bonds and Series 2010 A-3 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 2010 A-1 Bonds and Series 2010 A-3 Bonds to be taxable retroactive to the date of issuance. Also, in connection with the original purchase of each of the Series 2010 A Qualified Obligations, the Bond Bank received an opinion of counsel by a nationally recognized firm experienced in matters relating to municipal law and matters relating to the exclusion of interest payable on obligations of states and their instrumentalities and political subdivisions from gross income under federal tax law, acceptable to the Bond Bank and the Trustee (an “Opinion of Bond Counsel”), for the Series 2010 A Qualified Entity to the effect that, conditioned upon continuing compliance by the Series 2010 A Qualified Entity with certain covenants made in connection with the issuance of such Series 2010 A Qualified Obligations, the interest on the Series 2010 A Qualified Obligations is excludable from the gross income of the holder thereof for federal income tax purposes under existing statutes, decisions, regulations and rulings. However, the interest on such Series 2010 A Qualified Obligations could become taxable in the event that the Series 2010 A 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 its Series 2010 A Qualified Obligations under certain circumstances and the covenant to take all actions and to refrain from such actions as may be necessary to prevent such Series 2010 A 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 2010 A-1 Bonds and Series 2010 A-3 Bonds and any applicable regulations promulgated thereunder (the “Code”). Such an event could in turn adversely affect the exempt status of the interest on all of the Series 2010 A-1 Bonds and Series 2010 A-3 Bonds retroactive to the date of issuance. See the caption “TAX MATTERS.” The Bond Bank is not aware of any circumstances that would cause the interest on the Series 2010 A 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 any of the Series 2010 A 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 and the Series 2010 A Qualified Obligations may not be readily available or may be limited.**

## Bond Insurance

The Series 2010 A Bond Insurer has issued the Policy, guaranteeing the scheduled payment of the principal (but not premium) of the Series 2010 A Bonds due at maturity, but not as a result of the acceleration thereof (unless consented to by the Series 2010 A Bond Insurer), and interest on the Series 2010 A Bonds due on the scheduled interest payment dates therefore. A form of the Policy is attached hereto as Appendix F. Certain information with respect to the Series 2010 A Bond Insurer is set forth under the caption “BOND INSURANCE” herein. Such information was provided by the Series 2010 A Bond Insurer and no representation is made as to the adequacy or the accuracy thereof.

So long as the Series 2010 A Bond Insurer performs its obligations under the Policy, the Series 2010 A Bonds cannot be accelerated without the prior written consent of the Series 2010 A Bond Insurer. Furthermore, so long as the Series 2010 A Bond Insurer performs its obligations under the Policy, the Series 2010 A Bond Insurer may direct any remedies that the Series 2010 A Bondholders may exercise under the Indenture.

In the event the Series 2010 A Bond Insurer is required to pay scheduled principal of or interest on the Series 2010 A Bonds, no representation or assurance is given or can be made that such event will not adversely affect the market price for or marketability of the Series 2010 A Bonds.

## PLAN OF FINANCING

### Plan of Refunding

A portion of the proceeds of the Series 2010 A-1 Bonds and the Series 2010 A-2 Bonds, together with certain other money of the Bond Bank, will be held uninvested in cash and a portion will be used to purchase certain non-callable U.S. government obligations and securities evidencing ownership interests in open-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, whose investments are limited to U.S. governmental obligations or to repurchase agreements fully collateralized by such obligations (the “Escrowed Securities”) to be held in irrevocable escrow accounts established under each Escrow Agreement (as defined in Appendix E), to provide funds for the payment when due of the principal of, redemption premium and arbitrage rebate liability, if any, and interest on the Refunded Bonds through and including the date of redemption thereof as set forth below:

| <u>Issue</u>                 | <u>Aggregate Principal<br/>Amount Paid and Refunded</u> | <u>Redemption<br/>Date</u> |
|------------------------------|---|----------------------------|
| Series 1998A Bonds           | \$4,420,000   | July 9, 2010               |
| Series 2000A Refunding Bonds | 2,785,000   | June 28, 2010              |
| Series 2001A Bonds           | 3,585,000   | February 1, 2011           |
| Series 2001A Refunding Bonds | 8,135,000   | February 1, 2011           |

Upon the Bond Bank depositing cash and the Escrowed Securities into the escrow accounts established under each Escrow Agreement, (a) the Prior Qualified Obligations pledged under the Prior Indentures will be released from the liens thereof; (b) the Series 2010 A Qualified Entities which have agreed to waive their call rights will issue to the Bond Bank the Assigned Series 2010 A Qualified Obligations in exchange for such Series 2010 A Qualified Entities’ Prior Qualified Obligations pledged under the Prior Indentures; and (c) the Bond Bank will pledge the Assigned Series 2010 A Qualified Obligations to the Trustee as a portion of the Trust Estate under the Indenture.

**Purchase of the Series 2010 A-3 Qualified Obligations**

The Bond Bank will use a portion of the proceeds of the Series 2010 A-3 Bonds to purchase the Series 2010 A-3 Qualified Obligations identified in Appendix B of this Official Statement. The Series 2010 A-3 Qualified Entity issuing the Series 2010 A-3 Qualified Obligations has represented to the Bond Bank that the Series 2010 A-3 Qualified Entity will use the proceeds received by it in the sale of its Series 2010 A-3 Qualified Obligations to the Bond Bank for the purposes of (1) paying costs related to the issuance of its Series 2010 A-3 Qualified Obligations; (2) funding the debt service reserve requirements of its Series 2010 A-3 Qualified Obligations; (3) refunding certain of its outstanding waterworks and sewage works revenue bonds; and (4) financing qualified projects of the Series 2010 A-3 Qualified Entity.

**APPLICATION OF PROCEEDS OF THE SERIES 2010 A BONDS**

Set forth below is a summary of the estimated sources and uses of the proceeds of the Series 2010 A Bonds:

| <b>Sources of Funds:</b>                                       | <b>Series 2010 A-1 Bonds</b> | <b>Series 2010 A-2</b>     | <b>Series 2010 A-3 Bonds</b> |
|--|------------------------------|----------------------------|------------------------------|
| Par Amount.....  | \$ 8,595,000                 | \$6,395,000                | \$770,000                    |
| Net Original Issue Premium .....                               | 120,832.10                   | -0-                        | (958.80)                     |
| Funds on Hand <sup>1</sup> .....                               | <u>3,510,263.45</u>          | <u>2,657,539.20</u>        | <u>95,955</u>                |
| <br>Total Sources .....  | <br><u>\$12,226,095.55</u>   | <br><u>\$ 9,052,539.20</u> | <br><u>\$864,996.20</u>      |
| <br><b>Uses of Funds:</b>                                      |                              |                            |                              |
| Acquisition of Series 2010 A-3 Qualified Obligations           | \$                           | \$                         | \$883,625.00                 |
| Deposit to 1998 Escrow Account .....                           | 4,557,650.52                 |                            |                              |
| Deposit to 2000 Escrow Account .....                           | 2,854,422.79                 |                            |                              |
| Deposit to 2001 A-1 Escrow Account .....                       | 3,757,872.34                 |                            |                              |
| Deposit to 2001 A-2 Escrow Account                             |                              | 8,535,820.99               |                              |
| Acquisition of Call Rights .....                               | 798,110.95                   | 195,000.00                 |                              |
| Underwriter's Discount .....                                   | 69,791.40                    | 51,927.40                  | 6,252.40                     |
| 2001 A Refunding Arbitrage Liability.....                      |                              | 101,700.00                 |                              |
| Costs of Issuance .....  | 130,888.32                   | 97,385.79                  | 11,725.89                    |
| Premium for Policy.....  | 17,952.41                    | 12,535.50                  | 1,776.28                     |
| Premiums for Debt Service Reserve Fund Credit Facilities ..... | 35,637.63                    | 54,124.08                  | 3,373.63                     |
| Capitalized Interest.....                                      | <u>3,769.19</u>              | <u>4,045.44</u>            | <u>8,243.00</u>              |
| <br>Total Uses .....   | <br><u>\$ 12,226,095.55</u>  | <br><u>\$ 9,052,539.20</u> | <br><u>\$ 864,996.20</u>     |

<sup>1</sup> Includes transfers from prior debt service reserve funds, general accounts and a contribution from the Series 2010 A-3 Qualified Entity.

**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.

## **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 a loan to or a lease or an agreement with a qualified entity, a purchase, acquisition or a sale of qualified obligations or other investments or 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 any purchase, consider the need for and 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; and (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.

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 and loan 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 Directors: the Treasurer of State, serving as Chairman Ex Officio, the Public Finance Director, appointed by the Governor and serving as Director Ex Officio, and five Directors appointed by the Governor of the State. Each of the five 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:

Richard E. Mourdock, Treasurer of the State, February 10, 2007 to present and Chairman Ex Officio. Residence: Evansville, Indiana. President, R.E. Mourdock and Associates, LLC, 2001 to present; Vanderburgh County Commissioner, 1995 to 2002; Executive, Koester Companies, 1984 to 2000; Senior Geologist, Standard Oil Company, 1979 to 1984; Geologist, Amax Coal Company, 1974 to 1979.

Clark H. Byrum, Vice Chairman; term expired July 1, 2003. Residence: Carmel, Indiana. Chairman of the Board and President, The Key Corporation, Indianapolis, Indiana, 1983 to present; Board Member Marian College, 2001 to present; Chairman of Audit Committee of Sigma Phi Epsilon National Fraternity 2004 to 2008; Member of the Archdiocese of Indianapolis Finance Council, 2001 to present.

Jennifer M. Alvey, Public Finance Director of the State, August 6, 2007 to present. Residence: Greenwood, Indiana. Indiana Finance Authority, Chief Operating Officer and General Counsel, 2006 to 2007; Ice Miller LLP, attorney, municipal finance section, 2003 to 2006; Indiana University, various accounting and treasury-related positions, 1995 to 2003; Certified Public Accountant (inactive); licensed to practice law in the States of Indiana and Illinois and before the District of Columbia Appeals Court.

Marni McKinney, Director, term expired July 1, 2004. Residence: Indianapolis, Indiana. Chairman, 2008 to present, Indiana Community Bank Advisory Board, M&I Marshall & Ilsley Bank; Vice President, 1984 to 1989, and Chairman of the Board, 1999 to 2008, First Indiana Bank; Vice Chairman and Chief Executive Officer, 1999 to 2005, and Chairman of the Board, 2005 to 2008, First Indiana Corporation; President and CEO, 1995 to 2000, The Somerset Group; Board of Directors, Fairbanks Hospital, Inc.; Board of Directors, Indiana State Symphony Society; Member, Advisory Panel of the Butler Business Accelerator; Member, Central Indiana Community Foundation Investment Committee; Member, Housing Trust Fund Advisory Committee of the City of Indianapolis.

William S. Konyha, Director; term expires July 1, 2012. Residence: Wabash, Indiana. President & CEO, Economic Development Group of Wabash County, Inc., 2006 to present; Chairman, Indiana Main Street Council; Advisory Counsel, Office of Community and Rural Affairs; Governance Committee Member, Indiana Economic Development Association; Advisory Board, Ivy Tech State Community College.

J. Scott Davidson, Director; term expires July 1, 2012. Residence: Zionsville, Indiana. Chief Financial Officer, OneAmerica Financial Partners Inc., June 1, 2004 to present; Senior Vice President, Corporate Planning, July 1, 2002 to June 1, 2004; Vice President, Corporate Planning, December 1, 2000 to July 1, 2002; Senior Vice President and Chief Financial Officer, AUL Reinsurance Management Services, January 15, 2000 to December 1, 2000; Senior Vice President and Chief Financial Officer, Duncanson & Holt, Inc., October 1997 to January 15, 2000. Vice Chair, Indiana Sports Corporation, January 1, 2008 to present; Member of the Clarian Health Subcommittee on Investments, April 1, 2009 to present; Chairman of the Board for Camptown Inc., January 1, 2008 to present.

David R. Christian, Director; term expires July 1, 2012. Residence: Michigan City, Indiana. President & CEO, Ampcor II, 1986 to present, American Metal Products; President and CEO, Kriterion Plastics, Inc., 1980 to present; Chairman, State of Indiana Local Government Tax Control Board, 1981 to 1987 and 2005 to 2009; President, LaPorte County Redevelopment Commission, 2005 to 2007; Chairman, LaPorte County Intermodal Advisory Board, 2005 to present; Chairman, Indiana Manufacturers Association, 2007 to 2008; President, Casket and Funeral Supply Association, 2001 to 2002; Assistant Secretary Emeritus, Indiana State University Board of Trustees, 1983 to 1987; Member, Purdue University North Central Chancellor's Advisory Board; Delegate, American Diabetes Association's "Call to Congress", 2004; Governor's Distinguished Hoosier Award; Kentucky Colonel by the Governor of the Commonwealth of Kentucky.

Although the expiration date of the terms of two 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. Ron Mangus was appointed Acting Executive Director of the Bond Bank on March 24, 2010. Mr. Mangus previously served as Program Operations Director with the Bond Bank and has over fifteen years experience with the Bond Bank. He holds a Master's in Public Affairs from Indiana University and B.A. 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 2010 A 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) Bond Issuance Expense Account
  - (c) Redemption Account
2. Series 2010 A-1 Debt Service Reserve Fund
3. Series 2010 A-2 Debt Service Reserve Fund
4. Series 2010 A-3 Debt Service Reserve Fund
5. Rebate Fund

### Deposit of Net Proceeds of the Series 2010 A Bonds, Revenues and Other Receipts

On the date of delivery of the Series 2010 A Bonds, the Trustee will deposit the proceeds (net of Underwriter's discount) from the sale of the Series 2010 A Bonds, and from other monies made available by the Bond Bank as follows:

- (a) Into the Bond Issuance Expense Account of the General Fund, the amount of \$240,000 to pay the Costs of Issuance of the Series 2010 A Bonds (other than Underwriter's discount retained by the Underwriter and the respective premiums for the Policy and the Series 2010 A Credit Facilities (to be deposited into the respective Debt Service Reserve Funds for each series) paid by the Underwriter directly to the Series 2010 A Bond Insurer for and on behalf of the Bond Bank);
- (b) Into the 1998 Escrow Account under the 1998 Escrow Agreement, the amount of \$4,557,650.52, which, with earnings thereon, is sufficient to defease and refund the Refunded 1998 Bonds;
- (c) Into the 2000 Escrow Account under the 2000 Escrow Agreement, the amount of \$2,854,422.79, which, with earnings thereon, is sufficient to defease and refund the Refunded 2000 Bonds;
- (d) Into the 2001 A-1 Escrow Account under the 2001 A-1 Escrow Agreement, the amount of \$3,757,872.34, which, with earnings thereon, is sufficient to defease and refund the Refunded 2001 A-1 Bonds;
- (e) Into the 2001 A-2 Escrow Account under the 2001 A-2 Escrow Agreement, the amount of \$8,535,820.99, which, with earnings thereon, is sufficient to defease and refund the Refunded 2001 A-2 Bonds; and
- (f) Into the General Account of the General Fund, the sum of \$1,892,793.58, of which \$883,625.00 will be used to acquire the Series 2010 A-3 Qualified Obligations, \$993,110.95 will be immediately transferred to and applied by the Bond Bank to the acquisition of the call rights with respect to

the Assigned Series 2010 A Qualified Obligations, and \$16,057.63 will be used to pay interest on the Series 2010 A Bonds on August 1, 2010.

The Trustee will deposit all Revenues and all other receipts (except the proceeds of the Series 2010 A Bonds, and monies received by the Bond Bank from the sale or redemption prior to maturity of the Series 2010 A Qualified Obligations) into the General Account of the General Fund and will deposit any monies received from the sale or redemption prior to maturity of the Series 2010 A Qualified Obligations into the Redemption Account of the General Fund. Thereafter, the Trustee will deposit the proceeds of any Refunding Bonds as provided under the Supplemental Indenture authorizing the issuance of such Refunding Bonds.

## OPERATION OF FUNDS AND ACCOUNTS

### General Fund

*General Account.* The Trustee will deposit in the General Account of the General Fund all monies 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 the date of initial delivery of the Series 2010 A Bonds and upon the submission of requisitions of the Bond Bank signed by an Authorized Officer, stating that all of the requirements with respect to such financing set forth in the Indenture have been or will be complied with, an amount sufficient to acquire the Series 2010 A-3 Qualified Obligations;

(b) On the date of initial delivery of the Series 2010 A Bonds, to the Bond Bank such amount necessary for the acquisition of the call rights with respect to the Assigned Series 2010 A Qualified Obligations;

(c) 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, to the Trustee such amount as shall be necessary to pay the principal and interest coming due on the Bonds on such Interest Payment Date;

(d) As soon as funds become available, and only to the extent necessary, to the Debt Service Reserve Funds, sufficient amounts to assure that the Reserve Requirements are met;

(e) 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;

(f) On or before thirty (30) days after each anniversary of the issuance of the Series 2010 A Bonds, any amount necessary to comply with any Rebate Fund requirements, to the extent such amounts are not assessed as Fees and Charges; and

(g) After making such deposits and disbursements and after the Trustee shall make a determination of the amounts reasonably expected to be received in the form of Qualified Obligation Payments under this Indenture in the succeeding twelve months, to any other fund or account maintained by the Bond Bank, regardless of whether such fund or account is subject to the lien of the Indenture, all monies in the General Fund which, together with such expected receipts for the succeeding twelve months are in excess of the amounts needed to pay principal and interest on the Bonds within the immediately succeeding twelve month period. No monies 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 monies 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.

*Bond Issuance Expense Account.* Upon receipt of invoices or requisitions acceptable to the Trustee, 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 Bonds or to reimburse the Bond Bank for amounts previously advanced for such costs and to transfer monies therefrom to the General Account. Any amounts remaining in the Bond Issuance Expense Account on December 31, 2010 after the issuance of any Series of Bonds 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 monies received upon the sale or redemption prior to maturity of the Qualified Obligations and will disburse the funds in the Redemption Account as follows:

(a) On the fifteenth day of each month, to the General Account amounts of monies equal to the amount of principal which would have been payable during the following month if such Qualified Obligation had not been sold or redeemed prior to maturity.

(b) On the second business day next preceding each Interest Payment Date if monies 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 monies in the Redemption Account not already committed to the redemption of Bonds for which notice of redemption has been given.

(c) 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 monies 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 shall then be subject to redemption, or (iv) to make investments of such monies 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 monies 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 shall 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 sixty (60) 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. The Trustee shall deliver the Bonds so purchased to the Registrar within five (5) days from the date of delivery to the Trustee.

In the event that the Trustee is unable to purchase Bonds in accordance with subparagraph (c), 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.

The Trustee may, upon direction of the Bond Bank, transfer any monies in the Redemption Account to the General Account if the Bond Bank provides the Trustee with a Cash Flow Certificate to the effect that after such transfer and after any transfer from the General Account to the Bond Bank, Revenues, together with monies 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.

## **Debt Service Reserve Funds**

The Trustee will deposit in the Debt Service Reserve Funds all monies 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 (i) the Series 2010 A-1 Debt Service Reserve Fund solely to the General Account for the payment of interest on and principal of the Series 2010 A-1 Bonds, (ii) the Series 2010 A-2 Debt Service Reserve Fund solely to the General Account for the payment of interest on and principal of the Series 2010 A-2 Bonds and (iii) the Series 2010 A-3 Debt Service Reserve Fund solely to the General Account for the payment of interest on and principal of the Series 2010 A-3 Bonds, and only in the event that monies in the General Account are insufficient to pay principal of and interest on such Series 2010 A Bonds after making all of the transfers thereto required to be made under the Indenture. Amounts in the Debt Service Reserve Funds in excess of the Reserve Requirements will be transferred to the General Account or the Redemption Account, as directed by the Bond Bank.

The Bond Bank may cause to be deposited into any one of the Debt Service Reserve Funds for the benefit of the holders of the Series 2010 A Bonds secured by such Debt Service Reserve Fund a Debt Service Reserve Fund Credit Facility. If such deposit causes the Debt Service Reserve Fund to be equal to the Reserve Requirement for such Debt Service Reserve Fund, moneys in the Debt Service Reserve Fund in excess of that needed for the Debt Service Reserve Fund to be equal to the applicable Reserve Requirement for such Debt Service Reserve Fund 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 Credit Facility, 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 (i) to reinstate the maximum limits of such Debt Service Reserve Fund Credit Facility or (ii) to deposit cash into the Debt Service Reserve Fund from which the disbursement is made, or a combination of such alternatives, so that the Debt Service Reserve Fund from which the disbursement is made will equal the applicable Reserve Requirement for such Debt Service Reserve Fund. The Trustee will include in the total amount held in each 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 Credit Facility on deposit with the Trustee. Amounts required to be deposited in the Debt Service Reserve Funds will include any amount required to satisfy a Debt Service Reserve Fund Reimbursement Obligation for any Debt Service Reserve Fund Credit Facility. The Trustee is authorized to move the amounts to satisfy the Debt Service Reserve Fund Reimbursement Obligations to the provider of the Debt Service Reserve Fund Credit Facility. (See "DEBT SERVICE RESERVE FUND CREDIT FACILITIES" herein).

## **Rebate Fund**

The Trustee will establish, designate appropriately and maintain, so long as any 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 "Series 2010 A Rebate Fund." The Trustee shall make information regarding the Bonds and investments hereunder available to the Bond Bank and shall make deposits in and disbursements from the Rebate Fund in accordance with the written instructions received from the Bond Bank and pursuant to the Indenture, shall invest the Rebate Fund pursuant to written investment instructions received from the Bond Bank and shall 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 shall upon receipt of written directions from the Bond Bank accept such payment for the benefit of the Bond Bank. If amounts in excess of that required to be rebated to the United States of America accumulate in the Rebate Fund, the Trustee shall upon 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 Bonds are no longer Outstanding.

Not later than sixty (60) days after June 8, 2015, and every five (5) years thereafter, upon written direction from the Bond Bank, the Trustee shall disburse to the United States the amount required to be paid to the United States pursuant to the Code from amounts in the Rebate Fund. Not later than sixty (60) days after the final

retirement of the Bonds, the Trustee, upon direction from the Bond Bank, shall disburse to the United States one hundred percent (100%) of the balance required to be paid to the United States pursuant to the Code from amounts in the Rebate Fund. Each payment required to be paid to the United States pursuant to this Section shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201 or such other location as the Code shall require. Each payment shall be accompanied by a copy of the Form 8038-T, which the Bond Bank shall prepare or cause to be prepared.

### **Amounts Remaining in Funds**

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

### **Investment of Funds**

Moneys held as a part of any Fund or Account under the Indenture will be invested and reinvested at all times as fully as reasonably possible by the Trustee in investments defined to be Investment Securities under the Indenture and in accordance with the provisions of the Act and the terms and conditions of the Indenture.

The Bond Bank will direct the Trustee (with such direction to be confirmed in writing) in the investment of such moneys. The Bond Bank will so direct the Trustee, and the Bond Bank and the Trustee will make all such investments of moneys under the Indenture, in accordance with prudent investment standards reasonably expected to produce the greatest investment yields while seeking to preserve principal. The Bond Bank may direct the Trustee to invest all moneys held in the General Account relating to the Series 2010 A Bonds pursuant to the provisions of an investment agreement.

All investments will be a part of the Fund or Account from which moneys were used to acquire such investments and all income and profits on such investments will be deposited as received in the General Account. Any investment income, gains or losses will be charged to the Fund or Account from which moneys were employed to invest in the Investment Security, and the Trustee will not be liable for any investment losses so long as the Trustee complies with the provisions of the Indenture. Moneys in any Fund or Account will be invested in Investment Securities with maturity dates (or redemption dates determinable at the option of the owner of such Investment Securities) coinciding as nearly as practicable with the times at which moneys in such Funds or Accounts will be required for transfer or disbursement under the Indenture. The Trustee will sell and reduce to cash at the best price reasonably obtainable sufficient amounts of such Investment Securities in the respective Fund or Account as may be necessary to make up a deficiency in any amounts contemplated to be disbursed from such Fund or Account.

### **THE SERIES 2010 A BONDS AS LEGAL INVESTMENTS**

Under the Act, all financial institutions, investment companies, insurance companies, insurance associations, executors, administrators, guardians, trustees and other fiduciaries in the State may legally invest sinking funds, money or other funds belonging to or within the control of such fiduciaries in the bonds and notes issued under the Act, including the Series 2010 A Bonds.

### **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 2010 A Bonds; seeking to prohibit any transactions contemplated by the Indenture; in any way contesting or affecting the validity of the Series 2010 A Bonds or any proceedings of the Bond Bank taken with respect to the issuance or sale of the Series 2010 A Bonds, or the Pledges (as hereinafter defined under the caption "LEGAL MATTERS") or application of any moneys or security provided for payment of the Series 2010 A Bonds. 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 Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel, under law existing and in effect on the date of such opinion, interest on the Series 2010 A-1 Bonds and the Series 2010 A-3 Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. The interest on the Series 2010 A-1 Bonds and the Series 2010 A-3 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations. The opinion of Barnes & Thornburg LLP is based on certain certifications, covenants and representations of the Bond Bank and the Qualified Entities that issued the Series 2010 A Qualified Obligations, and is conditioned on continuing compliance therewith. **Interest on the Series 2010 A-2 Bonds is not excludable from gross income for federal income tax purposes.** In the opinion of Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel, under law existing and in effect on the date of such opinion, interest on the Series 2010 A Bonds is exempt from income taxation in the State of Indiana for all purposes, except the State financial institutions tax. See Appendix C for the form of Bond Counsel opinion.

The Code imposes certain requirements which must be met subsequent to the issuance of the Series 2010 A-1 Bonds and the Series 2010 A-3 Bonds as a condition to the exclusion from gross income of interest on the Series 2010 A-1 Bonds and the Series 2010 A-3 Bonds for federal tax purposes. Noncompliance with such requirements may cause interest on the Series 2010 A-1 Bonds and the Series 2010 A-3 Bonds to be included in gross income for federal tax purposes retroactive to the date of issue, regardless of the date on which noncompliance occurs. The Bond Bank will covenant, and the Qualified Entities that issued the Series 2010 A Qualified Obligations have covenanted, not to take any action nor fail to take any action, within their respective power and control, with respect to the Series 2010 A-1 Bonds and the Series 2010 A-3 Bonds that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Series 2010 A-1 Bonds and the Series 2010 A-3 Bonds pursuant to Section 103 of the Code (collectively, the "Tax Covenants"). Should the Series 2010 A-1 Bonds and the Series 2010 A-3 Bonds bear interest that is not excludable from gross income for federal income tax purposes, the market value of the Series 2010 A-1 Bonds and the Series 2010 A-3 Bonds would be materially and adversely affected. It is not an event of default under the Indenture or the Authorizing Instruments if interest on the Series 2010 A-1 Bonds, the Series 2010 A-3 Bonds or the Series 2010 A Qualified Obligations, respectively, is not excludable from gross income for federal tax purposes pursuant to any provision of the Code which is not in effect on the date of issuance of the Series 2010 A-1 Bonds and the Series 2010 A-3 Bonds.

The Series 2010 A Bonds are not qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Code.

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

Although Bond Counsel will render an opinion that interest on the Series 2010 A-1 Bonds and the Series 2010 A-3 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 2010 A-1 Bonds and the Series 2010 A-3 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.

The foregoing does not purport to be a comprehensive description of all of the tax consequences of owning the Series 2010 A Bonds. Prospective purchasers of the Series 2010 A Bonds should consult their own tax advisors with respect to the foregoing and other tax consequences of owning the Series 2010 A Bonds.

## **ORIGINAL ISSUE DISCOUNT**

The initial public offering price of the Series 2010 A-1 Bonds maturing on February 1, 2019 through February 1, 2021, and the Series 2010 A-3 Bonds maturing February 1, 2018 through February 1, 2024 (collectively, 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 of this Official Statement (assuming it is the first price at which a substantial amount of that maturity is sold) (the “Issue Price” for such maturity), and the amount payable at maturity of the Discount Bonds will be treated as “original issue discount.” An owner 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 shorter 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.

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 price of the Series 2010 A-1 Bonds maturing on February 1, 2011 through February 1, 2016 and on February 1, 2018, and the 2010 Series A-3 Bonds maturing on February 1, 2012 through February 1, 2016 (collectively, the “Premium Bonds”), is 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 date). 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 at Section 171(b) of the Code. No income tax deduction for the amount of 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 such Premium Bonds and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

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

### **LEGAL MATTERS**

Certain legal matters incident to the authorization and issuance of the Series 2010 A Bonds by the Bond Bank are subject to the approval of Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel, whose approving opinion will be delivered with the Series 2010 A Bonds. Certain legal matters will be passed upon for the Bond Bank by its special counsel, Graham & Associates, PC, Indianapolis, Indiana. Certain legal matters will be passed upon for the Underwriter by its counsel, Bose McKinney & Evans LLP, Indianapolis, Indiana.

The remedies available to the Trustee, to the Bond Bank or to the owners of the Series 2010 A Bonds upon an Event of Default under the Indenture, under the terms of the Series 2010 A Qualified Obligations, under the terms of the purchase agreements for the Series 2010 A Qualified Obligations and the Authorizing Instruments 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, the purchase agreements for the Series 2010 A Qualified Obligations, under the Series 2010 A Qualified Obligations and the Authorizing Instruments 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 2010 A Qualified Entities 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 2010 A Bonds under the Indenture or over the liens pledged to the owners of the Series 2010 A Qualified Obligations under the Authorizing Instruments.

The various legal opinions to be delivered concurrently with the delivery of the Series 2010 A 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 (regardless of whether such enforceability is considered in a proceeding in equity or in law), by general principles of equity (regardless of whether such proceeding is considered in a proceeding in equity or at law) and by the valid exercise of the constitutional powers of the Series 2010 A Qualified Entities, the State and the United States of America. These exceptions would encompass any exercise of any of the Series 2010 A Qualified Entities' police powers in a manner consistent with the public health and welfare. Enforceability of the Indenture, the Series 2010 A Qualified Obligations, or the purchase agreements for the Series 2010 A Qualified Obligations in situations where such enforcement may adversely affect public health and welfare may be subject to the police powers of the State or the Series 2010 A Qualified Entities.

The various legal opinions to be delivered concurrently with the delivery of the Series 2010 A Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to such transaction.

Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

### **RATINGS**

Standard & Poor's Ratings Group, a division of McGraw-Hill ("S&P"), has assigned a rating of "AAA" (negative outlook) to the Series 2010 A Bonds. Such rating is conditional upon the issuance of the Policy. S&P has assigned a long term rating, without consideration of the Policy or other credit enhancement, of "AA" to the Series 2010 A 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 2010 A 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 Underwriter has undertaken no responsibility either to bring to the attention of the owners of the Series 2010 A Bonds any proposed revision or withdrawal of any rating of the Series 2010 A Bonds or to oppose any such proposed revision or withdrawal. Any such downward revision or withdrawal of rating may have an adverse effect on the market price or marketability of the Series 2010 A Bonds.

### **UNDERWRITING**

The Series 2010 A Bonds are being purchased by the Underwriter set forth on the cover page of this Official Statement. The Underwriter has agreed to purchase the Series 2010 A Bonds at a combined aggregate purchase price of \$15,751,902.10 which represents the combined par amounts set forth on the inside cover hereof, plus net original issue premium of \$119,873.30, less an underwriting fee of \$127,971.20, pursuant to a contract of purchase entered into by and between the Bond Bank and the Underwriter. Such contract of purchase provides that the Underwriter will purchase all of the Series 2010 A Bonds if they are purchased. The initial offering price may be changed from time to time by the Underwriter.

At the time of initial offering, the Underwriter has agreed to make a bona fide public offering of all of the Series 2010 A Bonds at prices not in excess of the initial public offering prices set forth or reflected inside the cover page of this Official Statement. The Underwriter may sell the Series 2010 A Bonds to certain dealers (including dealers depositing Series 2010 A Bonds into investments trusts) and others at prices lower than the offering prices set forth inside the cover page hereof.

### **VERIFICATION OF MATHEMATICAL CALCULATIONS**

The accuracy of certain mathematical computations showing that (i) payments on the Series 2010 A Qualified Obligations, together with other available revenues, have been structured to be sufficient to pay principal of and interest on the Series 2010 A Bonds when due will be verified by Crowe Horwath LLP, independent certified public accountants and (ii) the adequacy of the maturing principal of the securities held in escrow to provide for the payment of principal and interest and premium, if any, on the Refunded Bonds when due will be verified by London Witte Group LLC, independent certified public accountants. Such verifications shall be based upon certain information and assumptions supplied by the Bond Bank and the Underwriter.

### **CONTINUING DISCLOSURE**

Pursuant to disclosure requirements set forth in Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC"), the State will agree to provide or cause to be provided through the Trustee or the Bond Bank, as dissemination agent, certain annual financial information and operating data described below.

Pursuant to the terms of the State's Continuing Disclosure Undertaking Agreement (the "Undertaking"), the State will agree to provide the following information as long as the State is an "obligated person" (within the meaning of the Rule) with respect to the Bonds (or until such time as the Bonds may be defeased, all as more fully set forth in the Undertaking):

1. Audited Financial Statements. To the Municipal Securities Rulemaking Board (the “MSRB”) in its capacity as the sole nationally recognized municipal securities information repository through its Electronic Municipal Market Access (“EMMA”) system and to the Indiana state information depository then in existence, 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 ending June 30, 2010, together with the independent auditor’s report and all notes thereto; if audited financial statements are not available within 220 days following the close of the fiscal year of the State, beginning with the fiscal year ending June 30, 2010, the Annual Information (as defined below) shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Information when they become available; and
2. Financial Information in this Official Statement. To the MSRB’s EMMA system and to the State Depository within 220 days following the close of the fiscal year of the State, beginning with the fiscal year ending June 30, 2010, 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 Undertaking, the Bond Bank will also agree to provide to the MSRB’s EMMA system and to the State Depository, 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 Series 2010 A-1 Bonds and the Series 2010 A-3 Bonds;
- modifications to the rights of Bondholders;
- Bond calls (other than scheduled mandatory sinking fund redemptions for which notice is given in accordance with the Indenture and as described in the Final Official Statement);
- defeasances;
- release, substitution or sale of property securing repayment of the Bonds; and
- rating changes.

The State and Bond Bank may from time to time choose to disseminate other information including other annual information or notice of the occurrence of certain other events, in addition to those listed above. If the State and Bond Bank choose 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 (“Event Notice”).

Neither the State or Bond Bank have failed to comply in all material respects with any previous undertakings with respect to the Rule to provide annual information or notices of material events.

In accordance with the disclosure requirements in the Rule and the terms of the Continuing Disclosure Agreement of the Series 2010 A-3 Qualified Entity (the “Series 2010 A-3 Qualified Entity Undertaking”, together with the Undertaking, the “Undertakings”), while the Series 2010 A-3 Bonds are outstanding, the Series 2010 A-3 Qualified Entity has agreed to provide to the Bond Bank the preceding event notices with regard to the Series 2010 A-3 Qualified Obligations, if material, and in a timely manner, and has agreed to provide the following information:

1. Financial Information. An update of the financial information and operating data relating to the Series 2010 A-3 Qualified Entity of the same nature as that contained in Appendix B to the MSRB’s EMMA system, to the State Depository, if any, and to the Bond Bank, within 180 days after each December 31, commencing with the calendar year ending December 31, 2010.

2. Audited Financial Statements. To the MSRB's EMMA system, to the State Depository, if any, and to the Bond Bank, when and if available, the audited financial statements of the Series 2010 A-3 Qualified Entity as prepared and examined by the State Board of Accounts for each twelve (12) month period ending December 31, commencing with the year December 31, 2010, together with the opinion of such accountants and all notes thereto, within sixty (60) days of receipt of such statements from the State Board of Accounts.

(The information described in items 1 and 2 above is referred to as the "Series 2010 A-3 Qualified Entity Annual Information.")

### **Failure to Disclose**

In a timely manner, the Trustee shall notify the MSRB's EMMA system and the State Depository of any failure on the part of the State 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 the MSRB's EMMA system and to the State Depository along with the State Annual Information required as specified above and containing such information as is still available, will satisfy such party's undertaking to provide the State Annual Information. To the extent available, such party 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 2010 A-3 Qualified Entity shall notify the MSRB's EMMA system and the State Depository, if any, of any failure on the part of the Series 2010 A-3 Qualified Entity to provide the Series 2010 A-3 Qualified Entity Annual Information. If any information relating to the Series 2010 A-3 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 2010 A-3 Qualified Entity to the MSRB's EMMA system and to the State Depository, if any, along with the Series 2010 A-3 Qualified Entity Annual Information required as specified above, will satisfy the Series 2010 A-3 Qualified Entity's undertaking to provide the Series 2010 A-3 Qualified Entity's 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 Series 2010 A-3 Qualified Entity (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.

### **Remedy**

The Undertakings are solely for the benefit of the holders and Beneficial Owners of the Bonds and create no new contractual or other rights of the SEC, any underwriter (other than the Underwriter), brokers, dealers, municipal securities dealers, potential customers, other obligated persons or any other third party. The sole remedy against the State, the Bond Bank or the Series 2010 A-3 Qualified Entity for any failure to carry out any provision of their respective Undertakings shall be for specific performance of their respective disclosure obligations under the Undertakings. Failure on the part of the State or the Bond Bank to honor their respective covenants under the Undertaking shall not constitute a breach or default of the Bonds, the Indenture or any other agreement to which the State or the Bond Bank, or any instrumentality or officer thereof, is a party. Failure on the part of the Series 2010 A-3 Qualified Entity to honor its covenants under its Series 2010 A-3 Qualified Entity Undertaking shall not constitute a breach or default of the Series 2010 A-3 Qualified Obligations or any other agreement to which the Series 2010 A-3 Qualified Entity is a party. This remedy may be exercised by any holder or beneficial owner of the

Series 2010 A Bonds who may seek specific performance by court order to cause the State, the Bond Bank or the Series 2010 A-3 Qualified Entity to comply with their respective obligations thereunder.

The remedy set forth in the preceding paragraph may be exercised by the Trustee or any holder or Beneficial Owner of the Bonds who may seek specific performance by court order to cause the State, the Bond Bank of the Series 2010 A-3 Qualified Entity to comply with their respective obligations under the Undertakings.

### **Modification of Undertaking**

The Bond Bank, State and the Trustee may, from time to time, amend or modify any provision of the Undertaking without the consent of the holders or the Beneficial Owners of the Bonds if: (a)(i) such amendment or waiver 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, (ii) the Undertaking, as so amended or modified, would have complied with the requirements of the Rule on the date of the 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 Bonds as determined either by (a) any person selected by the State that is unaffiliated with the State (including the Counterparty as Trustee under the Indenture) or (b) is approved by the holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the holders, or (c) such amendment or waiver (including an amendment which rescinds the Undertakings) is permitted by the Rule.

The State Annual Information for the fiscal year during which any such amendment or waiver occurs that contains the amended or waived 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 information being provided in the State Annual Information.

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

### **Modification of Series 2010 A-3 Qualified Entity Continuing Disclosure Agreement**

The Series 2010 A-3 Qualified Entity may, from time to time, amend any provision of the Series 2010 A-3 Qualified Entity Continuing Disclosure Agreement without the consent of the holders or the beneficial owners of the Series 2010 A-3 Bonds 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 2010 A-3 Qualified Entity, or type of business conducted, (ii) the Series 2010 A-3 Qualified Entity Continuing Disclosure Agreement, as so amended, would have complied with the requirements of the Rule on the date of the Series 2010 A-3 Qualified Entity Continuing Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (iii) such amendment does not materially impair the interest of the holders or beneficial owners of the Series 2010 A-3 Bonds, as determined either by (A) any person selected by the Series 2010 A-3 Qualified Entity that is unaffiliated with the Series 2010 A-3 Qualified Entity, the Bond Bank or the State (such as the Trustee) or (B) an approving vote of the holders of the requisite percentage of outstanding Series 2010 A-3 Bonds as required under the Indenture at the time of such amendment; or (b) such amendment is otherwise permitted by the Rule.

Copies of the Series 2010 A-3 Qualified Entity Continuing Disclosure Agreement are available from the Bond Bank upon request.

### **Compliance with Previous Undertakings**

In the previous five years, the Bond Bank, the State and the Series 2010 A-3 Qualified Entity 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 Bond Bank's offices are located at 2980 Market Tower, 10 West Market Street, Indianapolis, Indiana 46204, telephone (317) 233-0888.

All quotations from, references, summaries and explanations of, the Act, the Indenture, the contract of purchase relating to the Series 2010 A Bonds, the Series 2010 A Qualified Obligations and the purchase agreements relating to the Series 2010 A Qualified Obligations contained in this Official Statement do not purport to be complete and reference is made to each such document or instrument for full and complete statements of its provisions. The attached Appendices are an integral part of this Official Statement and must be read together with all of the foregoing statements. Copies in a reasonable quantity of the Act, the Indenture, the contract of purchase relating to the Series 2010 A Bonds, the purchase agreements relating to the Series 2010 A Qualified Obligations, the Authorizing Instruments and the supplemental materials furnished to the Bond Bank by the Series 2010 A Qualified Entities may be obtained upon request directed to the Bond Bank.

It is the Bond Bank's current policy to provide its financial statements to the holders of its obligations, including the Series 2010 A Bonds, upon written request. In addition, certain other information concerning the Bond Bank is available to the Trustee and holders of the Series 2010 A Bonds pursuant to the Indenture.

Neither any advertisement of the Series 2010 A Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2010 A Bonds. 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 2010 A 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 among the Bond Bank, the Qualified Entities, the Trustee or the Underwriter and the purchasers or owners of any Series 2010 A Bonds. The delivery of this Official Statement has been duly authorized by the Board of Directors of the Bond Bank.

This Official Statement has been duly approved, executed and delivered by the Bond Bank.

INDIANA BOND BANK

By: /s/ Richard Mourdock  
Chairman, Ex Officio

**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, 2011. The information is compiled on behalf of the State by the State Budget Agency (the “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 Office of Energy and Defense Development and chairs the Counter-Terrorism 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 moneys. 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.

**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 (“BIF”), 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 the fall 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. Historically, the Economic Forecast Committee was responsible for forecasting independent variables that were employed by the Technical Forecast Committee in deriving the State's revenue projections. Starting with the December 2008 forecast, Global Insight, Inc. provides the forecasted independent variables. Global Insight, Inc. was chosen following a thorough evaluation of submitted proposals based on forecasting capabilities and detailed knowledge of the State, national, and international economies.

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.

**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 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 (“OMB”), to direct the fiscal management and budget policy of the State.

The Director (“Director”) of the OMB 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, and the Department of Local Government Finance, 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. By statutory designation, the State Budget Director also serves as the Chairman of the Indiana Finance Authority. Pursuant to Executive Order 05-02, the OMB 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 OMB 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 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.

## **2009 Financial Report**

The Indiana Comprehensive Annual Financial Report For Fiscal Year Ended June 30, 2009 (the "2009 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, 2009 as set forth therein. The 2009 Financial Report was previously provided to each then nationally recognized municipal securities information repository (each then nationally recognized municipal securities information repository, a "NRMSIR"), and is included in this Appendix A by reference.

A copy of the 2009 Financial Report may be obtained from any NRMSIR and is also available from the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") System. In addition, the 2009 Financial Report may be found at: <http://www.in.gov/auditor/>.

The 2009 Financial Report speaks only as of its date. The inclusion of the 2009 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

### The Governor's Property Tax Reform Legislation, P.L. 146-2008

In 2008, the General Assembly enacted significant property tax legislation. The plan included both short-term relief and long-term reform. Short-term relief, \$620 million of additional State homestead credits in calendar year 2008, was funded through the revenues generated from the 1% increase, from 6% to 7%, in the state sales and use tax which was effective April 1, 2008. The long-term reform is based on the State assumption of costs historically funded through property taxes levied by local units of government. These expenses include but are not limited to the school general fund, five child welfare levies, certain police and fire pension benefit payments, juvenile incarceration costs, and certain levies for state purposes. Funding for these expenditures are provided by the increase in sales tax, the retention and redirection of funds deposited and formerly used for state property tax replacement and homestead credits, and gaming revenue from the taxation of slot machines operated at two licensed horse racing facilities.

Other elements of the reform plan include caps on the amount property owners must pay. Any impact on local budgets resulting from the caps will be borne by the local unit of government. The State has no obligation to compensate local units of government for any lost property tax revenue as a result of the caps.

P.L. 146-2008 increased the state Earned Income Tax Credit rate from 6% to 9%. In addition, the renter's deduction was increased from \$2,500 to \$3,000.

### 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.

The combined State receipts in the General Fund are referred to as "State Operating Revenue" or "Operating Revenue." Operating Revenue is defined as the General Fund and other 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 General 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.

### General 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.** As part of the property tax reform legislation enacted in P.L. 146-2008, the sales and use tax rate was increased from 6.0% to 7.0%, effective April 1, 2008. 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 7.0% 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, research and development equipment after July 1, 2007, 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.

Corporate Adjusted Gross Income Tax. The corporate adjusted gross income tax is applicable to corporations doing business in the State. AGI is federal taxable income with certain additions and subtractions. Certain international banking facilities and insurance companies, S corporations, limited liability companies, partnerships and tax-exempt organizations (to the extent their income is exempt for federal tax purposes) are not subject to the corporate adjusted gross income tax. Corporate adjusted gross income tax collections are allocated to the General Fund.

Financial Institution Tax. This tax is applicable to a financial institution for the privilege of exercising its franchise or the corporate privilege of transacting the business of a financial institution in Indiana. It applies to any business which is primarily engaged in extending credit, or engaged in leasing. The tax base is a taxpayer's apportioned adjusted gross income with statutory deductions and additions. Insurance companies, international banking facilities, federally chartered credit unions, and S corporations are exempt. The tax rate is 8.5%. Local units of government are guaranteed revenue based on the former Financial Institution Taxes in 1989. Any remaining revenue collected is deposited in the state 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. All revenue is deposited in the state General Fund. Utilities must also pay the corporate adjusted gross income tax. Effective July 1, 2007, a use tax was imposed on consumers of utilities if the Utilities Receipts Tax was not paid by the seller. The use tax is imposed at the rate of 1.4% on the gross purchase price of the utilities.

**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.

**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 BIF. 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 imposed a graduated wagering tax on riverboats that adopt flexible scheduling. As amended by P.L. 233-2007, 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, 35% of receipts between \$150 million and \$600 million, and 40% of all adjusted gross receipts exceeding \$600 million.

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 General Fund. The legislation capped the amounts that may be distributed to the cities and towns with riverboat operations at the amounts distributed in Fiscal Year 2002. All revenue in excess of the capped amounts is deposited in the General Fund. The General Fund receives 37.5% of wagering tax from the Orange County Casino. The remaining wagering tax revenue from Orange County Casino is deposited in the local funds. From the revenue distributed to the General Fund, an amount is distributed annually to the BIF. The transfer amount is such that the total lottery and gaming revenue deposited in the BIF equals \$250.0 million in a fiscal year. Interest revenue deposited in the fund does not count against the \$250.0 million cap.

In 2007, the General Assembly enacted legislation authorizing the two existing licensed horse racing facilities in Indiana to install up to 2,000 slot machines on their premises. P.L. 233-2007 imposed a one-time license fee of \$250 million per track and graduated wagering taxes in the amount of 25% of the first \$100 million of adjusted gross receipts in a fiscal year, 30% of receipts between \$100 million and \$200 million, and 35% of receipts

exceeding \$200 million. The license fee receipts were deposited in the Property Tax Reduction Trust Fund to fund homestead credits for calendar years 2007 and 2008. Until December 31, 2008, wagering taxes from the two licensed horse racing facilities were deposited in the Property Tax Reduction Trust Fund. Any remaining funds in the Property Tax Reduction Trust Fund were transferred to the General 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. In 2007, the cigarette tax was further increased by \$0.44 per pack to \$0.995 per pack effective July 1, 2007. In Fiscal Year 2009, Other Revenue deposited in the state General Fund amounted to \$995.3 million, excluding \$25.8 million in revenues from P.L. 146-2008.

### 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 BIF. 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 General Fund. For a description of wagering taxes, see “General Fund Revenue Sources—Wagering Tax.”

Before Hoosier Lottery profits are transferred to the BIF, \$60 million annually is used to fund pension liabilities—\$30 million goes to the Teachers’ Retirement Fund and \$30 million goes to the local Police and Firefighter Pension 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 was appropriated for Fiscal Year 2009.

As shown below, Gaming Revenue totaling \$989.0 million was collected by the State for Fiscal Year 2009. These numbers include revenue deposited in the state and local funds but does not include riverboat admissions tax revenue distributed in Fiscal Year 2009 to state and local units in the amount of \$78.9 million and \$200 million in slot machines license tax deposited in State Property Tax Reduction Trust Fund. The \$795.9 million for Wagering Taxes includes \$62.8 million in revenues from P.L. 146-2008.

| <u>Type of Tax</u> | <u>FY 2009</u> |
|--------------------|----------------|
| Wagering Taxes     | \$795.9        |
| Lottery            | \$183.4        |
| Charity Gaming     | \$6.3          |
| Horse Racing       | \$3.4          |
| Total              | \$989.0        |

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Source: State Budget Agency

In 2007, the General Assembly enacted legislation authorizing the two existing horse race tracks in Indiana to install up to 2,000 slot machines on their premises. P.L. 233-2007 imposed a license fee and directed wagering taxes to be deposited in the State Property Tax Reduction Trust Fund. This fund was established to provide additional property tax relief to property owners. As part of the property tax reform legislation in P.L. 146-2008, the State Property Tax Reduction Trust Fund was eliminated on December 31, 2008. Any remaining funds were, and future wagering taxes will be, deposited in the General Fund.

## 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 2010 and 2011.

**Table 1**  
**State Operating Revenue**  
(Millions of Dollars)

|                             | FY 2005 <sup>(1)</sup> | FY 2006 <sup>(1)</sup> | FY 2007 <sup>(1)</sup> | FY 2008 <sup>(1)</sup> | FY 2009 <sup>(1)</sup> | FY 2010 <sup>(2)</sup> | FY 2011 <sup>(2)</sup> |
|-----------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| 6% Sales Tax                | 4,960.4                | 5,226.3                | 5,379.1                | 5,686.0                | 6,153.2                | 5,932.0                | 6,168.8                |
| Change from Prior Year      | 5.10%                  | 5.40%                  | 2.90%                  | 5.71%                  | 8.22%                  | -3.59%                 | 3.99%                  |
| Individual Income           | 4,213.2                | 4,322.4                | 4,615.6                | 4,837.5                | 4,313.8                | 3,775.7                | 4,120.5                |
| Change from Prior Year      | 10.60%                 | 2.60%                  | 6.80%                  | 4.80%                  | -10.80%                | -12.47%                | 9.13%                  |
| Corporate Income            | 824.8                  | 925.4                  | 987.1                  | 909.5                  | 839.0                  | 547.3                  | 733.1                  |
| Change from Prior Year      | 27.90%                 | 12.20%                 | 6.70%                  | -7.90%                 | -7.80%                 | -34.77%                | 33.95%                 |
| Wagering Tax <sup>(3)</sup> | 584.7                  | 589.9                  | 625.3                  | 582.9                  | 608.2                  | 671.7                  | 696.8                  |
| Change from Prior Year      | -2.80%                 | 0.90%                  | 6.00%                  | -6.80%                 | 4.34%                  | 10.44%                 | 3.74%                  |
| Other <sup>(4)</sup>        | 853.4                  | 996.4                  | 1,019.1                | 1,066.3                | 1,021.1                | 1,149.5                | 1,116.5                |
| Change from Prior Year      | 1.00%                  | 16.70%                 | 2.30%                  | 4.60%                  | -4.24%                 | 12.57%                 | -2.87%                 |
| Total <sup>(5)</sup>        | 11,436.5               | 12,060.3               | 12,626.2               | 13,082.2               | 12,935.3               | 12,076.2               | 12,835.7               |
| Change from Prior Year      | 7.70%                  | 5.50%                  | 4.70%                  | 3.61%                  | -1.12%                 | -6.64%                 | 6.29%                  |

<sup>(1)</sup> Actual, but unaudited, Operating Revenue. Fiscal Year 2006 figures are net of Tax Amnesty collections.

<sup>(2)</sup> Revenues are as projected by the Technical Forecast Committee on December 15, 2009. Revenues exclude Disproportionate Share Hospital (DSH), Quality Assessment Fee (QAF), and other miscellaneous revenues excluded from the forecast such as Marion County Juvenile Arrearage payments.

<sup>(3)</sup> See "General Fund Revenue Sources – Other Operating Revenue."

<sup>(4)</sup> P.L. 146-2008, the Governor's property tax reform legislation, included the following revenue changes in Fiscal Year 2009: an increase in sales tax from 6% to 7% effective April 1, 2008; individual income impacted by state-captured miscellaneous revenues and increase in renter's deduction; wagering tax from slots at the race tracks; and loss of reimbursement for juvenile incarceration costs.

<sup>(5)</sup> Excluding P.L. 146-2008, total revenues increased by 2.4% in Fiscal Year 2008, and then decreased by 7.4% in Fiscal Year 2009. Total revenues are projected to decrease by another 6.6% in Fiscal Year 2010, and then increase by 6.3% in Fiscal Year 2011. Excluding P.L. 146-2008, sales tax revenues increased by 2.9% in Fiscal Year 2008, and then decreased by 4.7% in Fiscal Year 2009. Excluding P.L. 146-2008, wagering tax revenues decreased by 6.4% in Fiscal Year 2009. Excluding P.L. 146-2008, other revenues decreased by 7.6% in Fiscal Year 2009.

Source: State Budget Agency

## Operating Expenditures

Actual expenditures may differ from estimated 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. Table 2 sets forth operating expenditures and estimates for all major expenditure categories for Fiscal Years 2005 through 2011.

**Table 2**  
**Expenditures**  
(Millions of Dollars)

|                                    | FY 2005 <sup>(1)</sup> | FY 2006 <sup>(1)</sup> | FY 2007 <sup>(1)</sup> | FY 2008 <sup>(1)</sup> | FY 2009 <sup>(1)</sup> | FY 2010 <sup>(2)</sup> | FY 2011 <sup>(2)</sup> |
|------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Local School Aid <sup>(3)</sup>    | 4,447.5                | 4,517.0                | 4,628.8                | 4,795.6                | 5,673.1                | 7,299.4                | 7,428.5                |
| Change from Prior Year             | 2.09%                  | 1.56%                  | 2.48%                  | 3.60%                  | 18.30%                 | 28.67%                 | 1.77%                  |
| Property Tax Relief <sup>(4)</sup> | 2,142.5                | 2,169.5                | 2,211.6                | 2,346.4                | 1,660.0                | 110.0                  | 40.0                   |
| Change from Prior Year             | 2.18%                  | 1.26%                  | 1.94%                  | 6.10%                  | -29.25%                | -93.37%                | N/A                    |
| Higher Education <sup>(5)</sup>    | 1,523.5                | 1,568.7                | 1,589.8                | 1,704.8                | 1,756.3                | 1,651.0                | 1,680.5                |
| Change from Prior Year             | 3.60%                  | 2.97%                  | 1.35%                  | 7.23%                  | 3.02%                  | -6.00%                 | 1.79%                  |
| Medicaid <sup>(6)</sup>            | 1,393.4                | 1,455.1                | 1,514.6                | 1,583.2                | 1,321.8                | 1,284.7                | 1,597.5                |
| Change from Prior Year             | 12.04%                 | 4.43%                  | 4.09%                  | 4.53%                  | -16.51%                | -2.81%                 | 24.35%                 |
| Correction                         | 620.9                  | 584.0                  | 589.2                  | 615.7                  | 634.8                  | 663.8                  | 673.1                  |
| Change from Prior Year             | 0.25%                  | -5.94%                 | 0.89%                  | 4.50%                  | 3.10%                  | 4.57%                  | 1.40%                  |
| Other <sup>(7)</sup>               | 1,528.0                | 1,600.2                | 1,712.8                | 1,834.0                | 2,005.9                | 1,907.2                | 2,161.9                |
| Change from Prior Year             | -5.27%                 | 4.73%                  | 7.04%                  | 7.08%                  | 9.37%                  | 4.92%                  | 13.35%                 |
| Total                              | 11,655.8               | 11,894.5               | 12,246.8               | 12,879.7               | 13,051.9               | 12,916.1               | 13,581.5               |
| Change from Prior Year             | 2.25%                  | 2.05%                  | 2.96%                  | 5.17%                  | 1.34%                  | -1.04%                 | 5.15%                  |

<sup>(1)</sup> Actual, but unaudited, expenditures.

<sup>(2)</sup> Estimated expenditures.

<sup>(3)</sup> Fiscal Year 2009 figures exclude \$536.4 million of Education Stabilization Funds provided under the American Recovery and Reinvestment Act (ARRA). Inclusion of these funds would result in a total of \$6,209.5 million, an increase of 29.48% over Fiscal Year 2008, primarily attributable to P.L. 146-2008.

<sup>(4)</sup> P.L. 146-2008, the Governor's property tax reform legislation, replaced Property Tax Replacement Credits with the State assuming 100% of the Tuition Support Levy and various other local levies previously borne by local government.

<sup>(5)</sup> Higher education figures exclude federal stimulus funds provided under the ARRA, the exact timing of the distribution of these funds is still being determined.

<sup>(6)</sup> Fiscal Year 2009 figures exclude \$348.1 million of federal stimulus funds provided under the ARRA. Inclusion of these funds would result in a total of \$1,669.9 million, an increase of 5.48% from Fiscal Year 2008. Fiscal Year 2010 figures exclude \$549.2 million of federal stimulus funds provided under the ARRA. Inclusion of these funds would result in a total of \$1,788.9 million, an increase of 7.13% over Fiscal Year 2009. Fiscal Year 2011 figures exclude \$289.2 million of federal stimulus funds provided under ARRA. Inclusion of these funds would result in a total of \$1,886.7 million, an increase of 5.47% over Fiscal Year 2010.

<sup>(7)</sup> P.L. 146-2008 also required the State to assume a number of local levies now included under "Other", such as the Family and Children Levy, the Children with Special Health Care Needs Levy, the State Fair Levy, the State Forestry Levy, and Public Safety Pensions costs.

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Source: State Budget Agency

**Local School Aid.** Funding for elementary and secondary education is the State's largest operating expense. Through December 31, 2008, local school aid was payable from both the General Fund and the Property Tax Replacement Fund ("PTR Fund"). With the enactment of P.L. 146-2008, the PTR Fund ceased to exist on December 31, 2008, and any remaining funds were transferred to the General Fund. Local school aid is payable from the General Fund only after December 31, 2008. See "State Budget Profile and Financial Results of Operations – The Governor's Property Tax Relief Legislation, P.L. 146-2008" for a summary of P.L. 146-2008.

Local school aid includes distributions for programs such as assessment and performance, as well as tuition support. 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 provided approximately 85% of the school corporations' general fund budgets. As part of the property tax reform legislation enacted by P.L. 146-2008, the State assumed responsibility for the local share of tuition support and began providing 100% of the tuition support for school corporation general funds in January 2009. Also included in P.L. 146-2008 were Fiscal Year 2009 appropriations for new facilities appeals (\$10 million), a preschool special education levy (\$3 million), and circuit breaker replacement credits (\$25 million), each of which were formerly paid by local property taxes.

Primarily due to the assumption of the local share of tuition support by the state, local school aid funding increased 18.3% for Fiscal Year 2009 on a statewide basis. These figures exclude \$536.4 million of ARRA funds; including these funds would result in an increase of 29.5% for Fiscal Year 2009. General fund appropriations for Fiscal Year 2010 are \$7,447.9 million, an increase of 31.3% over Fiscal Year 2009. These figures exclude \$73.6 million of ARRA funds. Local school aid appropriations from the general fund for Fiscal Year 2011 are \$7,577.0 million. See "Financial Results of Operations."

**Property Tax Relief.** Prior to 2009, spending for property tax relief primarily consisted of Property Tax Relief Credits ("PTR Credits") and the Homestead Credits. Prior to 2003, PTR Credits equaled 20% of property taxes charged excluding property taxes imposed for debt service or imposed in excess of the state's levy limitations. Homestead Credits equaled 10% of property taxes charged on homesteads excluding property taxes imposed for debt service or imposed in excess of the state's levy limitations. Appropriations for PTR Credits and Homestead Credits were made from the Property Tax Replacement Fund ("PTRF"). A special legislative session in 2002 resulted in PTR Credits being increased, subject to appropriation, to 60% of property taxes imposed by school corporations for general fund purposes and 20% of all other property taxes excluding property taxes imposed for debt service or imposed in excess of the State's levy limitations. Property taxes imposed on personal property were made ineligible to receive the 20% PTR Credits. During the same special legislative session, Homestead Credits were increased to 20%, subject to appropriation. These changes were effective January 1, 2003. Beginning with the Fiscal Years 2005-2007 biennium, the total amount of PTR Credits and Homestead Credits distributed in a fiscal year from the PTRF was limited to the amount distributed in Fiscal Year 2002 plus an amount equal to the increase in the state sales tax from 5.0% to 6.0% enacted during the 2002 special legislative session. HEA 1835-2007 established the Property Tax Reduction Trust Fund for the purpose of providing additional property tax relief payable solely from new revenues resulting from the operation of slot machines at horse racing tracks located within the state.

P.L. 146-2008 eliminated the appropriation for PTR Credits, replacing them with Homestead Credits and the State's assumption of 100% of the tuition support for school corporation general funds beginning in January 2009. P.L. 146-2008 provided for \$690M in Homestead Credits during the Fiscal Years 2007-2009 biennium.

**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 expenditures for Fiscal Year 2009 were \$1,756.3 million, an increase of 3.0% from Fiscal Year 2008. These figures exclude \$44.3 million of ARRA funds. Higher education appropriations for Fiscal Year 2010 are \$1,726.0 million, a decrease of 1.7% and \$1,755.5 million for Fiscal Year 2011. These figures exclude ARRA funds. Appropriations for higher education include university operating, university fee-replaced debt service, university line items, other higher education line items, university repair and rehabilitation, university capital projects, and state student aid. The General Assembly appropriated \$40.0 million in Fiscal Year 2007 and \$31.0 million in both Fiscal Year 2008 and Fiscal Year 2009 to reduce and eliminate by June 30, 2009 the repair and rehabilitation payment delay to State colleges and universities. Funds for all State Fiscal Years (2007, 2008, and 2009) have been paid in full to the Universities. 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 aggregate principal amount of bonds and notes outstanding as of June 30, 2009, for each State university and college eligible for Fee Replacement Appropriations and the amount of Fee Replacement Expenditures or Appropriations for Fiscal Years 2009 and 2010 are shown below.

**Table 3**  
**Schedule of Fee Replacement Debt**

|                                   | Amount of<br>Debt Outstanding<br>June 30, 2009 | Fiscal Year 2009<br>Fee Replacement<br>Expenditures | Fiscal Year 2010<br>Fee Replacement<br>Appropriations |
|-----------------------------------|--|---|---|
| Ball State University             | \$109,700,000                                  | \$11,541,023  | \$11,543,674  |
| Indiana University <sup>(1)</sup> | 426,622,901                                    | 69,802,073  | 69,701,584  |
| Indiana State University          | 63,312,938                                     | 9,134,603   | 8,231,452   |
| Ivy Tech Community College        | 235,861,000                                    | 22,226,787  | 26,656,511  |
| Purdue University <sup>(2)</sup>  | 317,216,102                                    | 22,667,959  | 34,209,413  |
| University of Southern Indiana    | 100,598,664                                    | 9,301,641   | 11,920,469  |
| Vincennes University              | <u>43,893,689</u>                              | <u>4,683,015</u>                                    | <u>5,275,650</u>                                      |
| Total                             | <u>\$1,297,205,294</u>                         | <u>\$149,357,101</u>                                | <u>\$167,538,753</u>                                  |

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

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

Source: State Budget Agency

**Medicaid.** Medicaid is a state/federal shared fiscal responsibility with the state supporting 24.89% of the total program through a combination of State General Fund and dedicated funds over the biennium. Federal funding accounts for the remaining 75.11%. The federal share has increased during Fiscal Years 2009, 2010, and 2011 as a result of the ARRA. For Fiscal Year 2009, state General Fund Medicaid expenditures totaled \$1,321.8 million. This figure excludes \$348.1 million of ARRA funds resulting from the temporary increase in the federal reimbursement rate. In Fiscal Year 2010, state General Fund Medicaid appropriations total \$1,284.7 million. This figure excludes \$549.2 million of ARRA funds. Enrollment was estimated to be 861,452 at the end of Fiscal Year 2009 and expected to reach 961,115 by the end of Fiscal Year 2010 (these figures exclude the Children's Health Insurance Program and the Healthy Indiana Program). Indiana's base federal reimbursement rate will equal 64.26% for the first quarter of Fiscal Year 2010 and 65.93% for the remaining three quarters of Fiscal Year 2010. State General Fund Medicaid appropriations for Fiscal Year 2011 total \$1,597.5 million. This figure excludes \$289.2 million of ARRA funds..

**Correction.** Appropriations for the Department of Correction, payable almost entirely from the General Fund, include funds for incarceration, rehabilitation and parole programs. Correction expenditures for Fiscal Year 2009 were \$634.8 million. Estimated Fiscal Year 2010 expenditures equal \$663.8 million, an increase of 4.6% over Fiscal Year 2009 expenditures. Estimated General Fund expenditures for Fiscal Year 2011 total \$679.1 million.

Correctional population is the most significant driver of Correction expenditures. Correctional population steadily increased from 21,540 in Fiscal Year 2001 to 27,351 in Fiscal Year 2009 and is projected to reach 27,503 by the end of Fiscal Year 2010.

**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's 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 estimated expenditures for Fiscal Year 2009 from the General Fund total

\$2,005.9 million, an increase of 9.4% over Fiscal Year 2008. This increase is attributable to a number of local levies assumed by the State under P.L. 146-2008, such as the Family and Children Levy, the Children with Special Health Care Needs Levy, the State Fair Levy, the State Forestry Levy, and Public Safety Pension costs. For Fiscal Year 2010, other categories of General Fund expenditures are expected to be \$1,907.2 million based on current projections.

**Expenditure Limits.** In 2002, the General Assembly enacted a law establishing a state spending cap. The law provides that the maximum annual percentage growth in state's spending cap from the General Fund and the PTR Fund must be the lesser of the average percentage change in Indiana non-farm personal income during the past six calendar years or 6%. At present, state expenditures are below the spending cap. 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 and Rainy Day Fund, and prior to 2009, the PTR 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 or 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 for Fiscal Years 2008 and 2009 to be 3.7% and 4.0%, respectively.

## **Fund Balances**

The State has four primary funds that build or hold unappropriated reserves: the Rainy Day Fund, the State Tuition Reserve, the Medicaid Reserve, and the General Fund. 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 General Fund. See Table 4 for Rainy Day Fund balances.

**State Tuition Reserve.** The Tuition Reserve was a cash flow device intended to assure that the State had sufficient cash to make local school aid payments on time. Prior to each June 1, the Budget Agency estimated and

established the Tuition Reserve for the ensuing Fiscal Year. See Table 4 for Tuition Reserve Fund balances. P.L. 146-2008 formally created the State Tuition Reserve Fund to which the balance of the Tuition Reserve was transferred and can only be used to make local school aid payments. An additional \$50 million was deposited in the Tuition Reserve Fund on June 30, 2008, two-and-a-half years before the legislative deadline of December 31, 2010. The Budget Agency transferred \$536.4 million from the General Fund to the State Tuition Reserve Fund on June 30, 2009, to support tuition support appropriations from the General Fund in Fiscal Year 2010 and Fiscal Year 2011.

**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.

**General Fund.** The General Fund is the primary fund into which general purpose tax revenue, or Operating Revenue, is deposited or transferred. Prior to its repeal, the PTR Fund was often times combined with 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.

With the enactment of P.L. 146-2008, the PTR Fund ceased to exist on December 31, 2008, and any remaining funds were transferred to the General Fund. See "Fiscal Policies - Fund Structure — Governmental Funds – Special Revenue Funds" and "State Budget Profile and Financial Results of Operations – The Governor's Property Tax Relief Legislation, P.L. 146-2008" for a summary of P.L. 146-2008.

### **Financial Results of Operations**

The State closed Fiscal Year 2009 with combined balances of \$1,419.4 million in the General Fund, which was 10.2% of that Fiscal Year's operating revenue. This combined balance includes a General Fund balance of \$54.9 million, a Tuition Reserve balance of \$941.7 million, and a Rainy Day Fund balance of \$365.2 million. It also includes \$57.6 million in the Medicaid Reserve.

Fiscal Year 2009 was highlighted by the State maintaining its level of reserves, attributable to spending restraint as well as the ARRA. The Governor approved the final repayment of \$31.0 million to higher education in Fiscal Year 2009 to eliminate the payment delays utilized in the previous economic downturn. The Governor caused approximately \$530 million of reversions to the General Fund, and deferred more than \$300 million of potential reversions to assist with balancing the budget in Fiscal Year 2010.

### **Revenue Forecast for Fiscal Years 2009, 2010 and 2011**

The Technical Forecast Committee (the "Forecast Committee") presented an updated forecast of State revenue for Fiscal Years 2010 and 2011 to the State Budget Committee on December 15, 2009. Fiscal Year 2009 revenue decreased by \$962.9 million (or 7.4%) compared to Fiscal Year 2008 revenue when normalized for P.L. 146-2008. Fiscal Year 2010 State revenue is projected to decrease by \$830.0 million (or 6.6%) from actual revenues collected during Fiscal Year 2009. Fiscal Year 2011 State revenue is projected to increase by \$759.5 million (or 6.3%) over 2010 revenues.

P.L. 146-2008 increased the sales tax from 6.0% to 7.0% effective April 1, 2008, as part of the property tax reform legislation. The increase generated \$151.6 million in Fiscal Year 2008, and generated \$879.0 million in Fiscal Year 2009. P.L. 146-2008 increased wagering tax collections for Fiscal Year 2009 to the General Fund by \$62.8 million, caused by the elimination of the Property Tax Reduction Trust Fund on December 31, 2008. P.L. 146-2008 also increased "Other" collections for Fiscal Year 2009 by \$25.8 million due to state captured miscellaneous revenues.

### **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 2008 Financial Report or the Auditor of State's comprehensive annual financial reports for other Fiscal Years. Forecasted revenue is 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 2010 and 2011.

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

|   | Actual<br><u>FY2007</u> | Actual<br><u>FY2008</u> | Actual<br><u>FY2009</u> | Estimated<br><u>FY2010<sup>(1)</sup></u> | Estimated<br><u>FY2011<sup>(1)</sup></u> |
|---|-------------------------|-------------------------|-------------------------|--|--|
| <u>Resources:</u>   |                         |                         |                         |  |  |
| Working Balance on July 1                                 | 410.7                   | 537.2                   | 592.5                   | 54.9                                     | 303.1                                    |
| <u>Current Year Resources:</u>                            |                         |                         |                         |  |  |
| Forecast Revenue  | 12,626.2                | 13,082.2                | 12,935.3                | 12,076.2                                 | 12,835.7                                 |
| Miscellaneous Revenue                                     | -                       | 35.9                    | 21.8                    | 12.0                                     | -  |
| DSH Revenue   | 65.1                    | 65.2                    | 60.1                    | 60.0                                     | 60.0                                     |
| Quality Assessment Fee                                    | 21.7                    | 19.7                    | 34.4                    | 39.4                                     | 29.6                                     |
| Rainy Day Fund Interest and Repayment of Loans            | 14.6                    | 18.8                    | 2.2                     | 3.3                                      | 7.0                                      |
| 2007 Outside Acts   | 9.8                     | -                       | -                       | -  | -  |
| Transfer from Medicaid Reserve to General Fund            | -                       | 30.0                    | -                       | 34.1                                     | 23.5                                     |
| Transfer from Dedicated Fund Balances                     | 1.2                     | -                       | -                       | -  | -  |
| ARRA Medicaid   | -                       | -                       | -                       | 549.2                                    | 289.2                                    |
| ARRA Education Stabilization Funds                        | -                       | -                       | -                       | 128.8                                    | 84.5                                     |
| Transfer from General Fund to State Tuition Reserve       | -                       | -                       | -536.4                  | -73.6                                    | -  |
| Transfer from Rainy Day Fund to General Fund              | =                       | =                       | =                       | =  | <u>375.5</u>                             |
| Transfer from State Tuition Reserve to General Fund       | =                       | =                       | =                       | <u>1,017.5</u>                           | =  |
| Total Current Year Resources                              | <u>12,738.6</u>         | <u>13,251.8</u>         | <u>12,517.4</u>         | <u>13,846.9</u>                          | <u>13,705.0</u>                          |
| Total Resources   | 13,149.3                | 13,789.0                | 13,109.9                | 13,901.8                                 | 14,008.1                                 |
| <u>Uses: Appropriations, Expenditures and Reversions:</u> |                         |                         |                         |  |  |
| <b>Appropriations</b>                                     |                         |                         |                         |  |  |
| Budgeted Appropriations                                   | 12,246.0                | 13,151.6                | 14,549.5                | 13,571.4                                 | 14,113.0                                 |
| Adjustments to Appropriations <sup>(2)</sup>              | -32.5                   | -0.6                    | 27.7                    | 23.2                                     | 23.2                                     |
| Enrolled Acts 2006  | 69.6                    | -                       | -                       | -  | -  |
| Enrolled Acts 2008 (excluding P.L. 146-2008)              | -                       | -                       | 4.9                     | -  | -  |
| ARRA Medicaid   | -                       | -                       | -                       | 549.2                                    | 289.2                                    |
| ARRA Education Stabilization Funds                        | -                       | -                       | -                       | 128.8                                    | 84.5                                     |
| Tuition Support Deficiency                                | <u>56.1</u>             | =                       | =                       | =  | =  |
| Total Appropriations                                      | 12,339.2                | 13,151.0                | 14,582.1                | 14,272.6                                 | 14,509.9                                 |

**Other Expenditures and Transfers**

|  |             |            |            |            |            |
|--|-------------|------------|------------|------------|------------|
| Transfer from General Fund to Tuition Reserve          | -           | 83.4       | -          | -          | -          |
| Local Option Income Tax Distributions                  | 35.2        | 11.8       | 8.7        | -          | -          |
| PTRC and Homestead Credit Adjustments                  | -25.9       | -38.0      | -23.5      | 90.0       | -          |
| Adjustment for Stadium/Convention Center Appropriation | -           | -          | -          | -40.0      | -42.0      |
| Judgments and Settlements <sup>(3)</sup>               | <u>11.4</u> | <u>6.6</u> | <u>5.3</u> | <u>8.0</u> | <u>8.0</u> |
| Total Appropriations and Expenditures                  | 12,359.9    | 13,214.8   | 14,572.6   | 14,330.6   | 14,475.9   |

**Payment Delays**

|                                 |                 |                 |                 |                 |                 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Higher Education Allotment      | 40.0            | -               | -               | -               | -               |
| Tuition Support Distribution    | 160.1           | -               | -               | -               | -               |
| Property Tax Replacement Credit | 136.5           | 95.7            | -105.5          | -               | -               |
| Reversions <sup>(4)</sup>       | <u>-118.9</u>   | <u>-132.8</u>   | <u>-1,414.2</u> | <u>-734.5</u>   | <u>-515.5</u>   |
| <b>Total Net Uses</b>           | <u>12,577.9</u> | <u>13,177.7</u> | <u>13,052.9</u> | <u>13,596.1</u> | <u>13,960.4</u> |

|   |       |       |      |       |      |
|---|-------|-------|------|-------|------|
| General Fund Reserve Balance at June 30 | 537.2 | 592.5 | 54.9 | 303.1 | 40.6 |
|---|-------|-------|------|-------|------|

**Reserved Balances**

|                               |                |                |                |              |             |
|-------------------------------|----------------|----------------|----------------|--------------|-------------|
| Medicaid Reserve              | 87.6           | 57.6           | 57.6           | 23.5         | 0.0         |
| Tuition Reserve               | 316.6          | 400.00         | 941.7          | 0.0          | 0.0         |
| Rainy Day Fund <sup>(5)</sup> | <u>344.3</u>   | <u>363.0</u>   | <u>365.2</u>   | <u>368.5</u> | <u>0.0</u>  |
| Total Combined Balances       | <u>1,285.7</u> | <u>1,413.1</u> | <u>1,419.4</u> | <u>695.1</u> | <u>40.6</u> |

|  |        |       |       |      |      |
|--|--------|-------|-------|------|------|
| Payment Delay Liability                            | -285.5 | -31.1 | 0.0   | 0.0  | 0.0  |
| Combined Balance as a Percent of Operating Revenue | 10.1%  | 10.7% | 10.9% | 5.0% | 0.3% |

Totals may not add as a result of rounding.

(1) Revenues are those projected by the Technical Forecast Committee on December 15, 2009; appropriations are those authorized by the 2009 General Assembly for Fiscal Years 2010 and 2011.

(2) 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.

(3) 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."

(4) \$55.3 million of reversions in Fiscal Year 2007 represent capital reversions, previously reported as reverting in Fiscal Year 2005.

(5) Net of outstanding loans to local governments. The loans are authorized by the General Assembly and are illiquid.

a.  
b.

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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. A lease agreement with ITR Concession Company LLC was signed in April 2006 and the transaction was closed on June 29, 2006. Shortly after the closing, the revenues from the lease, \$3.8 billion (net of expenses and the bond repayments), were transferred to a trust fund and are being used 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, the Recreational Development Commission, the State Revolving Fund Programs, and the Indiana Brownfields Program were consolidated into the Indiana Finance Authority. Effective July 1, 2007, the Indiana Health and Educational Facility Financing Authority was also merged into the Indiana Finance Authority. As the successor entity, 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” 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 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—State Buildings.”

The Indiana Finance Authority has the authority to provide (and its predecessor, the State Office Building Commission, had provided) short-term, or construction, financing for authorized projects through the issuance of commercial paper 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—Highway Revenue Bonds.”

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. However, none have been issued to date.

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—Recreational 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” and “Table 8—Schedule of Long Term Debt—Contingent Obligations—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, 2009. See “Authorized but Unissued Debt” and “Table 3 – Schedule of Fee Replacement Debt.”

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

| <u>Type/Series</u>                   | <u>Original<br/>Par Amount</u> | <u>Ending Balance<br/>6/30/2008</u> | <u>(Redeemed)/<br/>Issued</u> | <u>Ending Balance<br/>6/30/2009</u> |
|--------------------------------------|--------------------------------|-------------------------------------|-------------------------------|-------------------------------------|
| STATE BUILDINGS                      |                                |                                     |                               |                                     |
| Forensic & Health Sciences Lab       |                                |                                     |                               |                                     |
| Series 2006A                         | \$62,900,000                   | \$62,900,000                        | (\$2,030,000)                 | \$60,870,000                        |
| Subtotal                             | \$62,900,000                   | \$62,900,000                        | (\$2,030,000)                 | \$60,870,000                        |
| Government Center Parking Facilities |                                |                                     |                               |                                     |
| Series 1990A                         | \$26,669,824                   | \$6,715,217                         | (\$390,217)                   | \$6,325,000                         |
| Series 2003A                         | 26,735,000                     | 17,390,000                          | (3,070,000)                   | 14,320,000                          |
| Subtotal                             | \$53,404,824                   | \$24,105,217                        | (\$3,460,217)                 | \$20,645,000                        |
| Government Center North              |                                |                                     |                               |                                     |
| Series 1990B                         | \$77,123,542                   | \$20,830,199                        | (\$1,210,199)                 | \$19,620,000                        |
| Series 2003B                         | 73,205,000                     | 56,540,000                          | (5,950,000)                   | 50,590,000                          |
| Subtotal                             | \$150,328,542                  | \$77,370,199                        | (\$7,160,199)                 | \$70,210,000                        |
| Government Center South              |                                |                                     |                               |                                     |
| Series 1990C                         | \$18,063,800                   | \$4,548,660                         | (\$263,660)                   | \$4,285,000                         |
| Series 1990D                         | 110,675,000                    | 38,135,000                          | (8,600,000)                   | 29,535,000                          |
| Series 2000B                         | 43,400,000                     | 14,400,000                          | (14,400,000)                  | 0                                   |
| Series 2003C                         | 7,835,000                      | 5,935,000                           | (650,000)                     | 5,285,000                           |
| Series 2008B                         | 13,725,000                     | 13,725,000                          | 13,725,000                    | 13,725,000                          |
| Subtotal                             | \$193,698,800                  | \$63,018,660                        | (\$10,188,660)                | \$52,830,000                        |
| Other Facilities                     |                                |                                     |                               |                                     |
| Series 1995B                         | 47,975,000                     | 19,310,000                          | 0                             | 19,310,000                          |
| Series 1998A                         | 93,020,000                     | 61,895,000                          | (55,965,000)                  | 5,930,000                           |
| Series 1999A                         | 96,785,000                     | 23,485,000                          | (18,995,000)                  | 4,490,000                           |
| Series 2000A                         | 44,800,000                     | 32,600,000                          | (32,600,000)                  | 0                                   |
| Series 2001A                         | 66,600,000                     | 56,500,000                          | (56,500,000)                  | 0                                   |
| Series 2002A                         | 128,110,000                    | 51,015,000                          | (5,180,000)                   | 45,835,000                          |
| Series 2003A                         | 83,530,000                     | 40,985,000                          | (3,205,000)                   | 37,780,000                          |
| Series 2003B                         | 31,930,000                     | 29,530,000                          | (1,245,000)                   | 28,285,000                          |
| Series 2003C                         | 55,075,000                     | 55,075,000                          | (2,795,000)                   | 52,280,000                          |
| Series 2003D                         | 20,475,000                     | 18,250,000                          | (2,605,000)                   | 15,645,000                          |

|                                      |                        |                        |                        |                        |
|--------------------------------------|------------------------|------------------------|------------------------|------------------------|
| Series 2004A                         | 46,180,000             | 46,060,000             | (65,000)               | 45,995,000             |
| 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             | (1,105,000)            | 32,890,000             |
| Series 2004E                         | 57,005,000             | 57,005,000             | (1,835,000)            | 55,170,000             |
| Series 2008A                         | 29,715,000             | 0                      | 29,715,000             | 29,715,000             |
| Series 2008C                         | 53,035,000             | 0                      | 53,035,000             | 53,035,000             |
| Series 2009A                         | 47,360,000             | 0                      | 47,360,000             | 47,360,000             |
| Series 2009B                         | 13,825,000             | 0                      | 13,825,000             | 13,825,000             |
| Subtotal                             | \$1,045,255,000        | \$623,770,000          | (\$40,385,000)         | \$583,385,000          |
| <b>TOTAL STATE BUILDINGS</b>         | <b>\$1,505,587,166</b> | <b>\$851,164,076</b>   | <b>(\$63,224,076)</b>  | <b>\$787,940,000</b>   |
| <b>HIGHWAY REVENUE BONDS</b>         |                        |                        |                        |                        |
| Series 1990A                         | \$72,498,391           | \$27,935,000           | (\$1,465,000)          | \$26,470,000           |
| Series 1992A                         | 74,035,000             | 35,285,000             | 0                      | 35,285,000             |
| Series 1993A                         | 193,531,298            | 93,286,298             | (8,415,000)            | 84,871,298             |
| Series 1998A                         | 175,360,000            | 58,830,000             | (12,405,000)           | 46,425,000             |
| Series 2000                          | 269,535,000            | 16,235,000             | 0                      | 16,235,000             |
| Series 2003A                         | 433,155,000            | 115,010,000            | (11,825,000)           | 103,185,000            |
| Series 2004A                         | 320,550,000            | 11,645,000             | 0                      | 11,645,000             |
| Series 2004B                         | 147,345,000            | 147,345,000            | 0                      | 147,345,000            |
| Series 2004C                         | 146,080,000            | 146,080,000            | 0                      | 146,080,000            |
| Series 2007A                         | 642,300,000            | 642,300,000            | (4,735,000)            | 637,565,000            |
| <b>TOTAL HIGHWAYS</b>                | <b>\$2,474,389,689</b> | <b>\$1,293,951,298</b> | <b>(\$38,845,000)</b>  | <b>\$1,255,106,298</b> |
| <b>AVIATION FACILITIES</b>           |                        |                        |                        |                        |
| <b>Airport Facilities Bonds</b>      |                        |                        |                        |                        |
| Series 2008A                         | 127,655,000            | 127,655,000            | 0                      | 127,655,000            |
| Series 2008B                         | 51,485,000             | 51,485,000             | (14,030,000)           | 37,455,000             |
| Subtotal                             | \$179,140,000          | \$179,140,000          | (\$14,030,000)         | \$165,110,000          |
| <b>Aviation Technology Bonds</b>     |                        |                        |                        |                        |
| Series 2002                          | \$10,095,000           | \$7,555,000            | (\$620,000)            |                        |
| Subtotal                             | \$10,095,000           | \$7,555,000            | (\$620,000)            | \$6,935,000            |
| <b>TOTAL AVIATION FACILITIES</b>     | <b>\$189,235,000</b>   | <b>\$186,695,000</b>   | <b>(\$14,650,000)</b>  | <b>\$172,045,000</b>   |
| <b>RECREATIONAL FACILITIES</b>       |                        |                        |                        |                        |
| Series 1997                          | \$6,600,000            | \$4,270,000            | (\$295,000)            | \$3,975,000            |
| Series 2002                          | 14,400,000             | 12,565,000             | (905,000)              | 11,660,000             |
| Series 2004                          | 12,780,000             | 12,415,000             | (630,000)              | 11,785,000             |
| <b>TOTAL RECREATIONAL FACILITIES</b> | <b>\$33,780,000</b>    | <b>\$29,250,000</b>    | <b>(\$1,830,000)</b>   | <b>\$27,420,000</b>    |
| <b>BOND BANK</b>                     |                        |                        |                        |                        |
| Series 1998A (ADDL)                  | \$10,830,000           | \$3,335,000            | (\$900,000)            | \$2,435,000            |
| <b>TOTAL BOND BANK</b>               | <b>\$10,830,000</b>    | <b>\$3,335,000</b>     | <b>(\$900,000)</b>     | <b>\$2,435,000</b>     |
| <b>TOTAL ALL BONDS</b>               | <b>\$4,213,821,855</b> | <b>\$2,568,945,374</b> | <b>(\$119,449,076)</b> | <b>\$2,244,946,297</b> |

Source: Indiana Finance Authority (as of June 30, 2009). Excludes accreted value of capital appreciation bonds.

**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, 2009. See “Authorized but Unissued Debt.”

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

| <u>Type/Series</u>                          | <u>FY 2010</u> | <u>FY2011</u> | <u>FY2012</u> | <u>FY2013</u> | <u>Thereafter</u> |
|---|----------------|---------------|---------------|---------------|-------------------|
| <b>STATE BUILDINGS</b>                      |                |               |               |               |                   |
| Forensic & Health Sciences Lab              |                |               |               |               |                   |
| Series 2006A                                | \$4,812,165    | \$4,811,065   | \$4,811,465   | \$4,808,265   | \$71,657,415      |
| Subtotal                                    | \$4,812,165    | \$4,811,065   | \$4,811,465   | \$4,808,265   | \$71,657,415      |
| <b>Government Center Parking Facilities</b> |                |               |               |               |                   |
| Series 1990A                                | \$468,050      | \$468,050     | \$468,050     | \$468,050     | \$7,049,275       |
| Series 2003A                                | 3,676,763      | 3,672,863     | 3,668,863     | 1,214,563     | 3,630,744         |
| Subtotal                                    | \$4,144,813    | \$4,140,913   | \$4,136,913   | \$1,682,613   | \$10,680,019      |
| <b>Government Center North</b>              |                |               |               |               |                   |
| Series 1990B                                | \$1,451,880    | \$1,451,880   | \$1,451,880   | \$1,451,880   | \$21,866,640      |
| Series 2003B                                | 8,547,803      | 8,538,803     | 8,528,928     | 8,526,053     | 25,547,204        |
| Subtotal                                    | \$9,999,683    | \$9,990,683   | \$9,980,808   | \$9,977,933   | \$47,413,844      |
| <b>Government Center South</b>              |                |               |               |               |                   |
| Series 1990C                                | \$317,090      | \$317,090     | \$317,090     | \$317,090     | \$4,775,435       |
| Series 1990D                                | 10,920,515     | 10,893,980    | 10,867,423    |               | 0                 |
| Series 2003C                                | 873,138        | 870,838       | 867,538       | 873,038       | 2,603,356         |
| Series 2008B                                | 737,719        | 686,250       | 686,250       | 14,068,125    | 0                 |
| Subtotal                                    | \$12,848,461   | \$12,768,158  | \$12,738,300  | \$15,258,253  | \$7,378,791       |
| <b>Other Facilities</b>                     |                |               |               |               |                   |
| Series 1995B                                | \$3,081,406    | \$3,067,719   | \$3,069,375   | \$3,068,750   | \$12,223,438      |
| Series 1998A                                | 6,076,225      | 0             | 0             | 0             | 0                 |
| Series 1999A                                | 4,606,963      | 0             | 0             | 0             | 0                 |
| Series 2002A                                | 7,591,828      | 7,591,813     | 7,576,794     | 7,569,488     | 32,206,688        |
| Series 2003A                                | 5,070,903      | 5,056,965     | 5,062,963     | 5,049,960     | 32,507,068        |
| Series 2003B                                | 2,553,310      | 2,546,925     | 2,545,245     | 2,543,436     | 30,311,179        |
| Series 2003C                                | 2,654,313      | 3,565,713     | 4,278,213     | 4,239,813     | 61,500,494        |
| Series 2003D                                | 1,120,038      | 1,046,238     | 1,033,638     | 1,021,038     | 18,377,581        |
| Series 2004A                                | 2,481,894      | 7,080,194     | 7,062,156     | 7,031,519     | 35,031,025        |
| Series 2004B                                | 3,249,225      | 3,249,225     | 3,249,225     | 3,249,225     | 75,615,600        |
| Series 2004C                                | 1,779,285      | 1,779,285     | 1,789,141     | 1,813,455     | 42,320,356        |
| Series 2004D                                | 2,660,963      | 2,662,425     | 2,657,188     | 2,657,188     | 39,537,820        |
| Series 2004E                                | 4,491,763      | 4,492,306     | 4,489,638     | 4,486,438     | 66,754,647        |
| Series 2008A                                | 1,932,551      | 3,289,838     | 3,208,788     | 3,688,238     | 27,346,944        |
| Series 2008C                                | 3,392,066      | 4,704,388     | 4,794,138     | 5,761,138     | 56,992,569        |

|                                      |                      |                      |                      |                      |                        |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|------------------------|
| Series 2009A                         | 1,873,664            | 3,512,375            | 8,593,100            | 1,799,600            | 46,278,550             |
| Series 2009B                         | 602,924              | 691,250              | 691,250              | 7,462,625            | 7,052,000              |
| Subtotal                             | \$55,219,318         | \$54,345,656         | \$60,100,849         | \$61,441,908         | \$584,055,957          |
| <b>TOTAL STATE BUILDINGS</b>         | <b>\$87,024,439</b>  | <b>\$86,056,473</b>  | <b>\$91,768,334</b>  | <b>\$93,168,970</b>  | <b>\$721,186,025</b>   |
| <b>HIGHWAY REVENUE BONDS</b>         |                      |                      |                      |                      |                        |
| Series 1990A                         | \$3,694,075          | \$3,880,388          | \$6,708,863          | \$6,716,288          | \$13,420,013           |
| Series 1992A                         | 2,399,380            | 6,364,810            | 6,351,320            | 6,343,280            | 25,253,440             |
| Series 1993A                         | 12,621,413           | 12,268,900           | 14,435,250           | 14,437,213           | 98,819,138             |
| Series 1998A                         | 14,145,244           | 1,896,950            | 1,896,950            | 1,896,950            | 49,792,375             |
| Series 2000                          | 901,575              | 901,575              | 901,575              | 2,894,428            | 15,679,990             |
| Series 2003A                         | 17,295,396           | 17,297,726           | 17,311,558           | 17,539,748           | 69,643,400             |
| Series 2004A                         | 603,315              | 603,315              | 603,315              | 603,315              | 15,163,675             |
| Series 2004B                         | 8,192,175            | 8,192,175            | 8,192,175            | 8,192,175            | 191,324,188            |
| Series 2004C                         | 9,111,863            | 9,188,988            | 16,581,113           | 13,289,613           | 177,458,419            |
| Series 2007A                         | 33,210,383           | 41,533,170           | 28,574,845           | 28,574,133           | 949,632,674            |
| <b>TOTAL HIGHWAYS</b>                | <b>\$102,174,818</b> | <b>\$102,127,996</b> | <b>\$101,556,963</b> | <b>\$100,487,140</b> | <b>\$1,606,187,310</b> |
| <b>AVIATION FACILITIES</b>           |                      |                      |                      |                      |                        |
| Airport Facilities Bonds             |                      |                      |                      |                      |                        |
| Series 2008A                         | \$6,382,750          | \$6,382,750          | \$14,689,750         | \$21,488,500         | \$119,011,375          |
| Series 2008B                         | 16,282,910           | 15,917,804           | 7,185,549            | 0                    | 0                      |
| Subtotal                             | \$22,665,660         | \$22,300,554         | \$21,875,299         | \$21,488,500         | \$119,011,375          |
| Aviation Technology Bonds            |                      |                      |                      |                      |                        |
| Series 2002                          | \$950,033            | \$953,398            | \$954,769            | \$954,165            | \$4,772,593            |
| Subtotal                             | \$950,033            | \$953,398            | \$954,769            | \$954,165            | \$4,772,593            |
| <b>TOTAL AVIATION FACILITIES</b>     | <b>\$23,615,692</b>  | <b>\$23,253,951</b>  | <b>\$22,830,068</b>  | <b>\$22,442,665</b>  | <b>\$123,783,968</b>   |
| <b>RECREATIONAL FACILITIES</b>       |                      |                      |                      |                      |                        |
| Series 1997                          | \$520,111            | \$518,636            | \$520,963            | \$517,190            | \$3,101,060            |
| Series 2002                          | 1,488,361            | 1,522,793            | 1,562,493            | 1,637,343            | 8,539,999              |
| Series 2004                          | 1,129,858            | 1,155,208            | 1,162,873            | 1,178,519            | 11,054,538             |
| <b>TOTAL RECREATIONAL FACILITIES</b> | <b>\$3,138,330</b>   | <b>\$3,196,636</b>   | <b>\$3,246,328</b>   | <b>\$3,333,051</b>   | <b>\$22,695,596</b>    |
| <b>BOND BANK</b>                     |                      |                      |                      |                      |                        |
| Series 1998A (ADDL)                  | \$1,042,598          | \$1,044,130          | \$522,113            | \$0                  | \$0                    |
| <b>TOTAL BOND BANK</b>               | <b>\$1,042,598</b>   | <b>\$1,044,130</b>   | <b>\$522,113</b>     | <b>\$0</b>           | <b>\$0</b>             |
| <b>TOTAL ALL BONDS</b>               | <b>\$216,995,877</b> | <b>\$215,679,187</b> | <b>\$219,923,804</b> | <b>\$219,431,826</b> | <b>\$2,473,852,899</b> |

Source: Indiana Finance Authority (as of June 30, 2009)

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

| <u>Fiscal Year</u> | <u>Population</u> <sup>(1)</sup> | <u>Personal Income</u> <sup>(1)(2)</sup> | <u>Outstanding Debt Subject to Appropriation</u> <sup>(2)</sup> | <u>Debt/Capita</u> | <u>Debt/Income</u> |
|--------------------|----------------------------------|--|---|--------------------|--------------------|
| 2000               | 6,091,694                        | 167,276                                  | 1,569   | 258                | 0.9%               |
| 2001               | 6,124,967                        | 171,799                                  | 1,624   | 265                | 0.9%               |
| 2002               | 6,149,007                        | 175,398                                  | 1,713   | 279                | 1.0%               |
| 2003               | 6,181,789                        | 182,817                                  | 1,774   | 287                | 1.0%               |
| 2004               | 6,214,454                        | 190,329                                  | 2,494   | 401                | 1.3%               |
| 2005               | 6,253,120                        | 195,590                                  | 2,518   | 403                | 1.3%               |
| 2006               | 6,301,700                        | 206,959                                  | 2,460   | 390                | 1.2%               |
| 2007               | 6,346,113                        | 213,875                                  | 2,466   | 389                | 1.2%               |
| 2008               | 6,388,309                        | 220,670                                  | 2,569   | 402                | 1.2%               |
| 2009               | 6,423,113                        | 220,670                                  | 2,245   | 350                | 1.0%               |

<sup>(1)</sup> Estimated.  
<sup>(2)</sup> In millions.

Source: Population: United States Census Bureau, December 2009. Personal Income: United States Department of Commerce, Bureau of Economic Analysis. Outstanding Debt: Indiana Finance Authority.

***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:

- Two additional regional mental health facilities;
- State-wide wireless public safety communications network; and
- Parking facilities in the area of the state capitol complex.

In addition, legislation was enacted in 2005 that authorizes the Indiana Finance Authority to provide funds for research and technology grants and loans.

The Indiana Finance Authority may initially provide short-term, or construction, financing for these facilities through its commercial paper program. As of June 30, 2009, no commercial paper was outstanding.

See “State Indebtedness – Contingent Obligations – Economic Development” for a description of the revenue bonds the Indiana Finance Authority has issued for the Stadium and Convention Center expansion projects.

The Indiana Finance Authority monitors refinancing opportunities for its bonds, and may issue refunding bonds 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 there from 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 157-mile Indiana East-West Toll Road (the “Toll Road”) in northern Indiana, which links the Chicago Skyway and the Ohio Turnpike. These bonds were redeemed on June 29, 2006 and are no longer outstanding.

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 lease agreement with ITR Concession Company, LLC was signed in April 2006, and the transaction was closed on June 29, 2006. On June 29, 2006 a portion of the \$3.8 billion in revenues from the lease was applied to pay off all 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 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.

In 2005, legislation was enacted that authorizes the Indiana Finance Authority to issue revenue bonds and loan the proceeds thereof to the Indiana Stadium and Convention Building Authority for the purpose of financing the acquisition and construction of a stadium and the expansion of a convention center in Indianapolis. The legislation authorizes the Indiana Stadium and Convention Building Authority to lease such capital improvements to a State agency pursuant to a lease, which requires the State agency: (1) to seek biennial appropriations from the General Assembly in an amount sufficient to pay rent equal to the debt service due on such bonds, only if: (a) the amount of such rent is fair and reasonable; and (b) such capital improvements are available for use and occupancy; and (2) to pay, from such appropriated amounts, rent sufficient to pay such debt service, only if certain local tax revenues expected to satisfy debt service are insufficient. In addition, the Indiana Finance Authority, in connection with the issuance of such revenue bonds, 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 previously issued \$666,525,000 of such revenue bonds for the stadium project which was substantially complete and ready for use and occupancy in August 2008. The Indiana Finance Authority originally issued \$40,000,000 of bond anticipation notes for the convention center expansion project. However, the Indiana Finance Authority issued the Series 2008 A Bonds (Convention Center Expansion Project) on August 20, 2008, in the amount of \$120,000,000, the proceeds of which were used to refund the bond anticipation notes and to finance the next phases of the convention center expansion project. The Series 2009 A and B Bonds, in the amount of \$209,230,000 were issued to fund the final phases of the convention center expansion project.

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. As of June 30, 2009, no such revenue bonds have been issued.

**Schedule of Long Term Debt.** Table 8 lists the long term debt classified as contingent obligations that was outstanding on June 30, 2009. 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**

| <u>Type/Series</u>             | <u>Original<br/>Par Amount</u> | <u>Ending Balance<br/>6/30/2008</u> | <u>(Redeemed)/<br/>Issued</u> | <u>Ending Balance<br/>6/30/2009</u> |
|--------------------------------|--------------------------------|-------------------------------------|-------------------------------|-------------------------------------|
| BOND BANK Special Program Pool |                                |                                     |                               |                                     |
| Series 1998A                   | 6,485,000                      | 4,905,000                           | (235,000)                     | 4,670,000                           |
| Series 2000A (Refunding)       | 32,860,000                     | 4,600,000                           | (965,000)                     | 3,635,000                           |
| Series 2001A (Refunding)       | 20,840,000                     | 11,395,000                          | (1,590,000)                   | 9,805,000                           |
| Series 2001A                   | 7,055,000                      | 4,260,000                           | (330,000)                     | 3,930,000                           |
| Series 2001B                   | 9,500,000                      | 6,445,000                           | (6,445,000)                   | 0                                   |
| Series 2002A                   | 42,910,000                     | 36,715,000                          | (1,370,000)                   | 35,345,000                          |
| Series 2002C                   | 3,940,000                      | 1,625,000                           | (490,000)                     | 1,135,000                           |
| Series 2002D                   | 60,000,000                     | 5,780,000                           | (1,350,000)                   | 4,430,000                           |
| Series 2002E                   | 10,155,000                     | 8,875,000                           | (295,000)                     | 8,580,000                           |
| Series 2003A                   | 40,385,000                     | 38,705,000                          | (875,000)                     | 37,830,000                          |
| Series 2003B                   | 8,885,000                      | 6,910,000                           | (475,000)                     | 6,435,000                           |
| Series 2003C                   | 10,425,000                     | 6,295,000                           | (865,000)                     | 5,430,000                           |

|   |                        |                        |                      |                        |
|---|------------------------|------------------------|----------------------|------------------------|
| Series 2003D <sup>(1)</sup> (CLC)                               | 27,515,000             | 27,515,000             | 0                    | 27,515,000             |
| Series 2003E  | 36,530,000             | 34,445,000             | (580,000)            | 33,865,000             |
| Series 2003F-1  | 17,155,000             | 11,095,000             | (1,405,000)          | 9,690,000              |
| Series 2004A  | 17,210,000             | 15,190,000             | (700,000)            | 14,490,000             |
| Series 2004B  | 17,590,000             | 14,840,000             | (790,000)            | 14,050,000             |
| Series 2004C  | 35,010,000             | 33,795,000             | (840,000)            | 32,955,000             |
| Series 2004D  | 29,275,000             | 26,230,000             | (1,440,000)          | 24,790,000             |
| Series 2005A  | 14,790,000             | 13,130,000             | (675,000)            | 12,455,000             |
| Series 2005C  | 11,160,000             | 10,385,000             | (410,000)            | 9,975,000              |
| Series 2005D  | 4,505,000              | 4,375,000              | (135,000)            | 4,240,000              |
| Series 2006B-1  | 12,400,000             | 12,170,000             | (240,000)            | 11,930,000             |
| Series 2006B-2  | 2,890,000              | 2,875,000              | (275,000)            | 2,600,000              |
| Series 2006A (Ref)  | 26,485,000             | 24,100,000             | (1,070,000)          | 23,030,000             |
| Series 2006C <sup>(1)</sup>                                     | 20,660,000             | 20,660,000             | (700,000)            | 19,960,000             |
| Series 2006D  | 13,985,000             | 12,045,000             | (525,000)            | 11,520,000             |
| Series 2007A (Ref)  | 44,915,000             | 44,915,000             | 0                    | 44,915,000             |
| Series 2008D-1  | 4,265,000              | 0                      | 4,265,000            | 4,265,000              |
| Series 2008D-2 <sup>(2)</sup>                                   | 1,795,000              | 0                      | 1,795,000            | 1,795,000              |
| Series 2009A  | 75,000,000             | 0                      | 75,000,000           | 75,000,000             |
| <b>TOTAL BOND BANK</b>  | <b>\$671,585,000</b>   | <b>\$444,275,000</b>   | <b>\$55,990,000</b>  | <b>\$500,265,000</b>   |
| <b>INDIANA FINANCE AUTHORITY</b>                                |                        |                        |                      |                        |
| Stadium Project Series 2005A                                    | \$400,000,000          | \$400,000,000          | \$0                  | \$400,000,000          |
| Stadium Project Series 2007A                                    | 211,525,000            | 211,525,000            | 0                    | 211,525,000            |
| Stadium Project Series 2008A                                    | 55,000,000             | 0                      | 55,000,000           | 55,000,000             |
| Convention Center Expansion Project Series 2008A                | 120,000,000            | 0                      | 120,000,000          | 120,000,000            |
| Convention Center Expansion Project Series 2009A                | 17,665,000             | 0                      | 17,665,000           | 17,665,000             |
| Convention Center Expansion Project Series 2009B <sup>(3)</sup> | 191,565,000            | 0                      | 191,565,000          | 191,565,000            |
| <b>TOTAL INDIANA FINANCE AUTHORITY</b>                          | <b>\$995,755,000</b>   | <b>\$611,525,000</b>   | <b>\$384,230,000</b> | <b>\$995,755,000</b>   |
| <b>TOTAL ALL BONDS</b>  | <b>\$1,667,340,000</b> | <b>\$1,055,800,000</b> | <b>\$440,220,000</b> | <b>\$1,496,020,000</b> |

i. <sup>(1)</sup> Qualified obligation revenues are expected to be sufficient to pay debt service. However, a portion of qualified obligation revenues are payable solely from General Assembly appropriations to the qualified entity.

<sup>(2)</sup> Issued as taxable bonds.

<sup>(3)</sup> Issued under the America Recovery and Reinvestment Act of 2009 as Build America Bonds. The bonds are federally taxable, and the IFA will receive a cash subsidy from the U.S. Treasury equal to 35% of the interest payable on the bonds.

Source: Indiana Finance Authority (as of June 30, 2009)

### 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 Housing and Community Development Authority <sup>(1)</sup> | Provide funds for construction or mortgage loans for federally assisted multi-family housing or for low and moderate income residential housing. |
| Ports of Indiana   | Provide funds for ports and other projects.  |
| Indiana Secondary Market for Education Loans, Inc. <sup>(2)</sup>  | Provide funds for secondary market for higher education loans.   |
| Indiana State Fair Commission                                      | Provide funds for State fairgrounds.   |
| State Revolving Fund Loan Program                                  | Provide funds to assist local municipalities in financing drinking water and waste water infrastructure projects.                                |

<sup>(2)</sup> 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.

<sup>(3)</sup> A not-for-profit corporation authorized by the General Assembly.

## STATE RETIREMENT SYSTEMS

There are three major State retirement systems: the Public Employees' Retirement Fund, the Indiana State Teachers' Retirement Fund and the State Police Fund. In addition, the State maintains and appropriates moneys to several other retirement plans. Each year, the boards administering the retirement systems make actuarial valuations of the assets and liabilities of each of the retirement funds. At least once every five years, there is a separate actuarial investigation into the mortality, service, and compensation experience of the members of the systems and their beneficiaries.

HEA 1205-2010 requires the board of trustees of the Public Employees' Retirement Fund (PERF) and the board of trustees of the Indiana State Teachers' Retirement Fund (TRF) to appoint and fix the compensation of a common director for PERF and TRF. HB 1205 requires PERF and TRF to each pay 50% of the director's compensation, and requires PERF and TRF to cooperate to the extent practicable and feasible in administering and investing the assets of the funds and in hiring investment managers, investment advisors and other service providers. HEA 1205-2010 is not a merger of PERF and TRF Funds and neither the assets nor the liabilities of one fund become the assets or liabilities of the other.

### **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 is administered by a six-member Board of Trustees. Five members are appointed by the Governor and the sixth is the State Budget Director. PERF is the State's largest pension fund and has management responsibility for pension assets of State employees; local government unit employees; judges; legislators; prosecutors; municipal police and fire unit employees; and State conservation, gaming agent, gaming control officer and excise officials. On July 1, 2009, PERF; the 1977 Police Officers' and Firefighters' Pension and Disability Fund ("1977 Fund"); the Judges' Retirement System; the Legislators' Retirement System; the State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan; and the Prosecuting Attorneys' Retirement Fund had collectively 172,924 active and deferred vested members and a total actuarial value of assets equal to approximately \$16.2 billion.

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 an average of the member's annual compensation as defined by statute, and (2) an additional benefit based upon the member's annuity savings account balance, derived from employee contributions ("PERF ASA"). The employee contribution rate is defined by law as 3.0% of each employee's salary. For State employees, the law requires the State to pay the employee's 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 tables below highlight the funded status and contribution history for PERF for the last five valuation dates.

The first table below represents the historical presentation showing only the active, state-related portion, not including the PERF ASA. For comparison purposes, this table will remain for a period of time. However, in the future, only the second table will be shown, reflecting the total PERF plan.

**Table 9**  
**Public Employees' Retirement Fund**  
**(Active, State-Related Portion, Not Including the PERF ASA)<sup>(1)</sup>**

|                                   | <u>July 1, 2005<sup>(2)</sup></u> | <u>July 1, 2006<sup>(3)</sup></u> | <u>July 1, 2007</u>  | <u>July 1, 2008</u>  | <u>July 1, 2009</u>  |
|-----------------------------------|-----------------------------------|-----------------------------------|----------------------|----------------------|----------------------|
| <b>Funded Status</b>              |                                   |                                   |                      |                      |                      |
| Actuarial Value of Assets         | \$2,145,805,051                   | \$2,169,619,411                   | \$2,350,652,206      | \$2,469,431,611      | \$2,121,550,162      |
| Actuarial Accrued Liability (AAL) | 2,189,336,721                     | 2,210,376,679                     | 2,335,081,836        | 2,513,791,279        | 2,443,039,325        |
| Unfunded/(Overfunded) AAL         | 45,531,670                        | 40,757,268                        | (15,570,370)         | 44,359,668           | 321,489,163          |
| Funded Ratio                      | 98.0%                             | 98.2%                             | 100.7%               | 98.2%                | 86.8%                |
| Contribution Rate <sup>(4)</sup>  | 5.5%                              | 6.3%                              | 6.3%                 | 6.5%                 | 7.0%                 |
| <b>Contribution History</b>       |                                   |                                   |                      |                      |                      |
|                                   | <u>June 30, 2005</u>              | <u>June 30, 2006</u>              | <u>June 30, 2007</u> | <u>June 30, 2008</u> | <u>June 30, 2009</u> |
| Annual Required Contribution      | \$69,647,405                      | \$87,947,466                      | \$96,430,158         | \$99,134,676         | \$107,981,141        |
| Actual Employer Contribution      | 62,759,547                        | 72,890,131                        | 89,800,510           | 106,867,251          | 111,214,012          |

<sup>(1)</sup> State-Related Portion does not include any information from schools.

<sup>(2)</sup> Final year of four year phase-in of new census database system. Also, the 0.5% lifetime cost of living adjustment assumption was changed to a 1.0% lifetime cost of living adjustment assumption as part of the 3-year plan to raise the assumption to 1.5%.

<sup>(3)</sup> The 1.0% lifetime cost of living adjustment assumption was changed to a 1.5% lifetime cost of living adjustment assumption as the final step in phasing in this assumption. Also, the actuarial assumptions were revised based on the recommendations of an actuarial experience study prepared for the period 2000-2005.

<sup>(4)</sup> Contribution rate is a blended rate for all employers participating in the PERF plan, and is set using the most recently completed actuarial valuation that goes into effect July 1 of the next fiscal year.

Source: Actuarial Valuation Report, Public Employees' Retirement Fund of Indiana, July 1, 2009.

**Public Employees' Retirement Fund**  
**(Total Plan)**

|                                   | <u>July 1, 2005<sup>(1)</sup></u> | <u>July 1, 2006<sup>(2)</sup></u> | <u>July 1, 2007</u>  | <u>July 1, 2008</u>  | <u>July 1, 2009</u>  |
|-----------------------------------|-----------------------------------|-----------------------------------|----------------------|----------------------|----------------------|
| <b>Funded Status</b>              |                                   |                                   |                      |                      |                      |
| Actuarial Value of Assets         | \$10,471,937,382                  | \$11,177,971,455                  | \$12,220,934,214     | \$12,780,116,052     | \$12,569,335,911     |
| Actuarial Accrued Liability (AAL) | 10,858,322,359                    | 11,450,928,351                    | 12,439,798,183       | 13,103,221,177       | 13,506,280,351       |
| Unfunded/(Overfunded) AAL         | 386,384,977                       | 272,956,896                       | 218,863,969          | 323,105,125          | 936,944,440          |
| Funded Ratio                      | 96.4%                             | 97.6%                             | 98.2%                | 97.5%                | 93.1%                |
| Contribution Rate <sup>(3)</sup>  | 6.0%                              | 6.7%                              | 6.6%                 | 6.7%                 | 7.6%                 |
| <b>Contribution History</b>       |                                   |                                   |                      |                      |                      |
|                                   | <u>June 30, 2005</u>              | <u>June 30, 2006</u>              | <u>June 30, 2007</u> | <u>June 30, 2008</u> | <u>June 30, 2009</u> |
| Annual Required Contribution      | \$212,657,732                     | \$248,120,174                     | \$275,170,690        | \$291,397,103        | \$316,059,105        |
| Actual Employer Contribution      | 206,323,040                       | 230,357,341                       | 253,854,486          | 303,912,775          | 320,237,283          |

<sup>(1)</sup> Final year of four year phase-in of new census database system. Also, the 0.5% lifetime cost of living adjustment assumption was changed to a 1.0% lifetime cost of living adjustment assumption as part of the 3-year plan to raise the assumption to 1.5%.

<sup>(2)</sup> The 1.0% lifetime cost of living adjustment assumption was changed to a 1.5% lifetime cost of living adjustment assumption as the final step in phasing in this assumption. Also, the actuarial assumptions were revised based on the recommendations of an actuarial experience study prepared for the period 2000-2005.

<sup>(3)</sup> Contribution rate is a blended rate for all employers participating in the PERF plan, and is set using the most recently completed actuarial valuation that goes into effect July 1 of the next fiscal year.

Source: Actuarial Valuation Report, Public Employees' Retirement Fund of Indiana, July 1, 2009.

## Other PERF Plans

PERF also administers five other plans. These include the 1977 Police Officers' and Firefighters' Pension and Disability Fund, the Judges' Retirement System, the Legislators' Retirement System, the State Excise Police, Gaming Agent, Gaming Control Officer 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, 2009.

**Table 10**  
**Other State Pension Funds**  
**Summary of Results of Actuarial Valuation**  
 (as of July 1, 2009)

|                              | Judges'<br>Retirement<br>System <sup>(1)</sup> | Legislators'<br>Defined<br>Benefit Plan | Excise Police,<br>Gaming Agent,<br>Gaming Control<br>Officer &<br>Conservation<br>Officers'<br>Retirement Plan | Prosecuting<br>Attorneys'<br>Retirement<br>Fund | 1977 Police<br>Officers'<br>and<br>Firefighters'<br>Pension and<br>Disability<br>Fund <sup>(2)</sup> |
|------------------------------|--|---|--|---|--|
| <b>Funded Status</b>         |  |   |  |   |  |
| Actuarial Value of Assets    | \$240,953,881                                  | \$4,730,430                             | \$68,169,877   | \$26,466,675                                    | \$3,265,597,574  |
| Actuarial Accrued Liability  | 328,388,007                                    | 5,018,343                               | 89,295,584   | 44,632,179                                      | 3,332,685,533  |
| Unfunded/(Overfunded) AAL    | 87,434,126                                     | 287,913                                 | 21,125,707   | 18,165,504                                      | 67,087,959   |
| Funded Ratio                 | 73.4%  | 94.3%                                   | 76.3%  | 59.3%   | 98.0%  |
| <b>Contribution History</b>  |  |   |  |   |  |
| Annual Required Contribution | \$16,131,121                                   | \$44,613                                | \$4,426,685  | \$1,340,108                                     | \$62,881,270   |
| Actual Employer Contribution | 20,861,106                                     | 100,000                                 | 5,293,503  | 170,000   | 132,621,34464,<br>285,337  |

<sup>(1)</sup>Actuarial cost method is a Pay-as-you-go-plan

<sup>(2)</sup>The actuarial valuation date has been changed from January 1 to July 1 for administrative ease such that all defined benefit plans administered by PERF will have the same valuation date. A short plan year runs from January 1, 2009 through June 30, 2009 due to the transition.

Source: Actuarial Valuation Reports, July 1, 2009

The 1977 Fund provides pension and disability benefits 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 local police and fire units whose employees participate in the 1925 police pension fund, the 1937 firefighters' pension fund and the 1953 police pension fund (the "Old Funds"). Benefits for the members who participate in the Old Funds have been funded on a "pay-as-you-go" basis, under which benefits are paid from current revenue of cities and towns and by plan members' contributions. The state reimburses cities and towns for their entire pension benefit expenditure under the Old Funds via the pension relief fund. 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 2009, \$172 million was expended from the pension relief fund, and on June 30, 2009, the total net assets of the pension relief fund were \$105 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 six member Board of Trustees ("TRF Board"), which includes the State Budget Director and five members appointed by the Governor. The State Budget Director was added to the TRF Board on July 1, 2005 due to the fiscal importance of monitoring the TRF appropriation. On June 30, 2009, TRF had over 162,000 total members with assets totaling \$7.2 billion.

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

The TRF is comprised of two plans and related funds. For members hired prior to July 1, 1995, the plan was closed (the "Closed Plan"). For members hired after that date, a separate plan was established (the "New Plan").

For the Closed Plan, moneys to pay the related TRF benefits are provided from General Fund appropriations as the liabilities come due each year, or on a "pay as you go" basis. To minimize the amount of future state appropriations in the Closed Plan, the State and the TRF Board established the Pension Stabilization Fund in July 1, 1995 to partially pre-fund liabilities in the Closed Plan. The Pension Stabilization Fund was funded from the General Fund, Hoosier Lottery, and gaming revenue as well as investment income and has the result of limiting the peak required annual appropriations to the Closed Plan at a 3.12% increase over the prior year based on an assumed annual investment return of 7.5%. As of June 30, 2009, the Pension Stabilization Fund balance was \$1.61 billion.

For the New Plan, 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 TRF Board sets the contribution rate for the New Plan based on an actuarial valuation of the New Plan. 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 which is "pay as you go". 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 7.5% effective July 1, 2010.

**Table 11**  
**State Teachers' Retirement Fund – New Plan**  
**Summary of Results of Actuarial Valuation**  
(as of June 30, 2009)

|                                  | <u>2004</u>     | <u>2005</u>     | <u>2006</u>     | <u>2007</u>     | <u>2008</u>     | <u>2009</u>     |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Funded Status of New Plan</b> |                 |                 |                 |                 |                 |                 |
| Actuarial Value of Assets        | \$1,038,726,916 | \$1,268,575,809 | \$2,209,267,754 | \$2,713,051,576 | \$3,080,056,561 | \$2,920,734,890 |
| Actuarial Accrued Liability      | 1,649,400,668   | 2,010,746,868   | 2,363,101,528   | 2,827,553,780   | 2,957,758,240   | 3,135,532,478   |
| Unfunded AAL                     | 610,673,752     | 742,171,059     | 153,633,774     | 114,502,204     | (122,298,321)   | (214,797,588)   |
| Funded Ratio                     | 63.0%           | 63.1%           | 93.5%           | 95.9%           | 104.1%          | 93.1%           |

Source: Indiana State Teachers' Retirement Fund, The Report of the Annual Actuarial Valuation, June 30, 2009.

## **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 Trust 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 2008 Financial Report. *See* "FISCAL POLICIES—2008 Financial Report."

## ECONOMIC AND DEMOGRAPHIC INFORMATION

### Summary

Indiana's economic diversity continues to expand to other sectors, even though it continues to have its roots in manufacturing. That manufacturing capacity has contributed to Indiana's estimated 2008 State Gross Domestic Product (GDP) of approximately \$255 billion (current dollars), ranking seventeenth largest in the country in terms of the value of goods and services produced. The Manufacturing sector now represents 16% of total employment in Indiana, a decrease from 22% in 1999. From 1999 to 2009, Indiana witnessed significant shifts in the distribution of employment between sectors. Employment in the Education and Health Services sector increased by 27.7%; followed by a 10.7% gain in Government. In addition, the Leisure and Hospitality industry experienced an 5.3% increase. Manufacturing, once Indiana's largest employer, has been surpassed by Trade, Transportation and Utilities as the largest employment sector 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. The Governor's 2006 Major Moves transportation initiative, calling for \$10.6 billion invested over 10 years, will fund both maintenance and new construction for Indiana's roadways. Coupled with the elimination of the state's inventory tax and the adoption of Daylight Savings Time in 2006, Indiana becomes even more attractive as a site for production, warehousing and distribution and transportation activities.

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 due to the ready availability of ample coal reserves. According to the U.S. Energy Information Administration, year-to-date average retail electric utility rates through December 2009 were 15% lower than the national average for all industrial consumers; while residential retail electric bills were 21% lower than the national average.

The Indiana Economic Development Corporation (IEDC) is Indiana's lead economic development agency. Officially established in February 2005 to replace the State's former Department of Commerce, the IEDC is a public private partnership governed by a 12-member board of directors chaired by the Governor. Since its inception, the IEDC has worked with more than 800 companies from across Indiana and around the globe who have collectively committed to create more than 105,000 new jobs and invest more than \$21.46 billion of private capital in their Indiana operations. In 2009 alone, the IEDC worked with 160 companies who committed to create nearly 20,000 new jobs and invest more than \$1.96 billion in new or expanded operations in industries ranging from advanced manufacturing, life sciences, defense and information technology.

### Population

Indiana is the 16<sup>th</sup> most populous state in the United States. The capital and largest city is Indianapolis. From 2000 to 2009, the Indianapolis-Carmel Metropolitan Statistical Area ("MSA") grew by 14.3%. While Indiana's educational attainment rate for bachelors' degrees has lagged the nation and several neighboring states, estimates from Census 2000 and the 2001-2008 American Community Survey indicate that between 2000 and 2008, the number of individuals with "some college", associates' degrees and bachelors' degrees were increasing at a substantially higher rate than the population 25 years and older. In addition, of those Hoosiers who have completed a bachelors' degree or above, 35.5% have attained masters', doctoral or professional degrees, closely matching the national average of 36.8%.

**Table 12**  
**Educational Attainment, Indiana Population 25 Years & Over**

| <u>Year</u> | <u>Some college, no degree</u> | <u>Assoc Degree</u> | <u>BA/BS or Above</u> | <u>Population 25 Yrs &amp; Over</u> |
|-------------|--------------------------------|---------------------|-----------------------|-------------------------------------|
| 2000        | 727,387                        | 210,265             | 749,872               | 3,893,278                           |
| 2001        | 739,281                        | 244,714             | 789,776               | 3,882,504                           |
| 2002        | 725,926                        | 219,712             | 794,098               | 3,845,706                           |
| 2003        | 747,449                        | 253,224             | 811,771               | 3,863,200                           |
| 2004        | 768,437                        | 250,762             | 838,435               | 3,889,833                           |
| 2005        | 789,952                        | 276,886             | 840,876               | 3,956,723                           |
| 2006        | 793,292                        | 296,052             | 891,489               | 4,110,754                           |
| 2007        | 803,293                        | 293,297             | 914,471               | 4,143,159                           |
| 2008        | 866,304                        | 313,410             | 956,371               | 4,177,420                           |
| 2000-2008   | 19.1%                          | 49.1%               | 27.5%                 | 7.3%                                |

Sources: Census 2000, 2001-2008, American Community Survey, September 2009

Indiana's excellent state colleges and universities attract students from around the country (the state ranks 2<sup>nd</sup> nationally in terms of net in-migration of college freshman, according to the National Center for Education Studies)<sup>(1)</sup>. These schools also serve as the focus of research and development efforts, assist in the formation of small business "incubators," and award advanced degrees in fields as varied as engineering, economics and pharmacy. In 2007, based on a National Science Foundation (NSF) survey, among the nation's public universities, Indiana ranked 19<sup>th</sup> in the nation in Academic Research & Development from Institutional funding (including grants and endowments) and 15<sup>th</sup> in terms of both Industry (for-profit entities) funding and 15<sup>th</sup> in funding from "All Other" sources<sup>(2)</sup>. In the National Science Foundation 2005-2007 Science and Engineering State Profiles report, Indiana ranks in the top 20 for numbers of Doctoral Scientists, Science and Engineering (S&E) doctorates awarded, S&E and health post doctorates and graduate students in doctorate granting institutions.<sup>(3)</sup> Purdue University, Indiana University and the University of Notre Dame have all been included in the Financial Times rankings of the world's top business schools.<sup>(4)</sup>

**Table 13**  
**Population, including Selected Indiana MSAs**

|                          | <u>2000</u> | <u>20082009</u> | <u>Percentage Change</u><br><u>2000-2009</u> |
|--------------------------|-------------|-----------------|--|
| Indiana                  | 6,080,485   | 6,423,113       | 4.95.6%                                      |
| Indianapolis-Carmel MSA  | 1,525,104   | 1,743,658       | 12.514.3%                                    |
| Fort Wayne MSA           | 390,156     | 414,315         | 5.46.2%                                      |
| Gary PMSA                | 675,971     | 704,361         | 3.94.2%                                      |
| Evansville-Henderson MSA | 342,815     | 351,911         | 2.6%   |
| South Bend MSA           | 316,663     | 317,538         | 0.3%   |
| United States            | 281,421,906 | 307,006,550     | 7.99.1%                                      |

These Indiana Metropolitan Statistical Areas were reconfigured in 2005. The above population estimates are based on the areas as defined by the Office of Management and Budget as of December 2005. Consistent aggregate historical data are not yet readily available. Source: U.S. Census Bureau, March 2010.

Section Footnotes:

<sup>(1)</sup> [http://nces.ed.gov/programs/digest/d09/tables/dt09\\_223.asp](http://nces.ed.gov/programs/digest/d09/tables/dt09_223.asp)

<sup>(2)</sup> [http://www.nsf.gov/statistics/nsf09303/content.cfm?pub\\_id=3871&id=2](http://www.nsf.gov/statistics/nsf09303/content.cfm?pub_id=3871&id=2)

<sup>(3)</sup> <http://www.nsf.gov/statistics/nsf08314/>

<sup>(4)</sup> Financial Times Report: Global MBA Rankings, 2010; <http://rankings.ft.com/businessschoolrankings/global-mba-rankings>

**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. Within the Manufacturing sector, some well-paying industry components continued to experience employment declines in 2009, generally mirroring the nation. Medical Equipment & Supplies Manufacturing, however, has continued to see high growth through 2009. Listed on the table below are some examples of high wage subsectors in Indiana.

**Table 14**  
**Indiana High Wage Subsectors**

| <u>NAICS Subsector</u> | <u>Sector Description</u>                     | <u>2004-2009</u><br><u>Employment</u><br><u>Change</u> | <u>Indiana % Change</u> | <u>Indiana 2008 Annual</u><br><u>Average Wage</u> |
|------------------------|---|--|-------------------------|---|
| 3362                   | Motor Vehicle Body & Trailer Manufacturing    | -2,447-16,500  | -45%                    | \$44,159  |
| 3361                   | Motor Vehicle Manufacturing                   | -400   | -3%                     | \$75,750  |
| 6220                   | Hospitals                                     | 9,70013,300  | 1014%                   | \$43,286  |
| 6113                   | Colleges, Universities & Professional Schools | 5,6003,800   | 1811%                   | \$42,176  |
| 3391                   | Medical Equipment & Supplies Manufacturing    | 4,3003,800   | 2823%                   | \$58,207  |

Source: U.S. Bureau of Labor Statistics, Current Employment Statistics, March 2010 and Quarterly Census of Employment & Wages, June 2009.

The fastest growing super sectors overall during the last decade were Education and Health Services, which grew by 27.7% from 1999 to 2009, followed by Government (10.7% growth). Although Manufacturing is still the second largest super sector at 16% of total employment, it was the slowest growing sector from 1999 to 2009 and has undergone significant diversification and acquired an international presence in recent years. While Transportation Equipment Manufacturing employment has taken heavy losses as part of the turmoil and restructuring of that industry, Indiana's mix of foreign and domestic auto makers has served to buffer the state somewhat compared to neighboring states and the U.S. overall. In particular, Indiana's employment in the Motor Vehicle Manufacturing sub-sector has actually grown by about 40% between 1999 and 2009.

**Table 15**  
**Indiana Non-Farm Employment by Super Sector; December 1999 to December 2009**  
(Not Seasonally Adjusted)

| <u>NAICS Super Sectors</u>        | <u>1999</u> | <u>Percentage<br/>of Total</u> | <u>20082009</u> | <u>Percentage<br/>of Total</u> | <u>Growth</u>    |
|-----------------------------------|-------------|--------------------------------|-----------------|--------------------------------|------------------|
|                                   |             |                                |                 |                                | <u>20081999-</u> |
|                                   |             |                                |                 |                                | <u>2009</u>      |
| Total Non Farm                    | 2,969,900   | 100%                           | 2,787,200       | 100%                           | -6.2%            |
| Education & Health Services       | 327,100     | 11%                            | 414,900         | 15%                            | 26.8%            |
| Professional & Business Services  | 253,400     | 9%                             | 261,100         | 9%                             | 10.73.0%         |
| Government                        | 397,500     | 13%                            | 440,100         | 16%                            | 9.110.8%         |
| Leisure and Hospitality           | 262,700     | 9%                             | 276,600         | 10%                            | 8.55.3%          |
| Other Services                    | 108,300     | 4%                             | 108,100         | 4%                             | -0.2%            |
| Trade, Transportation & Utilities | 607,100     | 20%                            | 549,600         | 20%                            | -9.5%            |
| Financial Activities              | 145,900     | 5%                             | 131,500         | 5%                             | -9.9%            |
| Natural Resources & Mining        | 7,400       | 0%                             | 6,600           | 0%                             | -10.8%           |
| Construction                      | 148,600     | 5%                             | 121,200         | 4%                             | -18.4%           |
| Information                       | 45,700      | 2%                             | 37,600          | 1%                             | -17.7%           |
| Manufacturing                     | 666,200     | 22%                            | 440,000         | 16%                            | -34.0%           |
| Services Providing                | 2,147,700   | 72%                            | 2,219,400       | 78%                            | 53.4%            |
| Goods Producing                   | 822,200     | 28%                            | 567,800         | 20%                            | -44.8%           |

Source: U.S. Bureau of Labor Statistics, Current Employment Statistics, March 2010

**Table 16**  
**Unemployment Rate**  
(Annual Averages of Monthly Data)

| <u>Year</u> | <u>Indiana</u> | <u>U.S.</u> | <u>Indiana as<br/>Percentage of U.S.</u> |
|-------------|----------------|-------------|--|
| 1999        | 2.9            | 4.2         | 69.0%                                    |
| 2000        | 2.9            | 4.0         | 72.5%                                    |
| 2001        | 4.2            | 4.7         | 89.4%                                    |
| 2002        | 5.2            | 5.8         | 89.7%                                    |
| 2003        | 5.3            | 6.0         | 88.3%                                    |
| 2004        | 5.3            | 5.5         | 96.4%                                    |
| 2005        | 5.3            | 5.1         | 104.9%                                   |
| 2006        | 5.0            | 4.6         | 109.7%                                   |
| 2007        | 4.6            | 4.6         | 100.0%                                   |
| 2008        | 5.8            | 5.8         | 100.0%                                   |
| 2009        | 10.1           | 9.3         | 108.6                                    |

a.  
April 2010

Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics,

## Income

In 2009, Indiana's per capita personal income fell to \$33,725, decreasing 2.4% from 2008. During the past eleven years, Indiana's personal income grew at an average annual rate of 2.7%. 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 17**  
**Growth in Per Capita Personal Income**  
(Current Dollars)

| <u>Year</u>                             | <u>Indiana</u> | <u>U.S.</u> | <u>Indiana</u> | <u>U.S.</u> |
|---|----------------|-------------|----------------|-------------|
| 1999                                    | 25,855         | 28,333      | 2.9%           | 3.9%        |
| 2000                                    | 27,460         | 30,318      | 6.2%           | 7.0%        |
| 2001                                    | 28,049         | 31,145      | 2.1%           | 2.7%        |
| 2002                                    | 28,525         | 31,462      | 1.7%           | 1.0%        |
| 2003                                    | 29,573         | 32,271      | 3.7%           | 2.6%        |
| 2004                                    | 30,627         | 33,881      | 3.6%           | 5.0%        |
| 2005                                    | 31,279         | 35,424      | 2.1%           | 4.6%        |
| 2006                                    | 32,842         | 37,698      | 5.0%           | 6.4%        |
| 2007                                    | 33,702         | 39,392      | 2.6%           | 4.5%        |
| 2008                                    | 34,543         | 40,166      | 2.5%           | 2.0%        |
| 2009                                    | 33,725         | 39,138      | -2.4%          | -2.6        |
| Average Annual Growth Rate (1999-2009): |                |             | 2.7%           | 3.5%        |
| Total Growth Rate (1999-2009):          |                |             | 30.0%          | 38.1%       |

i.

March 2009.

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

## Gross Domestic Product by State

With an estimated 2008 Gross Domestic Product by State of approximately \$254.8 billion, Indiana's economy ranks eighteenth largest in the country in terms of the value of goods and services produced. Since 2003, Indiana's Gross Domestic Product by State has grown at an average annual rate of 3.7% (current dollars).

**Table 18**  
**Indiana Gross Domestic Product by Sector; 1999 to 2008**  
(Millions of Current Dollars)

| <u>NAICS Industry Sectors</u>       | <u>1999</u> | <u>Percentage of Total</u> | <u>2008</u> | <u>Percentage of Total</u> | <u>Percentage Growth 1999-2008</u> |
|-------------------------------------|-------------|----------------------------|-------------|----------------------------|------------------------------------|
| Arts, entertainment, and recreation | \$ 2,299    | 1.24%                      | \$ 3,651    | 1.43%                      | 58.81%                             |
| Educational services                | 1,149       | 0.62%                      | 2,145       | 0.84%                      | 86.68%                             |
| Administrative and waste services   | 4,485       | 2.41%                      | 6,876       | 2.70%                      | 53.31%                             |
| Health care and social assistance   | 11,404      | 6.14%                      | 20,123      | 7.90%                      | 76.46%                             |
| Professional and technical services | 6,783       | 3.65%                      | 11,128      | 4.37%                      | 64.06%                             |
| Transportation and warehousing      | 6,470       | 3.48%                      | 9,837       | 3.86%                      | 52.01%                             |
| Finance and insurance               | 10,607      | 5.71%                      | 14,811      | 5.81%                      | 39.63 %                            |
| Other services, except government   | 4,369       | 2.35%                      | 6,197       | 2.43%                      | 41.84%                             |
| Government                          | 17,864      | 9.62%                      | 25,918      | 10.17%                     | 45.09%                             |
| Accommodation and food services     | 4,130       | 2.22%                      | 5,987       | 2.35%                      | 44.96%                             |
| Real estate, rental, and leasing    | 17,865      | 9.62%                      | 23,390      | 9.18%                      | 30.93%                             |
| Mining                              | 730         | 0.39%                      | 1,110       | 0.44%                      | 52.05%                             |
| Manufacturing                       | 54,550      | 29.37%                     | 63,780      | 25.03%                     | 16.92%                             |
| Wholesale trade                     | 10,159      | 5.47%                      | 14,438      | 5.67%                      | 42.12%                             |
| Information                         | 4,199       | 2.26%                      | 5,641       | 2.21%                      | 34.34%                             |

|   |           |         |           |         |         |
|---|-----------|---------|-----------|---------|---------|
| Construction                                | 8,608     | 4.63%   | 10,287    | 4.04%   | 19.51%  |
| Retail trade                                | 12,397    | 6.67%   | 15,881    | 6.23%   | 28.10%  |
| Utilities                                   | 4,228     | 2.28%   | 6,698     | 2.63%   | 58.42%  |
| Management of companies and enterprises     | 2,484     | 1.34%   | 3,249     | 1.27%   | 30.80%  |
| Agriculture, forestry, fishing, and hunting | 958       | 0.52%   | 3,714     | 1.46%   | 287.68% |
| Total Gross Domestic Product by State       | \$185,737 | 100.00% | \$254,861 | 100.00% | 37.22%  |

Note: Individual sectors may not sum to totals due to rounding. NAICS Industry detail is based on the 1997 North American Industry Classification System (NAICS).

Source: U.S. Department of Commerce, Bureau of Economic Analysis, June 2009

## Exports

Since 2003, Indiana businesses have significantly increased exported output. The value of exports in calendar year 2004 jumped to \$19,212 million, a 16.66% increase over 2003, in 2005 the total value increased to \$21,594 million, a 12.40% growth rate, in 2006 the total value increased to \$22,666 million, a 4.96% increase, in 2007 increased to \$25,956 million, a 14.52% increase and in 2008 improved to \$26,507 million, a 2.12% increase. Since 1999, Indiana's exports have grown at an average annual rate of 8.22% as compared to 6.95% for the United States as a whole.

**Table 19**  
**Exports**  
(Millions)

| Year                                    | Exports |           | Annual Percentage Change |        | Indiana as a Percentage of U.S. Exports |
|---|---------|-----------|--------------------------|--------|---|
|   | Indiana | U.S.      | Indiana                  | U.S.   |   |
| 1999                                    | 12,910  | 692,821   | 4.81%                    | 1.81%  | 1.86%                                   |
| 2000                                    | 15,386  | 780,419   | 19.18%                   | 12.64% | 1.97%                                   |
| 2001                                    | 14,365  | 731,026   | -6.64%                   | -6.33% | 1.97%                                   |
| 2002                                    | 14,956  | 693,103   | 4.11%                    | -5.19% | 2.16%                                   |
| 2003                                    | 16,468  | 724,771   | 10.11%                   | 4.57%  | 2.27%                                   |
| 2004                                    | 19,212  | 818,775   | 16.66%                   | 12.97% | 2.35%                                   |
| 2005                                    | 21,594  | 905,978   | 12.40%                   | 10.65% | 2.38%                                   |
| 2006                                    | 22,666  | 1,036,635 | 4.96%                    | 14.42% | 2.19%                                   |
| 2007                                    | 25,956  | 1,162,479 | 14.52%                   | 12.14% | 2.23%                                   |
| 2008                                    | 26,507  | 1,300,136 | 2.12%                    | 11.84% | 2.04%                                   |
| Average Annual Growth Rate (1999-2008): |         |           | 8.22%                    | 6.95%  |   |
| Total Growth (1999-2008):               |         |           | 82.23%                   | 69.52% |   |

Source: Office of Trade and Industry Information (OTII), Manufacturing and Services, International Trade Administration, U.S. Department of Commerce, June 2009

**Table 20**  
**Indiana's Leading Export Industries and Destinations**  
(Millions)

| Top Export Industries          |                   | Export Destinations |                 |
|--------------------------------|-------------------|---------------------|-----------------|
| Industry                       | 2008 Exports      | Country             | 2008 Exports    |
| Transportation Equipment Mfg   | \$ 6,861.7        | Canada              | \$ 10,518       |
| Chemical Manufacturing         | 5,334.1           | Mexico              | 2,112           |
| Machinery Manufacturing        | 4,106.9           | United Kingdom      | 1,979           |
| Computer & Electronic Products | 1,916.7           | France              | 1,419           |
| Primary Metal Manufacturing    | 1,831.5           | Germany             | 1,271           |
| Misc. Manufacturing            | 1,428.4           | China               | 930             |
| Elect Equip, Appl. & Component | 1,074.5           | Japan               | 864             |
| Fabricated Metal Products      | 718.6             | Brazil              | 637             |
| Rubber & Plastics Products     | 671.7             | Australia           | 544             |
| Food Manufacturing             | 380.3             | Netherlands         | 481             |
| Other                          | <u>2,312.1</u>    | Other               | <u>5,752</u>    |
| <b>Total</b>                   | <b>\$26,507.1</b> |                     | <b>\$26,507</b> |

b.

c.

Sources: Office of Trade and Industry Information (OTII), Manufacturing and Services, International Trade Administration, U.S. Department of Commerce, June 2009 and Foreign Trade Division, U.S. Census Bureau, June 2009

## 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.

### Employment Litigation

In July 1993, in *Paula Brattain, et al vs. Richmond State Hospital*, plaintiffs filed a breach of employment contract lawsuit in a state trial court alleging that the State has failed to pay certain similarly classified 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. Plaintiffs seek to recover damages as well as attorneys' fees and costs. A claims-made basis class action settlement was preliminarily approved on August 18, 2008 with an \$8.5 million settlement cap (inclusive of fees and costs), subject to the State's option to terminate the agreement if claims, costs and fees exceed \$8.5 million. On October 20, 2008, the court conducted a fairness hearing for the purpose of considering any timely written objections that may have been filed and determining pursuant to Ind. Trial Rule 23(E) whether the court should approve the agreed settlement as fair, reasonable, and adequate. Only three objections to the proposed settlement were filed with the court, and one was subsequently withdrawn. The court found the two remaining objections were meritless. The court approved the settlement on October 30, 2008, subject to the State's option to terminate the settlement agreement. On November 10, 2008, the State Defendants filed a Notice Regarding Settlement Agreement in which they gave notice that the conditions for terminating the settlement agreement have been met, and the State Defendants elect to exercise their option to terminate the settlement pursuant to the settlement agreement. Trial was reset for March 10, 2009. The court ordered the parties to return for a second mediation session on February 5, 2009. Mediation was unsuccessful. A four-day bench trial was conducted March 10-13, 2009. The court took the matter under advisement and gave the parties until March 31, 2009 to submit proposed findings of fact and conclusions of law. Findings and conclusions of law were submitted. Settlement discussions continued but the parties were unable to reach an agreement. On July 28, 2009, the court entered judgment against the State in the total amount of \$42,422,788.00 (\$20,979,490.00 awarded to merit, overtime eligible employees; \$16,762,773.00 awarded to non-merit, overtime eligible employees; \$2,696,812.00 awarded to merit, overtime exempt employees; \$1,983,713.00 awarded to non-merit, overtime exempt employees). On July 31, 2009, the State filed a Notice of Appeal and Motion to Stay Judgment Pending Appeal. On August 28, 2009, the trial court granted the motion to stay judgment pending appeal. On August 31, 2009, the State's Case Summary and Notices of Appearances were filed in the Court of Appeals. On September 23, 2009, plaintiffs filed Notices of Appearance and a Motion for pre-appeal conference and appellate alternative dispute resolution. On October 13, 2009, the State filed a response to Appellees' motion. On October 20, 2009, the court of appeals denied Appellees' Motion for Pre-Appeal Conference and Appellate Alternative Dispute Resolution. The trial court reporter was granted an extension until January 18, 2010 to file the transcript of proceedings. On November 17, 2009 plaintiffs reduced their settlement demand to \$20 million. Defendants responded on December 1, 2009, with offer of \$8.5 million (inclusive of fees and costs). The Notice of Completion of the Record was filed January 21, 2010. The State filed a motion for leave to file oversized brief on February 5, 2010. The State's appellate brief was filed March 22, 2010. The Appellees obtained a thirty day extension to file their brief, which is now due May 21, 2010.

### 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 District 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 for some school corporations and a 13-year phase out of the desegregation plan for the school corporations that had already begun the desegregation plan. State expenditures will be gradually reduced as the plan is phased out.

### **Property Litigation**

In December 2000, in *NJK Farms and George W. Pendygraft v. 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 a landfill 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. NJK Farms 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. In 2005, Pendygraft negotiated a settlement that would grant him the right to pursue a landfill permit application. In 2008, toward the end of the permit process, the enactment of SB 43 required NJK Farms to submit a new application with the approval of the county executive. On June 19, 2008, the Indiana Department of Environmental Management (“IDEM”) sent a letter to NJK Farms asking for the re-submission of the permit with evidence of approval by the county executive. On August 1, 2008, NJK Farms filed a Motion for Judgment Finding Total Breach of Settlement Agreement and on August 19, 2008, NJK filed a Motion for Civil Contempt, Attorney’s fees and Declaratory Judgment. A hearing was held on NJK Farms motions on October 21, 2008. On November 20, 2008, the court held that IDEM had breached the 2005 Settlement Agreement and set a two day trial for damages. A motion to certify for appeal was filed on December 19, 2008. On January 6, 2009, the court certified the order to facilitate interlocutory appeal and vacated the trial date. The State filed a motion for interlocutory appeal on February 5, 2009. The Court of Appeals ruled in favor of IDEM and NJK Farms petitioned the Indiana Supreme Court for transfer. The State has filed its opposition brief and is awaiting the Court’s decision.

In May 2000, *Greenfield Mills v. Indiana Department of Natural 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’s 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. An order denying the State’s motion for summary judgment and entering summary judgment in favor of the plaintiffs (on liability) was issued. Plaintiffs filed a motion for attorney’s fees, which was denied. This matter was reassigned to outside counsel. The plaintiffs renewed their request for attorney’s fees. In a July 2008 order, the District Court ruled in favor of the plaintiffs and awarded nearly \$1M interim fees and costs. The parties have received a draft report from the technical consultant. The parties met with consultants, IDEM, and the Army Corps to discuss next steps in getting federal and state approval for the removal of sediment from the river. Technical follow-up is needed in the next one to two months.

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**Appendix B**

**The Assigned Series 2010 A Qualified Obligations,  
the Series 2010 A-3 Qualified Obligations and the Series 2010 A-3 Qualified Entity**

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SERIES 2010 A-1, A-2 and A-3 QUALIFIED OBLIGATIONS

| <u>Qualified Entity</u>                | <u>Par<br/>Amount (1)</u> | <u>Source of<br/>Payment</u> | <u>Final<br/>Maturity</u> | <u>Percentage of<br/>Total Debt</u> |
|--|---------------------------|------------------------------|---------------------------|-------------------------------------|
| <u>Series A-1</u>                      |                           |                              |                           |                                     |
| Allen County                           | \$ 1,210,000              | Garage Revenues              | 1/15/2021                 | 15.71 %                             |
| City of Fort Wayne                     | 1,210,000                 | Garage Revenues              | 1/15/2021                 | 15.71                               |
| City of Salem                          | 595,000                   | Sewer Revenues               | 10/1/2018                 | 7.72                                |
| Cowan Community School Corp.           | 120,000                   | Property Tax                 | 1/1/2012                  | 1.56                                |
| Simonton Lake Conservancy District     | 1,400,000                 | Sewer Revenues (2)           | 1/1/2020                  | 18.17                               |
| Southeast Dubois County School Corp.   | 395,000                   | Property Tax                 | 1/15/2017                 | 5.13                                |
| Town of Atlanta                        | 10,000                    | Water Revenues               | 1/1/2011                  | 0.13                                |
| Town of Bainbridge                     | 70,000                    | Sewer Revenues               | 1/1/2012                  | 0.91                                |
| Town of Carlisle                       | 1,595,000 <sup>(3)</sup>  | Sewer Revenues               | 10/1/2018                 | 20.70                               |
| Town of Dana                           | 90,000                    | Water Revenues               | 1/1/2017                  | 1.17                                |
| Town of Eaton                          | 34,500                    | Water Revenues               | 1/1/2011                  | 0.45                                |
| Town of Laurel                         | 25,000                    | Water Revenues               | 7/1/2010                  | 0.32                                |
| Town of Lynnville                      | 9,000                     | Water Revenues               | 6/1/2010                  | 0.12                                |
| Town of Lyons                          | 108,000                   | Sewer Revenues               | 1/1/2014                  | 1.40                                |
| Town of Monroe                         | 58,000                    | Sewer Revenues               | 1/1/2014                  | 0.75                                |
| Town of New Chicago                    | 602,000                   | Sewer Revenues               | 1/1/2020                  | 7.81                                |
| Town of Westport                       | 173,000                   | Water Revenues               | 5/1/2012                  | 2.24                                |
| Total Series A-1                       | <u>\$ 7,704,500</u>       |                              |                           | <u>100.00 %</u>                     |
| <u>Series A-2</u>                      |                           |                              |                           |                                     |
| City of Delphi                         | \$ 670,000                | Sewer Revenues               | 7/1/2014                  | 13.04 %                             |
| Nineveh Conservancy District           | 37,000                    | Sewer Revenues               | 1/1/2013                  | 0.72                                |
| Oak Park Conservancy District          | 1,135,000                 | Special Benefits Tax         | 7/1/2019                  | 22.08                               |
| Posey County Solid Waste Mgmt District | 80,000                    | Special Benefits Tax         | 1/15/2015                 | 1.56                                |
| Scott County Regional Sewer District   | 215,000                   | Water Revenues               | 1/1/2022                  | 4.18                                |
| Town of Advance                        | 70,000                    | Sewer Revenues               | 1/1/2012                  | 1.36                                |
| Town of Campbellsburg                  | 30,000                    | Sewer Revenues               | 12/1/2010                 | 0.58                                |
| Town of Carlisle                       | 370,000                   | Sewer Revenues               | 10/1/2012                 | 7.20                                |
| Town of Carlisle                       | 150,000                   | Water Revenues               | 5/1/2013                  | 2.92                                |
| Town of Claypool                       | 53,000                    | Sewer Revenues               | 1/1/2012                  | 1.03                                |
| Town of Dale                           | 80,000                    | Water Revenues               | 8/15/2011                 | 1.56                                |
| Town of Fort Branch                    | 1,050,000                 | Water Revenues               | 1/1/2017                  | 20.43                               |
| Town of Hamlet                         | 45,000                    | Water Revenues               | 7/1/2012                  | 0.88                                |
| Town of Hope                           | 40,000                    | Sewer Revenues               | 1/1/2011                  | 0.78                                |
| Town of Medaryville                    | 11,000                    | Water Revenues               | 12/30/2011                | 0.21                                |
| Town of Middletown                     | 315,000                   | Sewer Revenues               | 12/1/2012                 | 6.13                                |
| Town of Pittsboro                      | 65,000                    | Water Revenues               | 1/1/2011                  | 1.26                                |
| Town of Rossville                      | 139,000                   | Water Revenues               | 1/1/2014                  | 2.70                                |
| Town of Sharpsville                    | 155,000                   | Sewer Revenues               | 1/1/2014                  | 3.02                                |
| Town of Veedersburg                    | 430,000                   | Sewer Revenues               | 12/31/2014                | 8.36                                |
| Total Series A-2                       | <u>\$ 5,140,000</u>       |                              |                           | <u>100.00 %</u>                     |
| <u>Series A-3</u>                      |                           |                              |                           |                                     |
| Town of Carlisle                       | \$ 600,000                | Water Revenues               | 11/1/2023                 | 70.18 %                             |
| Town of Carlisle                       | 255,000                   | Sewer Revenues               | 10/1/2018                 | 29.82                               |
| Total Series A-3                       | <u>\$ 855,000</u>         |                              |                           | <u>100.00 %</u>                     |

(1) For Series A-1 and A-2, this represents the outstanding principal.

(2) Secured by a Special Benefits Tax.

(3) Revised to reflect results of the bond sale and restructured amortization schedule.

## ARTICLE ICARLISLE MUNICIPAL WATER UTILITY

### A. Certain General Economic and Demographic Information

The Carlisle Municipal Water Utility (the “Utility”) is located in the Town of Carlisle (the “Town”) in Sullivan County. The Town is served by State Road 58 and U.S. 41 and has a total area of .5 square miles. The estimated 2008 population of the Town was 677.

### B. Description of Project

Proceeds of the 2010 Series A-3 Qualified Obligations will be used for (1) water treatment plant improvements and a new well field; (2) to refund the Waterworks Revenue Bonds of 1986, Series A (the “1986 A Bonds”); (3) to refund the Waterworks Revenue Bonds of 1986, Series B (the “1986 B Bonds”); (4) to fund a debt service reserve; and (5) to fund the costs of issuance therewith.

### C. Description of the 2010 Series A-3 Qualified Obligations

|                      |  |
|----------------------|--|
| Total Principal      | - \$600,000  |
| Security and Lien    | - Net Revenues of the Utility. (“Net Revenues” is defined as gross revenues of the Utility after the payment of reasonable expenses of operation, repair and maintenance.) |
| Repayment Schedule   | - Semiannual principal payments commencing May 1, 2014 and each May 1 and November 1 until November 1, 2023.   |
| Interest Payments    | - Semiannual interest payments commencing November 1, 2010 and each November 1 and May 1 thereafter.   |
| Debt Service Reserve | - Ten Percent (10%) of Par.  |

D. Largest Utility Customers for the twelve months ended December 31, 2009.

| <u>Customer</u>                        | <u>Type of Business</u> | <u>Consumption<br/>(In Gallons)</u> |
|--|-------------------------|-------------------------------------|
| Wabash Valley Correctional Facility    | Prison                  | 94,852,200                          |
| Carlisle Inn Motel                     | Lodging                 | 1,767,800                           |
| Sunrise Coal Mine                      | Mining                  | 1,709,300                           |
| Carlisle Elementary/Junior High School | Education               | 1,016,800                           |
| Carlisle Plaza Truck Stop              | Fuel/Retail             | 901,900                             |
| Midwest Marketing                      | Marketing               | 617,100                             |
| Ted Schowecker                         | Farming                 | 299,400                             |
| Robbie Smith                           | Farming                 | 282,400                             |
| Ash Apartments                         | Apartments              | 185,700                             |
| Kathy Jo's Restaurant                  | Dining                  | 110,900                             |

E. Financial Data

|   |   |   |
|---|---|---|
| Utility Rates                             | - | Present monthly bill for consumption of 5,000 gallons per month pays \$21.89. The current rates and charges were adopted on June 2, 2009.   |
| Debt Presently Outstanding Of the Utility | - | <p>\$211,000 - Waterworks Revenue Bonds of 1986, Series A (1)</p> <p>\$37,000 - Waterworks Revenue Bonds of 1986, Series B (1)</p> <p>\$150,000 - Waterworks Refunding Revenue Bonds of 2001</p> <p>(1) Being refunded herein.</p>            |
| Pro Forma Coverage                        | - | 1.95 Times – Pro forma Net Revenues divided by the estimated maximum annual debt service. 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. |

**CARLISLE MUNICIPAL WATER UTILITY**  
Carlisle, Indiana

Historical and Projected Operating Receipts, Operation and Maintenance Disbursements,  
Non-Operating Receipts, and Estimated Debt Service Coverage

|  | Projected                 |                    |                      |
|--|---------------------------|--------------------|----------------------|
|  | <u>2010</u>               | <u>2009</u>        | <u>2008</u>          |
| <u>Operating Receipts</u>                      |                           |                    |                      |
| Water Sales                                    | \$ 388,100 <sup>(1)</sup> | \$ 319,004         | \$ 269,276           |
| <br><u>Operating Disbursements</u>             |                           |                    |                      |
| <u>Operation and Maintenance Disbursements</u> |                           |                    |                      |
| Salaries and Wages                             | 72,100                    | 72,384             | 70,428               |
| FICA   | 5,500                     | 5,537              | 5,388                |
| PERF   | 8,100                     | 7,760              | 7,750                |
| Health Insurance                               | 15,300                    | 11,299             | 6,594                |
| Purchased power                                | 44,100                    | 42,807             | 38,758               |
| Materials and Supplies                         | 13,200                    | 12,830             | 12,214               |
| Office Supplies and Postage                    | 1,900                     | 1,824              | 1,788                |
| Chemicals and Lab Testing                      | 4,800                     | 4,707              | 6,217                |
| Contractual Services                           | 59,500                    | 46,666             | 8,992                |
| Liability Insurance                            | 9,400                     | 9,349              | 9,357                |
| Subscriptions and Dues                         | 1,300                     | 1,227              | 3,552                |
| Unemployment                                   | 100                       | 120                | 123                  |
| Workmen's Compensation                         | 1,200                     | 1,119              | 1,111                |
| Telephone                                      | 3,100                     | 3,011              | 2,897                |
| Biennial Audit Fee                             | 1,000                     | -                  | 1,994                |
| Utility Receipts tax                           | 5,400                     | 4,552              | 4,072                |
| Miscellaneous                                  | 2,200                     | 10,630             | 5,239                |
| Total Operating Disbursements                  | <u>248,200</u>            | <u>235,822</u>     | <u>186,474</u>       |
| <br>Net Operating Receipts                     | <br><u>139,900</u>        | <br><u>83,182</u>  | <br><u>82,802</u>    |
| <br><u>Non-Operating Receipts</u>              |                           |                    |                      |
| Interest Income                                | <u>1,800</u>              | <u>1,813</u>       | <u>17,565</u>        |
| <br>Net Receipts Available for Debt Service    | <br>141,700               | <br>84,995         | <br>100,367          |
| <br>Estimated Combined Debt Service            | <br><u>72,541 (2)</u>     | <br><u>84,295</u>  | <br><u>84,234</u>    |
| <br>Coverage - \$                              | <br><u>\$ 69,159</u>      | <br><u>\$ 700</u>  | <br><u>\$ 16,133</u> |
| <br>Coverage - %                               | <br><u>195.34%</u>        | <br><u>100.83%</u> | <br><u>119.15%</u>   |

(1) Increase due to rate increase that was effective June 2009.

(2) Combined maximum annual debt service on the 2001 Bonds and 2010 Bonds. Revised to reflect results of the bond sale.

## CARLISLE MUNICIPAL SEWAGE WORKS

### A. Certain General Economic and Demographic Information

The Carlisle Municipal Sewage Works (the “Sewage Works”) is located in the Town of Carlisle (the “Town”) in Sullivan County. The Town is served by State Road 58 and U.S. 41 and has a total area of .5 square miles. The estimated 2008 population of the Town was 677.

### B. Description of Project

Proceeds of the 2010 Series A-3 Qualified Obligations will be used (1) to refund the Sewage Works Refunding Revenue Bonds of 1986 (the “1986 Bonds”); (2) to fund a debt service reserve; and (3) to fund the costs of issuance therewith.

### C. Description of the 2010 Series A-3 Qualified Obligations

|                      |  |
|----------------------|--|
| Total Principal      | - \$255,000  |
| Security and Lien    | - Net Revenues of the Sewage Works. (“Net Revenues” is defined as gross revenues of the Sewage Works after the payment of reasonable expenses of operation, repair and maintenance.) |
| Repayment Schedule   | - Semiannual principal payments commencing October 1, 2010 and each October 1 and April 1 until October 1, 2018.   |
| Interest Payments    | - Semiannual interest payments commencing October 1, 2010 and each October 1 and April 1 thereafter.   |
| Debt Service Reserve | - Ten percent (10%) of Par.  |

D. Largest Sewage Works Customers for the twelve months ended December 31, 2009.

| <u>Customer</u>                        | <u>Type of Business</u> | <u>Consumption<br/>(In Gallons)</u> |
|--|-------------------------|-------------------------------------|
| Wabash Valley Correctional Facility    | Prison                  | 94,852,200                          |
| Town of Oakton                         | Municipality            | 17,445,800                          |
| Carlisle Inn Motel                     | Lodging                 | 1,767,800                           |
| Sunrise Coal Mine                      | Mining                  | 1,709,300                           |
| Carlisle Elementary/Junior High School | Education               | 1,016,800                           |
| Carlisle Plaza Truck Stop              | Fuel/Retail             | 901,900                             |
| Ted Schowecker                         | Farming                 | 299,400                             |
| Robbie Smith                           | Farming                 | 282,400                             |
| Ash Apartments                         | Apartments              | 185,700                             |
| Kathy Jo's Restaurant                  | Dining                  | 110,900                             |

E. Financial Data

Utility Rates - Present monthly bill for consumption of 5,000 gallons per month is \$19.64. The current rates and charges were adopted in 1991.

Debt Presently Outstanding Of the Utility - \$205,000 - Sewage Works Revenue Bonds of 1985 (1)  
 \$1,785,000 - Junior Sewage Works Revenue Bonds of 1998 (2)  
 \$370,000 - Junior Sewage Works Refunding Revenue Bonds of 2001

(1) Being refunded herein.

(2) The Indiana Bond bank has agreed to restructure only the principal component of the 1998 Bonds. The Sewage Works will contribute funds on hand thus reducing the principal of the 1998 Bonds.

Pro Forma Coverage - 1.28 Times – Pro forma Net Revenues divided by the estimated maximum annual debt service. 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.

**CARLISLE MUNICIPAL SEWAGE WORKS**  
Carlisle, Indiana

Historical and Projected Operating Receipts, Operation and Maintenance Disbursements,  
Non-Operating Receipts, and Estimated Debt Service Coverage

|  | Projected          |                  |                   |
|--|--------------------|------------------|-------------------|
|  | <u>2010</u>        | <u>2009</u>      | <u>2008</u>       |
| <u>Operating Receipts</u>                      |                    |                  |                   |
| Metered Collections                            | \$ 724,300         | \$ 724,338       | \$ 734,017        |
| <br>   |                    |                  |                   |
| <u>Operating Disbursements</u>                 |                    |                  |                   |
| <u>Operation and Maintenance Disbursements</u> |                    |                  |                   |
| Salaries                                       | 70,200             | 70,237           | 68,343            |
| FICA   | 5,400              | 5,373            | 5,228             |
| PERF   | 7,500              | 7,527            | 7,411             |
| Health Insurance                               | 11,300             | 11,299           | 6,594             |
| Purchased power                                | 102,900            | 102,861          | 100,630           |
| Materials and Supplies                         | 37,100             | 45,638           | 24,450            |
| Chemicals and Lab Testing                      | 1,000              | 1,013            | 4,475             |
| Contractual Services                           | 8,800              | 16,120           | 7,583             |
| Liability Insurance                            | 6,900              | 6,907            | 7,073             |
| Subscriptions and Dues                         | 5,700              | 5,653            | 8,900             |
| Unemployment                                   | 100                | 117              | 114               |
| Workmen's Compensation                         | 1,700              | 1,655            | 1,642             |
| Telephone                                      | 3,500              | 3,453            | 3,239             |
| Transportation                                 | 15,000             | 15,077           | 24,656            |
| Biennial Audit Fee                             | -                  | -                | 1,865             |
| Repairs and Maintenance                        | 4,900              | 4,900            | 998               |
| Miscellaneous                                  | 8,200              | 8,213            | 14,228            |
| Total Operating Disbursements                  | <u>290,200</u>     | <u>306,043</u>   | <u>287,429</u>    |
| <br>   |                    |                  |                   |
| Net Operating Receipts                         | <u>434,100</u>     | <u>418,295</u>   | <u>446,588</u>    |
| <br>   |                    |                  |                   |
| <u>Non-Operating Receipts:</u>                 |                    |                  |                   |
| Interest Income                                | <u>3,000</u>       | <u>3,038</u>     | <u>39,396</u>     |
| <br>   |                    |                  |                   |
| Net Receipts Available for Debt Service        | 437,100            | 421,333          | 485,984           |
| <br>   |                    |                  |                   |
| Estimated Combined Debt Service                | <u>340,723 (1)</u> | <u>350,298</u>   | <u>355,241</u>    |
| <br>   |                    |                  |                   |
| Coverage - \$                                  | <u>\$ 96,377</u>   | <u>\$ 71,035</u> | <u>\$ 130,743</u> |
| <br>   |                    |                  |                   |
| Coverage - %                                   | <u>128.29%</u>     | <u>120.28%</u>   | <u>136.80%</u>    |

(1) Combined maximum annual debt service on the restructured 1998 Bonds, 2001 Bonds, and the 2010 Bonds. Revised to reflect the results of the bond sale.

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**Appendix C**

**Form of Approving Bond Counsel Opinion**

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## APPENDIX C

### FORM OF BOND COUNSEL OPINION

*Upon delivery of the Bonds, Barnes & Thornburg LLP, bond counsel,  
will deliver an opinion substantially in the following form:*

June 8, 2010

Indiana Bond Bank  
Indianapolis, Indiana

Re: Indiana Bond Bank  
Special Program Multipurpose Bonds, Series 2010 A-1  
Taxable Special Program Multipurpose Bonds, Series 2010 A-2  
Special Program Multipurpose Bonds, Series 2010 A-3

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 its Special Program Multipurpose Bonds, Series 2010 A-1, dated June 8, 2010 (the "2010 A-1 Bonds"), in the aggregate principal amount of \$8,595,000, its Taxable Special Program Multipurpose Bonds, Series 2010 A-2, dated June 8, 2010 (the "2010 A-2 Bonds"), in the aggregate principal amount of \$6,395,000, and its Special Program Multipurpose Bonds, Series 2010 A-3, dated June 8, 2010 (the "2010 A-3 Bonds"), in the aggregate principal amount of \$770,000, pursuant to Indiana Code 5-1.5, as amended, and the Trust Indenture, dated as of May 1, 2010 (the "Indenture"), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on representations of the Issuer contained in the Indenture, the certified proceedings and other certifications of public officials furnished to us, and certifications, representations and other information furnished to us by or on behalf of the Issuer, the Series 2010 A-1 Qualified Entities, the Series 2010 A-2 Qualified Entities and the Series 2010 A-3 Qualified Entities (each as defined in the Indenture), and others, including, without limitation, certifications contained in the tax and arbitrage certificate of the Issuer, dated the date hereof, and the tax and arbitrage certificates of the Series 2010 A-1 Qualified Entities and the Series 2010 A-3 Qualified Entities, dated the date hereof, without undertaking to verify the same by independent investigation. We have relied upon the legal opinion of Graham & Associates, PC, Indianapolis, Indiana, special counsel to the Issuer, dated the date hereof, as to the matters stated therein. We have relied on the report of Crowe Horwath LLP, Indianapolis, Indiana, independent certified public accountants, dated the date hereof, as to the matters stated therein, and the report of London Witte Group, LLC, Indianapolis, Indiana, independent certified public accountants, dated the date hereof, as to the matters respectively stated therein.

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

1. The Issuer is a body corporate and politic validly existing under the laws of the State of Indiana (the "State"), with the corporate power to execute and deliver the Indenture and perform its obligations thereunder and to issue, execute and deliver the 2010 A-1 Bonds, the 2010 A-2 Bonds and the 2010 A-3 Bonds (collectively, the "Bonds").
2. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding limited obligations of the Issuer, enforceable in accordance with their terms. The Bonds are payable solely from the Trust Estate (as defined in the Indenture).

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

4. Under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on this date (the "Code"), the interest on the 2010 A-1 Bonds and the 2010 A-3 Bonds is excludable from gross income for federal income tax purposes. The opinion set forth in this paragraph is subject to the condition that each of the Issuer, the Series 2010 A-1 Qualified Entities and the Series 2010 A-3 Qualified Entities comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2010 A-1 Bonds and the 2010 A-3 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. Each of the Issuer, the Series 2010 A-1 Qualified Entities and the Series 2010 A-3 Qualified Entities has covenanted or represented that it will comply with such requirements. Failure to comply with certain of such requirements may cause the interest on the 2010 A-1 Bonds or the 2010 A-3 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2010 A-1 Bonds or the 2010 A-3 Bonds.

5. Interest on the 2010 A-1 Bonds and the 2010 A-3 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations.

6. Interest on the Bonds is exempt from income taxation in the State for all purposes, except the State financial institutions tax.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement, dated May 25, 2010, or any other offering material relating to the Bonds, and we express no opinion relating thereto.

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

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

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

Very truly yours,

**Appendix D**

**Summary of Certain Provisions of the Indenture**

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## **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.

#### **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 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 Series 2010 A-1 Bonds and the Series 2010 A-3 Bonds**

In order to assure the continuing excludability of interest on the Series 2010 A-1 Bonds and the Series 2010 A-3 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 Series 2010 A-1 Bonds and the Series 2010 A-3 Bonds, that would result in the loss of the exclusion from gross income for federal tax purposes of interest on any of the Series 2010 A-1 Bonds or the Series 2010 A-3 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 Series 2010 A-1 Bonds and the Series 2010 A-3 Bonds are Outstanding which would cause any of the Series 2010 A-1 Bonds or the Series 2010 A-3 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 Series 2010 A-1 Bonds and the Series 2010 A-3 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 Series 2010 A-1 Bonds and the Series 2010 A-3 Bonds. It will not be an Event of Default under the Indenture if the interest on the Series 2010 A-1 Bonds and the Series 2010 A-3 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 the Series 2010 A-1 Bonds and the Series 2010 A-3 Bonds.

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

#### **Covenants Concerning the Program**

In order to provide for the payment of the principal of, premium if any, 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 Qualified Obligations and to enforce all terms, covenants and conditions of the 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 Qualified Obligation which is in default.

## **Covenants with Respect to Qualified Obligations**

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

(a) Not to permit or agree to any material change in any 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 Qualified Obligation or other obligations of the 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 Qualified Obligation Payments on any Qualified Obligation by collection of such deficiencies out of certain State funds payable but not yet paid to a defaulting Qualified Entity.

(c) To enforce or authorize the enforcement of all remedies available to the Bond Bank as the owner or holder of the 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; provided, however, that decisions as to the enforcement of remedies shall be within the sole discretion of the Trustee.

(d) Not to sell or dispose of the Qualified Obligations, unless the Bond Bank first provides the Trustee with 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.

## **Certification Covenants**

In the event that a deficiency in the Series 2010 A-1 Debt Service Reserve Fund, the Series 2010 A-2 Debt Service Reserve Fund or the Series 2010 A-3 Debt Service Reserve Fund is projected in the next succeeding Fiscal Year, the Chairman of the Board of Directors of the Bond Bank will certify such projected deficiency to the State General Assembly on or before August 1 of the Fiscal Year in which such deficiency is projected to occur. Further, regardless of whether any such deficiency was projected for its annual budget and regardless of the time at which such deficiency occurs or is projected to occur, the Bond Bank will take all actions required or allowed under the Act to certify any deficiency or projected deficiency in the Series 2010 A-1 Debt Service Reserve Fund, the Series 2010 A-2 Debt Service Reserve Fund or the Series 2010 A-3 Debt Service Reserve Fund to the State General Assembly.

## **Budgets**

The Bond Bank will adopt and file with the Trustee, upon the written request of 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.

## **Defeasance and 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 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 (a) payment of the principal of that Bond, plus interest to its due date, either (i) has been made or has been caused to be made in accordance with its terms, or (ii) has been provided for by irrevocably depositing with the Trustee, in trust and exclusively for such payment, (1) moneys sufficient to make such payment, (2) Governmental Obligations maturing as to principal and interest in such amounts and at such times, without consideration of any reinvestment thereof, as will insure the availability of sufficient moneys to make such payments, or (3) a combination of such moneys and Governmental Obligations, and (b) 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.

Notwithstanding anything to the contrary set forth in the Indenture, for so long as the Policy remains in full force and effect, the following provisions shall apply. To accomplish defeasance, the Bond Bank shall cause to be delivered: (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Series 2010 A Bond Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Series 2010 A Bonds in full on the maturity or redemption date ("Verification"); (ii) an escrow deposit agreement (which shall be acceptable in form and substance to the Series 2010 A Bond Insurer); (iii) an opinion of nationally recognized bond counsel to the effect that the Series 2010 A Bonds are no longer Outstanding under the Indenture; and (iv) a certificate of discharge of the Trustee with respect to the Series 2010 A Bonds. Each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Bond Bank, the Trustee and the Series 2010 A Bond Insurer. The Series 2010 A Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow. Bonds shall be deemed Outstanding under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

### **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 the principal of or interest on any Bond;
- (b) 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 60 days after receipt of notice, all in accordance with the Indenture;
- (c) 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 60 days after receipt of notice, all in accordance with the Indenture;
- (d) The Bond Bank fails to make remittances required by the Indenture to the Trustee within the time limits prescribed in the Indenture;
- (e) 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 60 days after such filing;
- (f) 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;

(g) 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 60 days;

(h) The Bond Bank fails to restore the Series 2010 A-1 Debt Service Reserve Fund, the Series 2010 A-2 Debt Service Reserve Fund or the Series 2010 A-3 Debt Service Reserve Fund to the Series 2010 A-1 Reserve Requirement, the Series 2010 A-2 Reserve Requirement or the Series 2010 A-3 Reserve Requirement, respectively, within 60 days after the end of the Fiscal Year during which a deficiency occurs; or

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

Upon the occurrence of an Event of Default, the Trustee will notify the Owners of Outstanding Bonds of such Event of Default and 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 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 Qualified Obligations as the Trustee deems necessary, appropriate and in the best interest of the Bondholders, subject to the terms of the 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; provided, however, for so long as the Policy is in full force and effect, in the event of any reorganization or liquidation plan with respect to the Bond Bank, the Series 2010 A Bond Insurer shall have the right to vote on behalf of the holders of the Series 2010 A Bonds; 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 Policy is in full force and effect, the Trustee may, with the consent of the Series 2010 A Bond Insurer, and shall, at the direction of the Series 2010 A Bond Insurer or holders of the Series 2010 A Bonds with the written consent of the Series 2010 A Bond Insurer, by written notice to the Bond Bank, the Attorney General of the State and the Series 2010 A Bond Insurer, declare the principal of the Series 2010 A Bonds to be immediately due and payable, whereupon that portion of the principal of the Series 2010 A 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 2010 A Bonds to the contrary notwithstanding..

If an Event of Default has occurred, if requested to do so by the Owners of 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.

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.

#### **Rights of the Series 2010 A Bond Insurer Upon Default.**

Notwithstanding anything to the contrary set forth in the Indenture, for so long as the Policy remains in full force and effect, the following provisions shall apply:

(a) The Series 2010 A Bond Insurer shall be deemed to be the sole holder of the Series 2010 A Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 2010 A Bonds are entitled to take pursuant to the Indenture, if any.

(b) The maturity of the Series 2010 A Bonds shall not be accelerated without the consent of the Series 2010 A Bond Insurer and in the event the maturity of the Series 2010 A Bonds is accelerated, the Series 2010 A Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Bond Bank) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Series 2010 A Bond Insurer's obligations under the Policy with respect to such Series 2010 A Bonds shall be fully discharged.

(c) No grace period for a covenant default shall exceed thirty (30) days, nor be extended for more than sixty (60) days, without the prior written consent of the Series 2010 A Bond Insurer. No grace period shall be permitted for payment defaults.

#### **Waivers of Events of Default**

At its discretion, the Trustee 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 respect of which an Event of Default in the payment of principal or interest exists, 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**

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, (b) such Default shall have become an Event of Default and the owners of not less than 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 remedies granted in the Indenture or to institute such action, suit or proceeding in its own name, (c) such owners of Bonds have offered to indemnify the Trustee, as provided in the Indenture, and (d) the Trustee has refused, or for 60 days after receipt of such request and offer of indemnification has failed, to exercise the remedies granted in the Indenture or to institute such action, suit or proceeding in its own name. 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.

### **Supplemental Indentures**

The Bond Bank and the Trustee may, with the prior written consent of the Series 2010 A Bond Insurer for so long as the Policy remains in full force and effect, but, 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 similar federal statute;
- (e) To give evidence of the appointment of a separate or co-trustee, or the succession of a new Trustee or the succession of a new registrar and/or paying agent;
- (f) In connection with the issuance of Refunding Bonds;
- (g) To provide for the refunding of all or a portion of the Bonds; and
- (h) To amend the Indenture to permit the Bond Bank to comply with any future federal tax law or any covenants contained in any Supplemental Indenture with respect to compliance with future federal tax laws.

With the exception of Supplemental Indentures for the purposes described 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 the 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, but only with the express written consent of the Series 2010 A Bond Insurer for so long as the Policy remains in full force and effect; provided, however, no supplemental indenture may permit or be construed as permitting, without the consent of the owners of all then Outstanding Bonds under the Indenture and the Series 2010 A Bond Insurer for so long as the 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, (d) a reduction in the aggregate principal amount of the Bonds the owners of which are required to consent to such supplemental indenture, (e) the creation of any lien securing any Bonds other than a lien ratably securing all of the Bonds, at any time Outstanding, (f) a reduction in the Reserve Requirement, or (g) any amendment or modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee without the written consent of the Trustee.

## **Appendix E**

### **Definitions**

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## 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, as from time to time amended.

“Assigned Series 2010 A Qualified Obligations” means those Qualified Obligations set forth in Exhibit B-1 to the Indenture.

“Assured Guaranty” means Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.), a New York stock insurance company, or any successor thereto or assignee thereof.

“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 the Bankruptcy Reform Act of 1978, as amended from time to time.

“Beneficial Owner” means any person that has or shares the power, directly or indirectly, to make investment decisions concerning the ownership of any Bonds (including any person holding Bonds through nominees, depositories or other intermediaries).

“Bond Bank” means the Indiana Bond Bank, a 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.

“Bond Bank’s Disclosure Agreement” means the Continuing Disclosure Agreement from the Bond Bank to each Bondholder and Beneficial Owner, which contains certain promises of the Bond Bank, including providing notices of certain material events.

“Bondholder” 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 the Indenture.

“Bonds” means the Series 2010 A-1 Bonds, the Series 2010 A-2 Bonds, the Series 2010 A-3 Bonds and any Refunding Bonds.

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

“Clearing Agency” means initially The Depository Trust Company, 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 includes any direct or indirect participants of The Depository Trust Company.

“Code” means the Internal Revenue Code of 1986 in effect on the date of issuance of the Series 2010 A 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, underwriter’s discounts, legal fees and charges, professional consultants’ fees, costs of credit ratings, fees and charges for execution, transportation and safekeeping of the 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.

“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, surety bond, insurance policy or other agreement or instrument.

“Credit Provider” means the issuer of any Credit Facility and its successor in such capacity and their assigns. To qualify under the Indenture, the Credit Provider providing such Credit Facility shall be either:

(a) 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, at the time of issuance, 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 Bonds; or

(b) 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 Bonds by the rating agency or agencies rating the Bonds.

“Debt Service Reserve Funds” means, collectively, the Series 2010 A-1 Debt Service Reserve Fund, the Series 2010 A-2 Debt Service Reserve Fund and the Series A-3 Debt Service Reserve Fund, each of which is created by the Indenture, unless the context otherwise requires.

“Debt Service Reserve Fund Credit Facility” means any Credit Facility issued or provided by a Credit Provider, (i) which may be deposited in a reserve account in the Debt Service Reserve Fund in lieu of or in partial substitution for cash or investment securities to be on deposit therein, and (ii) which shall be payable (upon the giving of notice as required thereunder) on any due date on which moneys will be required to be withdrawn from such reserve account in which such Credit Facility is deposited and applied to the payment of the principal of or interest on any Bonds.

“Debt Service Reserve Fund Reimbursement Obligation” shall mean any obligation to reimburse the Credit Provider of any Debt Service Reserve Fund Credit Facility for any payment made under such Debt Service Reserve Fund Credit Facility or any other obligation to repay any amounts (including, but not limited to, fees or additional interest) to the Credit Provider.

“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.

“Escrow Agreement” means, collectively, the 1998 Escrow Agreement, the 2000 Escrow Agreement, the 2001 A-1 Escrow Agreement and the 2001 A-2 Escrow Agreement.

“Escrow Trustee” means, collectively, the 1998 Escrow Trustee, the 2000 Escrow Trustee, the 2001 A-1 Escrow Trustee and the 2001 A-2 Escrow Trustee.

“Event of Default” means any occurrence of an 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 Series 2010 A Qualified Entities.

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

“Funds” means the funds created pursuant to the Indenture (other than the Rebate Fund).

“General Account” means the account by that name created by the Indenture.

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

“Governmental Obligations” means: (a) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”); (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America; or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

“Indenture” means the Trust Indenture, dated as of May 1, 2010, between the Bond Bank and The Bank of New York Mellon Trust Company, N.A., and all supplements and amendments hereto entered into pursuant to the terms thereof.

“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:
  - (i) Federal Home Loan Mortgage Corporation (FHLMC);
  - (ii) participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) - senior debt obligations;
  - (iii) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes;
  - (iv) Federal Home Loan Banks (FHL Banks) consolidated debt obligations;
  - (v) 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);
  - (vi) 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);
  - (vii) Financing Corporation (FICO) debt obligations; and
  - (viii) 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:

(i) 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;

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

(iii) special revenue bonds (as defined in the Bankruptcy Code) of any state, state agency or subdivision described in (i) 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:

(i) the municipal obligations are (1) not subject to redemption prior to maturity or (2) 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;

(ii) 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;

(iii) 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”);

(iv) 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;

(v) 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

(vi) 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 2010 A Bond Insurer, provided that:

(i) 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);

(ii) 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);

(iii) 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);

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

(v) 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 2010 A 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 (i) 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;

(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:

(i) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service on the Series 2010 A Bonds;

(ii) 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 hereby 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;

(iii) 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;

(iv) the Bond Bank or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Bond Bank and the Series 2010 A 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 Series 2010 A Bond Insurer;

(v) 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 2010 A 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;

(vi) 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

(vii) 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 2010 A 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; and

(l) investment deposit agreements constituting an obligation of a bank, as defined by the Indiana Bank Act (including the Trustee and its affiliates), whose outstanding unsecured long-term debt is rated at the time of such agreement in any of the three highest rating categories by S&P and Moody's.

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

"1998 Escrow Account" means the Escrow Account created under the 1998 Escrow Agreement.

"1998 Escrow Agreement" means the Escrow Agreement, dated as of May 1, 2010, by and between the Bond Bank and the 1998 Escrow Trustee providing for the defeasance of the Refunded 1998 Bonds.

"1998 Escrow Trustee" means U.S. Bank, National Association, as successor to National City Bank of Indiana.

"Notice Address" means, with respect to a Qualified Entity, the Qualified Entity's address given in connection with the sale of its Qualified Obligations to the Bond Bank, and, with respect to the Bond Bank, the Trustee and the Series 2010 A Bond Insurer:

Bond Bank: Indiana Bond Bank  
2980 Market Tower  
Indianapolis, IN 46204  
Attention: Chairman

Trustee: The Bank of New York Mellon Trust Company, N.A., as Trustee  
The Lammert Building  
911 Washington Avenue  
St. Louis, Missouri 63101  
Attention: Corporate Trust Department

Series 2010  
Bond Insurer:

Assured Guaranty Municipal Corp.  
31 West 52nd Street  
New York, NY 10019  
Attention: Managing Director – Surveillance  
Re: Policy No. \_\_\_\_\_

“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:

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

“Policy” means the insurance policy issued by the Series 2010 A Bond Insurer guaranteeing the scheduled payment of the principal of and interest on the Series 2010 A Bonds when due.

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

“Prior Qualified Obligations” means those qualified obligations issued by certain Series 2010 A Qualified Entities, the call rights of which are being acquired by the Bond Bank with a portion of the proceeds of the Series 2010 A Bonds, and which will no longer be outstanding and will be deemed to be refunded upon the issuance of the Assigned Series 2010 A Qualified Obligations and the delivery thereof to the Bond Bank.

“Prior Trustees” means, collectively, U.S. Bank National Association as trustee under the indentures securing the Refunded 1998 Bonds and the Refunded 2001 A-2 Bonds and The Bank of New York Mellon Trust Company, N.A., as trustee under the indentures securing the Refunded 2000 Bonds and the Refunded 2001 A-1 Bonds.

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

“Program Expenses” means all of the fees and expenses of the Trustee and costs of determining the amount rebatable, if any, to the United States of America under the Indenture, all to the extent properly allocable to the Program.

“Purchase Agreement” means a Qualified Entity Purchase Agreement between the Bond Bank and a Qualified Entity, pursuant to which one or more Qualified Obligations are sold to the Bond Bank.

“Purchase Contract” means the Bond Purchase Agreement for the Series 2010 A Bonds, between the Bond Bank and the Underwriter, dated May 25, 2010, which was authorized at the meeting of the Board of Directors of the Bond Bank on March 24, 2010.

“Qualified Entity” means an entity defined in Indiana Code 5-1.5-1-8, as amended from time to time, including the Series 2010 A Qualified Entities.

“Qualified Obligation” means a Security (as that term is defined in the Act), including the Series 2010 A Qualified Obligations, 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 the 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.

“Rebate Fund” means the fund by that name created by the Indenture.

“Record Date” means, with respect to any Interest Payment Date, the fifteenth day of the calendar month immediately preceding such Interest Payment Date.

“Redemption Account” means the account by that name created by the Indenture.

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

“Refunded Bonds” means, collectively, the Refunded 1998 Bonds, the Refunded 2000 Bonds, the Refunded 2001 A-1 Bonds and the Refunded 2001 A-2 Bonds.

“Refunded 1998 Bonds” means the Indiana Bond Bank Special Program Bonds, Series 1998 A, dated as of October 29, 1998, issued in the original aggregate principal amount of \$6,485,000 and now outstanding in the amount of \$4,420,000.

“Refunded 2000 Bonds” means the Indiana Bond Bank Special Program Refunding Bonds, Series 2000 A, dated as of January 15, 2000, issued in the original aggregate principal amount of \$32,860,000 and now outstanding in the amount of \$2,785,000.

“Refunded 2001 A-1 Bonds” means the Indiana Bond Bank Special Program Bonds, Series 2001 A, dated as of July 1, 2001, issued in the original aggregate principal amount of \$7,055,000 and now outstanding in the amount of \$3,585,000.

“Refunded 2001 A-2 Bonds” means the Indiana Bond Bank Special Program Refunding Bonds, Series 2001 A, dated as of January 15, 2001, issued in the original aggregate principal amount of \$20,840,000 and now outstanding in the amount of \$8,135,000.

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

“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.

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

“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 2010 A Bond Insurer” means Assured Guaranty.

“Series 2010 A Bonds” means, collectively, the Series 2010 A-1 Bonds, the Series 2010 A-2 Bonds and the Series 2010 A-3 Bonds.

“Series 2010 A-1 Bonds” means the Indiana Bond Bank Special Program Multipurpose Bonds, Series 2010 A-1, issued pursuant to the Indenture.

“Series 2010 A-2 Bonds” means the Indiana Bond Bank Taxable Special Program Multipurpose Bonds, Series 2010 A-2, issued pursuant to the Indenture.

“Series 2010 A-3 Bonds” means the Indiana Bond Bank Special Program Multipurpose Bonds, Series 2010 A-3 (Carlisle Utility Project), issued pursuant to the Indenture.

“Series 2010 A Credit Facilities” means the Debt Service Reserve Fund Credit Facilities issued by Assured Guaranty for deposit into the respective Debt Service Reserve Funds.

“Series 2010 A-1 Debt Service Reserve Fund” means the fund by that name created by the Indenture.

“Series 2010 A-2 Debt Service Reserve Fund” means the fund by that name created by the Indenture.

“Series 2010 A-3 Debt Service Reserve Fund” means the fund by that name created by the Indenture.

“Series 2010 A-1 Reserve Requirement” means an amount equal to the maximum annual principal and interest requirements on the Series 2010 A-1 Bonds. At the time of issuance of the Series 2010 A-1 Bonds, the Series 2010 A-1 Reserve Requirement means an amount equal to \$1,096,542.42, and thereafter, if less than such amount, shall be the maximum annual principal and interest requirements on the Outstanding Series 2010 A-1 Bonds in the then current or any succeeding Fiscal Year.

“Series 2010 A-2 Reserve Requirement” means an amount equal to the maximum annual principal and interest requirements on the Series 2010 A-2 Bonds. At the time of issuance of the Series 2010 A-2 Bonds, the Series 2010 A-2 Reserve Requirement means an amount equal to \$1,665,356.11, and thereafter, if less than such amount, shall be the maximum annual principal and interest requirements on the Outstanding Series 2010 A-2 Bonds in the then current or any succeeding Fiscal Year.

“Series 2010 A-3 Reserve Requirement” means an amount equal to the maximum annual principal and interest requirements on the Series 2010 A-3 Bonds. At the time of issuance of the Series 2010 A-3 Bonds, the Series 2010 A-3 Reserve Requirement means an amount equal to \$103,803.76, and thereafter, if less than such amount, shall be the maximum annual principal and interest requirements on the Outstanding Series 2010 A-3 Bonds in the then current or any succeeding Fiscal Year.

“Series 2010 A Qualified Entities” means the Series 2010 A-1 Qualified Entities, the Series 2010 A-2 Qualified Entities and the Series 2010 A-3 Qualified Entities.

“Series 2010 A-1 Qualified Entities” means those Qualified Entities set forth in Exhibit A-1 to the Indenture.

“Series 2010 A-2 Qualified Entities” means those Qualified Entities set forth in Exhibit A-2 to the Indenture.

“Series 2010 A-3 Qualified Entity” means the Qualified Entity set forth in Exhibit A-3 to the Indenture.

“Series 2010 A-3 Qualified Entity Undertaking” means the Continuing Disclosure Agreement from the Series 2010 A-3 Qualified Entity to each Bondholder and Beneficial Owner, which contains certain promises, including a promise to provide certain continuing disclosure.

“Series 2010 A-3 Qualified Obligations” means those Qualified Obligations set forth on Exhibit B-2 to the Indenture.

“Series 2010 A Qualified Obligations” means, collectively, the Assigned Series 2010 A Qualified Obligations and the Series 2010 A-3 Qualified Obligations.

“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 provisions of the Indenture.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., or any successor thereto under the Indenture.

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

“2000 Escrow Account” means the Escrow Account created under the 2000 Escrow Agreement.

“2000 Escrow Agreement” means the Escrow Agreement, dated as of May 1, 2010, by and between the Bond Bank and the 2000 Escrow Trustee providing for the defeasance of the Refunded 2000 Bonds.

“2000 Escrow Trustee” means The Bank of New York Mellon Trust Company, N.A., as successor to Bank One Trust Company, N.A.

“2001 A-1 Escrow Account” means the Escrow Account created under the 2001 A-1 Escrow Agreement.

“2001 A-1 Escrow Agreement” means the Escrow Agreement, dated as of May 1, 2010, by and between the Bond Bank and the 2001 A-1 Escrow Trustee providing for the defeasance of the Refunded 2001 A-1 Bonds.

“2001 A-1 Escrow Trustee” means U.S. Bank National Association, as successor to National City Bank of Indiana.

“2001 A-2 Escrow Account” means the Escrow Account created under the 2001 A-2 Escrow Agreement.

“2001 A-2 Escrow Agreement” means the Escrow Agreement, dated as of May 1, 2010, by and between the Bond Bank and the 2001 A-2 Escrow Trustee providing for the defeasance of the Refunded 2001 A-2 Bonds.

“2001 A-2 Escrow Trustee” means The Bank of New York Trust Company, N.A., as successor to Bank One Trust Company, National Association.

“Underwriter” means, with regard to the Series 2010 A Bonds, Morgan Keegan & Company, Inc.

**APPENDIX F**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) ("AGM"), 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 AGM, 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 AGM shall have received Notice of Nonpayment, AGM 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 AGM, 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM 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, AGM 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 AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM 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 AGM 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 AGM 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.

AGM 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 AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM 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 AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM 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 AGM 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 AGM, 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, ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.  
(FORMERLY KNOWN AS FINANCIAL  
SECURITY ASSURANCE INC.)

By \_\_\_\_\_  
Authorized Officer

(212) 826-0100

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