

In the opinion of Barnes & Thornburg, Indianapolis, Indiana ("Bond Counsel"), under existing laws, interest on the Bonds (as hereinafter defined) is excluded 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 delivery of the Bonds. In the opinion of Bond Counsel, under existing laws, interest on the Bonds is exempt from income taxation in the State of Indiana for all purposes except for the Indiana financial institutions tax. See "TAX MATTERS" herein and Appendix C.

\$31,495,000
INDIANA BOND BANK
SPECIAL PROGRAM BONDS, SERIES 2000A
(City of East Chicago Facilities Building Corporation Project)

Dated: Date of Delivery

Due: February 1, As Shown Below

The Special Program Bonds, Series 2000A (City of East Chicago Facilities Building Corporation Project) (the "Bonds") are to be issued by the Indiana Bond Bank (the "Bond Bank"), pursuant to a Trust Indenture, dated as of January 1, 2000 (the "Indenture"), between the Bond Bank and Mercantile National Bank of Indiana, Hammond, Indiana, as trustee (the "Trustee"), will bear interest from the date of delivery of the Bonds at the rates per annum, and will mature on the dates and in the principal amounts set forth below. The Bonds will be issued only as fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof. When issued, the 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 interest in the Bonds will be made in book-entry-only form. Purchasers of beneficial interests in the Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds. Interest on the Bonds is payable on February 1 and August 1, beginning August 1, 2000, and such interest, together with the principal of the Bonds, will be paid directly to DTC so long as the Bonds are held in book-entry-only form. The final disbursement of such payments to the Beneficial Owners of the Bonds will be the responsibility of the Direct Participants and the Indirect Participants, all as defined and more fully described herein. See "THE BONDS - Book-Entry-Only System".

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as set forth herein. See "THE BONDS – Optional Redemption and Mandatory Sinking Fund Redemption".

The Bonds are authorized by resolutions adopted by the Board of Directors of 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 Title 5, Article 1.5 (the "Act"), for the purpose of providing funds to purchase the First Mortgage Bonds (the "Qualified Obligations") of the City of East Chicago Facilities Building Corporation (the "Qualified Entity") which is authorized under Indiana law to issue bonds and construct facilities for lease to the City of East Chicago, Indiana (the "City").

The 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 Bonds constitute a moral obligation of the Bond Bank to the extent of the debt service reserve maintained by the Bond Bank for the Bonds. The Bonds do not constitute a debt, liability or loan of the credit of the State of Indiana (the "State") or any political subdivision thereof, including the Qualified Entity, 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 the Qualified Entity. The Bond Bank has no taxing power.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Ambac Assurance Corporation.

AMBAC

The Bonds will mature on the dates and in the amounts as follows:

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2/1/03	\$695,000	5.00%	5.00%	2/1/10	\$1,000,000	5.55%	5.55%
2/1/04	730,000	5.05%	5.05%	2/1/11	1,055,000	6.25%	5.62%
2/1/05	765,000	6.00%	5.15%	2/1/12	1,125,000	5.70%	5.70%
2/1/06	815,000	5.25%	5.25%	2/1/13	1,185,000	5.80%	5.80%
2/1/07	855,000	5.30%	5.30%	2/1/14	1,255,000	5.90%	5.90%
2/1/08	900,000	5.40%	5.40%	2/1/15	1,330,000	6.00%	6.00%
2/1/09	950,000	5.50%	5.50%	2/1/16	1,410,000	6.00%	6.05%
				2/1/17	1,495,000	6.25%	NRO

\$ 5,065,000 6.125% Term Bonds Due February 1, 2020 – Yield: 6.25%
 \$10,865,000 6.125% Term Bonds Due February 1, 2025 – Yield: 6.30%

The Bonds are being offered when, as and if issued by the Bond Bank and received by the Underwriters set forth below, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Barnes & Thornburg, Indianapolis, Indiana, Bond Counsel. Certain legal matters will be passed on for the Bond Bank, by its general counsel, Barnes & Thornburg, Indianapolis, Indiana; for the Qualified Entity, by its bond counsel, Bingham Summers Welsh & Spilman, Indianapolis, Indiana, and its local counsel, Richard Lesniak, East Chicago, Indiana; for the State of Indiana by its disclosure counsel, Johnson, Smith, Pence & Heath, LLP; and for the Underwriters by their counsel, Ice Miller Donadio & Ryan, Indianapolis, Indiana. It is expected that the Bonds will be available for delivery to DTC in New York, New York, on or about January 27, 2000.

City Securities Corporation
Siebert Brandford Shank & Co., LLC

January 14, 2000

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

No dealer, broker, salesman or other person has been authorized by the Indiana Bond Bank, the City of East Chicago Facilities Building Corporation or the City of East Chicago, Indiana to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by the Indiana Bond Bank, the City of East Chicago Facilities Building Corporation or the City of East Chicago, Indiana. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the securities described herein by any person in a jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by the Indiana Bond Bank, the City of East Chicago Facilities Building Corporation, the City of East Chicago, Indiana and by other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the securities described herein shall, under any circumstances, create any implication that there has been no change in the affairs of the Indiana Bond Bank, the City of East Chicago Facilities Building Corporation or the City of East Chicago, Indiana since the date of this Official Statement.

In connection with this offering the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Bonds offered hereby 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 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 CITY OF EAST CHICAGO AND THE TERMS OF THE OFFERING, INCLUDING THE MERIT AND RISK INVOLVED. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

\$31,495,000

**Indiana Bond Bank
Special Program Bonds, Series 2000A**

INTRODUCTION

The purpose of this Official Statement, including the cover page and the appendices, is to set forth certain information concerning the issuance and sale by the Indiana Bond Bank (the "Bond Bank") of its \$31,495,000 aggregate principal amount of Special Program Bonds, Series 2000A (City of East Chicago Facilities Building Corporation Project) (the "Bonds"). The Bonds are authorized by resolutions adopted by the Board of Directors of the Bond Bank on December 15, 1999, and are issued under and secured by a Trust Indenture dated as of January 1, 2000 (the "Indenture"), between the Bond Bank and Mercantile National Bank of Indiana, Hammond, Indiana, as trustee, registrar and paying agent (the "Trustee"), all pursuant to the laws of the State of Indiana (the "State"), particularly Indiana Code, Title 5, Article 1.5 (the "Act"), for the purpose of providing funds to purchase the First Mortgage Bonds (the "Qualified Obligations") of the City of East Chicago Facilities Building Corporation (the "Qualified Entity") which is authorized under Indiana law to issue bonds and construct facilities for lease to the City of East Chicago, Indiana (the "City"). The Bonds are issued and secured separately from all other obligations issued by the Bond Bank.

The Program

The Bond Bank is a separate body corporate and politic, constituting an instrumentality of the State of Indiana (the "State") for the public purposes set out in the Act. The Bond Bank is not an agency of the State, is separate from the State in its corporate and sovereign capacity and has no taxing power. Pursuant to the Act, the purpose of the Bond Bank is to assist political subdivisions, as defined in Indiana Code 36-1-2-13, state educational institutions, as defined in Indiana Code 20-12-0.5-1(b), leasing bodies, as defined in Indiana Code 5-1-1-1(a), any commissions, authorities or authorized bodies of any qualified entity, as defined in the Act, and any organizations with members that are an individual qualified entity through programs of purchasing the Bonds or evidences of indebtedness of such qualified entity or leases or certificates or other evidences of participation in lessor's interests in or rights under leases with such qualified entity, all of which are payable from taxes or from revenues, rates, charges or assessments or from the proceeds of funding or refunding bonds, bonds or evidences of indebtedness, leases, or certificates or other evidences of participation in leases with a qualified entity and which secure the bonds issued by the Bond Bank. A qualified entity can include, but is not limited to, such entities as all State universities, cities, towns, counties, school corporations, library corporations and not-for-profit corporations and associations which lease facilities to such entities.

The Bonds are payable solely out of and secured by a pledge of certain revenues as defined below and funds of the Bond Bank pledged for payment under the Indenture. The Bonds do not constitute a debt, liability or loan of the credit of the State or any political subdivision of the State under the constitution of the State or a pledge of the faith, credit and taxing power of the State or any political subdivision. The sources of payment and security for the Bonds are further described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in this Official Statement.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and all appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Bonds will be issued under and secured by the Indenture. The principal of, and interest on, all of the Bonds are payable from those revenues and funds of the Bond Bank which, together with the Qualified Obligations, are pledged pursuant to the Indenture for the benefit of the owners of the Bonds without priority. The Bonds constitute moral obligations of the Bond Bank to the extent of the debt service reserve for the Bonds and the provisions of Indiana Code 5-1.5-5, pertaining to a moral obligation. Neither the faith, credit nor taxing power of the State or any political subdivision thereof, including the Qualified Entity, is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt, liability, or loan of the credit of the State or any political subdivision thereof, including the 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 all 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"), which includes (a) all right, title and interest of the Bond Bank in, to and under the Qualified Obligations which will be purchased by the Bond Bank and delivered to the Trustee pursuant to a Purchase Agreement (the "Agreement"); (b) all right, title and interest in any and all other property, real, personal or mixed, from time to time conveyed, mortgaged, pledged, assigned or transferred as additional security under the Indenture by the Bond Bank or by anyone on behalf of the Bond Bank; (c) the proceeds from the sale of the Bonds; (d) all revenues held in the Funds and Accounts (other than the Rebate Fund) under the Indenture. All Bonds will be secured equally and ratably by all of the foregoing.

The principal source of payment on the Bonds will be the principal and interest payments received by the Bond Bank from the Qualified Entity under the Qualified Obligations. The principal of and interest on the Qualified Obligations are payable from interest capitalized from bond proceeds and lease payments made by the City of East Chicago, Indiana (the "City") from certain Ad Valorem Property Tax revenues as further described under the caption, "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Provisions for Payment of the Qualified Obligations."

The Qualified Obligations

From the proceeds of the Bonds, the Qualified Obligations will be purchased by the Bond Bank and delivered to the Trustee, pursuant to the Agreement. The information set forth below has been supplied to the Bond Bank by the Qualified Entity.

The Qualified Obligations consists of \$28,955,000 in aggregate principal amount of First Mortgage Bonds issued by the Qualified Entity. The Qualified Obligations are payable from interest capitalized from bond proceeds and lease rental payments (the "Rental Payments") to be made by the City pursuant to a lease dated September 1, 1999 (the "Lease") between the Qualified Entity, as lessor, and the City, as lessee. The proceeds of the Qualified Obligations will be used to finance the construction of a new facility of approximately 98,400 square feet for city clerk, court, emergency medical services and 911 services in the City of East Chicago, Indiana (the "Project"). The Project is to be leased to the City pursuant to the Lease. The Qualified Obligations are being issued and delivered pursuant to a trust indenture, dated as of January 27, 2000 (the "City Indenture"), between the Qualified Entity and Mercantile National Bank of Indiana, Hammond, Indiana, as trustee, (the "City Trustee"). The final maturity date of the Qualified Obligations is January 20, 2024. Pursuant to the City Indenture, the Qualified Entity has granted a mortgage in the Project to the City Trustee as security for the Qualified Obligations.

Provisions for Payment of the Qualified Obligations

Under the City Indenture, all of the interest capitalized from bond proceeds, semi-annual rental payments (the “Rental Payments”) and income and amounts in the funds established under the City Indenture are pledged and assigned as security for payment of the Qualified Obligations. The Rental Payments required to be made by the City under the Lease are payable from unlimited ad valorem taxes to be levied by the City on all of the taxable property within the City. The levy of taxes by the City to pay the Rental Payments under the Lease is mandatory under the Indiana Code, so long as the City has the right to use the Project. Neither the Qualified Obligations nor the obligation of the City to make Rental Payments under the Lease constitutes a debt of the City, the State or any other political subdivision of the State. See Appendix B for a description of the City.

The Rental Payments payable to the City Trustee, as assignee of the Qualified Entity, are calculated to be sufficient to pay, when due, the payments on the Qualified Obligation (the “Qualified Obligation Payments”), subject to the provisions in the Lease relating to Rental Payments not being payable until substantial completion of the Project and to abatement or reduction of Rental Payments in the event of damage or destruction of the Project. During the full term of the lease the City is required to maintain rent or rental value insurance in an amount equal to the full rental value of the demised Premises for a period of two (2) years against physical loss or damage of the type required to be insured against.

It is contemplated that capitalized interest on the Qualified Obligations prior to completion of the Project and the Rental Payments to be made by the City during its occupancy of the Project will be the primary sources of payment of the Qualified Obligation Payments. Under the Indiana Code, the City is not permitted to make Rental Payments until the Project is substantially completed and ready for occupancy. The Lease provides that the first Rental Payment shall not be payable until the later of the date the Project is completed and ready for occupancy (the “Completion Date”), or January 5, 2002. Thereafter, Rental Payments are due and payable on each January 5 and July 5 during the Lease term. A delay in completion of construction beyond July 5, 2002, would result in delayed commencement of the Rental Payments, which may result in insufficient funds being available to make payments on the Qualified Obligations until such time as the first Rental Payment becomes available to make such payments. Furthermore, in the event of a delay in completion beyond July 5, 2002, the amount of the first Rental Payment due would not be increased to account for the insufficiency in payments with respect to the Qualified Obligations. If construction were not completed, no Rental Payment would be made. The Qualified Obligations are further secured by a first mortgage lien on the premises that are the subject of the Lease.

The State Board of Tax Commissioners (the “State Board”) is, prior to the end of each calendar year, required by the Indiana Code to review the proposed bond and lease rental ad valorem tax levies of each city, including the City, for the next calendar year and the proposed appropriations from those levies to pay principal of and interest on each city’s outstanding general obligation bonds and to pay the city’s outstanding lease rental obligations (collectively “bond and lease obligations”) to be due and payable in the next calendar year. The State Board is to determine whether the proposed levies and appropriations are sufficient to pay the bond and lease obligations. If it determines that the proposed levies and appropriations are insufficient to pay the bond and lease obligations, the State Board is required to establish, for each city, bond and lease rental levies and appropriations which are sufficient for that purpose.

See Appendix B for a summary of the financial information concerning the City, including its revenues and costs of operations. Included in Appendix B is a description of the largest taxpayers and largest employers in the City.

Debt Service Reserve Fund

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

1. All proceeds of the Bonds required to be deposited in the Debt Service Reserve Fund by the terms of the Indenture or any supplemental indenture or resolution of the Bond Bank with respect to the proceeds of the Bonds, established under the Indenture as the Reserve Requirement in the amount of \$2,695,575 which is equal to the maximum annual debt service on the Bonds.
2. All money required to be transferred to the Debt Service Reserve Fund from another Fund or Account under the Indenture;
3. All money appropriated by the State for replenishment of the Debt Service Reserve Fund; and
4. Any other available money or funds that the Bond Bank may decide to deposit in the Debt Service Reserve Fund.

The Debt Service Reserve Fund will be initially funded in the amount of \$2,695,575. Balances in the Debt Service Reserve Fund will be invested, and used to make a portion of the annual principal and semi-annual interest payments on the Bonds.

As permitted by the Act, the Indenture provides that, for purposes of computing amounts in the Debt Service Reserve Fund, investment securities, as defined and described herein (the “Investment Securities”), purchased as an investment of moneys in such Fund will be valued at their amortized cost. Moneys in the Debt Service Reserve Fund from time to time will be invested pursuant to an investment agreement and it is anticipated that such investment and the earnings thereon will be used to pay a portion of the principal of and interest on the Bonds. However, there can be no assurance that such moneys or the earnings thereon will be available, if and when needed, to pay debt service on the Bonds.

Except as provided by the Indenture, moneys in the Debt Service Reserve Fund will be held and applied to the payment of the principal of and interest on the Bonds in cases where sufficient funds are not available in other Funds and Accounts for such payments.

State Appropriations Mechanism

The Act provides that in order to assure the maintenance of the Reserve Requirement in the Debt Service Reserve Fund, the State General Assembly may annually appropriate to the Bond Bank for deposit in the Debt Service Reserve Fund any sum, required by the Act to be certified by the Chairman of the Board of Directors of the Bond Bank prior to December 1 of any year to the State General Assembly,

as necessary to restore the Debt Service Reserve Fund to the Reserve Requirement. The Indenture further requires such certification to be made by the Chairman to the State General Assembly on or before August 1 of any Fiscal Year in which the amount in the Debt Service Reserve Fund is projected to be less than the Requirement. However, nothing in these provisions or any other provision of the Act creates a debt or liability of the State to make any payments or appropriations to or for the use of the Bond Bank. There can be no representation or assurance (i) that a certificate from the Chairman of the Board of Directors of the Bond Bank, stating the amount of a deficiency in the Debt Service Reserve Fund, would be taken up for any or for early consideration by the State General Assembly, or (ii) that upon consideration of any such certificate, the State General Assembly would determine to appropriate funds to reduce or eliminate such deficiency, or (iii) that in the event the State General Assembly determined to make such an appropriation, the amounts thus appropriated would be forthcoming as of any particular date. The Bond Bank has previously issued and has outstanding as of the date of this Official Statement an aggregate principal amount of approximately \$437,575,000 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.

MUNICIPAL BOND INSURANCE

Payment Pursuant to Municipal Bond Insurance Policy

Ambac Assurance has made a commitment to issue a municipal bond insurance policy (the "Municipal Bond Insurance Policy") relating to the Bonds effective as of the date of issuance of the Bonds. Under the terms of the Municipal Bond Insurance Policy, Ambac Assurance will pay to the United States Trust Company of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Municipal Bond Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee/Paying Agent. The insurance will extend for the term of the Bonds and once issued, cannot be canceled by Ambac Assurance.

The Municipal Bond Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the

case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee/Paying Agent has notice that any payment of principal of or interest on a 1999 Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Municipal Bond Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Municipal Bond Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee or Paying Agent, if any.

If it becomes necessary to call upon the Municipal Bond Insurance Policy, payment of principal requires surrender of Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Municipal Bond Insurance Policy. Payment of interest pursuant to the Municipal Bond Insurance Policy requires proof of Bondholder entitlement to interest payments and an appropriate assignment of the Bondholder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the 1999 Bond, appurtenant coupon, if any, or right to payment of principal or interest on such 1999 Bond and will be fully subrogated to the surrendering Bondholder's rights to payment.

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately \$3,732,000,000 (unaudited) and statutory capital of approximately \$2,207,000,000 (unaudited) as of September 30, 1999. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., Moody's Investors Service and Fitch IBCA, Inc. have each assigned a triple-A claims-paying ability rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac

Assurance under policy provisions substantially identical to those contained in its municipal bond insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of the Bonds.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "Municipal Bond Insurance".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at 7 World Trade Center, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005. The Company's Common Stock is listed on the NYSE.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Commission (File No. 1-10777) are incorporated by reference in this Official Statement:

- (1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 and filed on March 31, 1999;
- (2) The Company's Current Report on Form 8-K dated March 24, 1999 and filed on March 24, 1999;
- (3) The Company's 1999 Proxy Statement dated March 30, 1999 and filed on March 30, 1999;
- (4) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 1999 and filed on May 12, 1999;
- (5) The Company's quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 1999 and filed on August 13, 1999; and

- (6) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 1999 and filed on November 12, 1999.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "AVAILABLE INFORMATION".

Ambac Assurance Year 2000 Readiness Disclosure

Year 2000. The issue commonly known as the Y2K problem ("Y2K") relates to whether computer programs and embedded computer chips will be able to distinguish between the year 1900 and the year 2000. In 1998, the Company commenced an initiative to assess and address any risks posed by the Y2K problem. This initiative was a high priority undertaking and considered crucial to the operation of the Company's businesses. Pursuant to this initiative, the company assessed the risks to its businesses related to the functionality of its own computer systems and those of third parties. All phases of the initiative have been completed and the Company has addressed any problems brought to light as a result of the initiative.

The initiative was comprised of a three-phase process. Phase I was an inventory analysis and impact assessment. Phase II was the testing phase during which all critical systems were tested, transactions were run through critical systems by applying various permutations and combinations of Y2K sensitive dates, and results were reviewed independently by each business unit. In Phase III, the extent of code repair was determined and remediated. The total cost of identifying, testing and remediating its critical systems was approximately \$1.1 million, \$0.4 million of which was incurred during 1999.

The Company's principal Y2K risks include risk that the Company does not successfully ready its operations for the next century. The Company, like other financial institutions, is heavily dependent upon its computer systems. Y2K problems in the Company's internal systems could result in an interruption in, or failure of certain normal business activities or operations. Such failures could adversely affect the Company's operations. To date, the Company has reported that it has had no disruptions with its internal computer systems as a result of the Y2K problem. Although Ambac had been running tests on its critical systems throughout 1999, a final live test occurred on January 1, 2000. The results of this test indicated that Ambac's internal computer systems and the normal business activities and operations that depend on them, have not been adversely impacted by Y2K sensitive dates.

Another potential risk is the failure by an obligor of obligations insured by Ambac Assurance and its subsidiaries to make scheduled payment of debt service due to the obligor's Y2K-related systems, thus triggering a claim under an Ambac Assurance insurance policy. In the unlikely event a claim resulting solely from a Y2K problem occurs, the Company would utilize its sources of liquidity to pay claims and has in fact increased liquidity for such purpose. The Company would expect full recovery of such claims when Y2K problems are resolved.

Additional potential risks include the risk of disruption of Company operations due to operational failures of third parties and the risk of Y2K systems-related failure by the trustees or paying agents on transactions insured by Ambac Assurance. This latter risk is mitigated by the fact that Ambac Assurance's obligation to pay claims is related to the creditworthiness of the issuer and not the trustee.

More complete year 2000 disclosure for the Company is set forth in the Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 1999 and filed with the Securities and Exchange Commission on November 12, 1999. Such information is specifically incorporated by reference herein.

No assurance is made regarding the ultimate outcome of the Company's plan, and external failures (such as failures affecting securities exchanges or funds and securities clearing organizations) could have a material adverse impact on the operations of the Company and its subsidiaries, including Ambac Assurance.

RISKS TO THE OWNERS OF THE BONDS

The ability of the Bond Bank to pay principal of, redemption premium, if any, and interest on the Bonds depends primarily upon the receipt by the Bond Bank of Qualified Obligation Payments from the Qualified Entity which is obligated to make such payments to the Bond Bank, together with earnings on the amounts in the Funds and Accounts sufficient to make such payments. Except for the Debt Service Reserve Fund, there is no Fund which is required to contain amounts to make up for any deficiencies in the event of one or more defaults by the Qualified Entity in making such Qualified Obligation Payments, and there is no source from which the General Fund will be replenished except the Qualified Obligation Payments and investment income on moneys in the Funds and Accounts. There can be no representation or assurance that the City will realize sufficient revenues or tax receipts to make its required lease payments to the Qualified Entity to enable the Qualified Entity to make its Qualified Obligation Payments. The realization of such revenues or tax receipts by the City is subject to, among other things, future economic and demographic conditions and other conditions which are variable and not certain of prediction and the effects thereof upon particular taxpayers located in the City. For a description of the City, see APPENDIX B. For a description of procedures for providing for the payment of Qualified Obligations, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Provisions for Payment of the Qualified Obligations" herein.

The State General Assembly may determine to appropriate funds to the extent of any deficiency in the Debt Service Reserve Fund (see "SECURITY AND SOURCES OF PAYMENT FOR THE 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 a deficiency in the Debt Service Reserve Fund, would be taken up for any or for early consideration by the State General Assembly, or (ii) that upon consideration of any such certificate, the State General Assembly would determine to appropriate funds to reduce or eliminate such deficiency, or (iii) that in the event the State General Assembly determined to make such an appropriation, the amounts thus appropriated would be forthcoming as of any particular date. In no event can or will the Bonds be deemed to be a debt or obligation of the State. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Debt Service Reserve Fund" herein.

It is expected that the funds held under the Indenture (the "Investments Amounts") will be invested from time to time in an Investment Agreement entered into between the Trustee and an Investment Agreement Provider, currently rated in one of the two highest full rating categories by Standard & Poor's Ratings Group. It is anticipated that the Investment Amounts, together with the earnings thereon, pursuant to the terms of the Investment Agreement will be used to pay all or a portion of principal of and interest on the Bonds. However, there can be no assurance that a financial institution will be able to return the Investment Amounts and the earnings thereon on a timely basis or at the rates contemplated under an investment agreement. In the event that a financial institution fails to return the Investment Amounts or the earnings thereon on a timely basis or at the rates contemplated under an investment agreement, the Investment Amounts and the earnings thereon may be unavailable to pay debt service on the Bonds. Similarly, there can be no assurance that, in the event of the insolvency,

bankruptcy or similar deterioration in financial condition of a financial institution, the Investment Amounts and the earnings thereon will be available, if needed, to pay debt service on the Bonds.

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 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 Bonds to be taxable retroactive to the date of issuance. Also, in connection with the purchase of the Qualified Obligations, the Bond Bank will receive an opinion of Bingham, Summers, Welsh & Spilman to the effect that, conditioned upon continuing compliance by the Qualified Entity and the City of East Chicago, Indiana with certain covenants made in connection with the issuance of such Qualified Obligations, the interest on the 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 Qualified Obligations could become taxable in the event that the Qualified Entity or the City of East Chicago, Indiana 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 State government all arbitrage earnings with respect to its 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 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 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 Bonds retroactive to the date of issuance. See "TAX MATTERS" herein.

The remedies available to the Trustee, to the Bond Bank or to the owners of the Bonds upon an event of default (an "Event of Default") under the Indenture or under the terms of any of the Qualified Obligations purchased by the Bond Bank 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 State Code (the United State Bankruptcy Code), the remedies provided in the Indenture and under the Qualified Obligations may not be readily available or may be limited.

THE BONDS

The Bonds will be issued in fully registered form and registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), in the denomination of \$5,000 or any integral multiple of that amount, will be dated the date of delivery, and mature on February 1 in the years and amounts and bear interest at the rates set forth on the cover page of this Official Statement.

Principal of and interest on the Bonds, payable on February 1 and August 1, commencing August 1, 2000, will be paid by wire transfer of immediately available funds on the interest payment date to depositories shown as registered owners.

So long as DTC or its nominee is the registered owner of the Bonds, principal of and interest on the Bonds will be paid directly to DTC by the Paying Agent. Interest will be paid on the basis of a 360-day year consisting of twelve 30-day months. Payment shall be made to the depository in whose name the Bond is registered on the fifteenth day preceding an interest payment date. (The final disbursement of such payments to the Beneficial Owners of the Bonds will be the responsibility of the DTC Participants and Indirect Participants, all as defined and more fully described herein.)

Book-Entry-Only System

DTC will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity as set forth on the front cover hereof, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, 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, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need of physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, some of whom (or their representatives or, both) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "Indirect Participants").

The DTC Participants shall receive a credit balance in the records of DTC. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") will be recorded through the records of the DTC Participant. Beneficial Owners are expected to receive a written confirmation of their purchase providing details of the Bond acquired from the appropriate DTC Participants or Indirect Participant.

Transfers of ownership interests in the Bonds will be accomplished by book entries made by DTC and, in turn, by the DTC Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bond owners or registered owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

DTC may determine to discontinue providing its service with respect to the Bonds at any time by giving notice to the City or its agent and discharging its responsibilities with respect thereto under applicable law. The City may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interest of the Beneficial Owners. In either such event, ownership of each Bond will be transferred to such person or persons, including any other clearing agency, as the holder of such Bond may direct. See "Revision of Book-Entry-Only System".

The City and the Paying Agent and Trustee will recognize DTC or its nominee as the bondholder for all purposes, including without limitation, the receiving of payment of the principal of and interest on any Bonds, the receiving of notice and the giving of consent. Conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time. DTC has no knowledge of the actual Beneficial Owners of the Bonds. The City will not have any responsibility or obligation to any DTC Participants or Indirect Participant, or any person on behalf of which, or otherwise in respect of which, any such participant holds any interest in any Bonds, including, without limitation, any responsibility or obligation to maintain accurate records of any interest in any

Bonds or any responsibility or obligation with respect to the receiving of payment of principal of or interest on any Bonds, the receiving of notice or the giving of consent.

Principal and interest payments on the Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the Bonds. DTC's current practice is to credit the accounts of the DTC Participants on a payable date in accordance with their respective holdings shown on the records of DTC unless DTC has reason to believe that it will not receive payment on a payable date. Payments by DTC Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such DTC Participant or Indirect Participants and not of DTC, or the City, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium and interest to DTC is the responsibility of the City or the Paying Agent and disbursement of such payments to DTC Participants shall be the responsibility of DTC Participants and Indirect Participants.

Certain of the information under "Book-Entry-Only System" has been extracted from a report from DTC entitled "Book-Entry-Only Municipals". No representation is made by the Bond Bank as to the completeness or accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date thereof.

Revision of Book-Entry-Only System.

In the event that either (1) 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 Bonds or (2) the Bond Bank elects to discontinue its use of DTC as a clearing agency for the Bonds, then the Bond Bank 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 Bonds, as are necessary or appropriate to discontinue use of DTC as a clearing agency for the Bonds and to transfer the ownership of each of the Bonds to such person or persons, including any other clearing agency, as the holder of such Bonds may direct. Any expenses of such a discontinuation and transfer, including any expenses of printing new certificates to evidence the Bonds will be paid by the Bond Bank.

Optional Redemption

The Bonds due on and after February 1, 2011 may be redeemed prior to maturity, at the option of the Bond Bank, in whole or in part, in such order of maturity as determined by the Bond Bank, and by lot within maturities, on any date not earlier than February 1, 2010, at face value plus the following premiums:

- 1% if redeemed on February 1, 2010 to January 31, 2011;
- 1/2% if redeemed on February 1, 2011 to January 31, 2012;
- 0% if redeemed on February 1, 2012, or thereafter prior to maturity;

plus in each case accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption Prior to Maturity

Term Bonds Due February 1, 2020

The Term Bonds which mature on February 1, 2020 are subject to mandatory sinking fund redemption on February 1 of the years and in the amounts listed below by lot in such manner as the Trustee may determine at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date.

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
2/1/18	\$1,590,000	2/1/20 (1)	\$1,790,000
2/1/19	1,685,000		

Term Bonds Due February 1, 2025

The Term Bonds which mature on February 1, 2025 are subject to mandatory sinking fund redemption on February 1 of the years and in the amounts listed below by lot in such manner as the Trustee may determine at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date.

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
2/1/21	\$1,900,000	2/1/24	\$2,270,000
2/1/22	2,015,000	2/1/25 (1)	2,540,000
2/1/23	2,140,000		

(1) Final maturity

Notice of Redemption

Notice of the call for any redemption, identifying the Bonds (or any portions thereof in integral multiples of \$5,000 each) to be redeemed, will be given by the Trustee as registrar at least 30 days but not more than 45 days prior to the date fixed for redemption by mailing a copy of the redemption notice by registered or certified mail to the registered owner of each Bond to be redeemed at the address shown on the registration books and to the original purchasers of the Bonds. Failure to mail such notice to any particular owner of Bonds, or any defect in the notice mailed to any such owner of Bonds, will not affect the validity of the call for the redemption of any other Bonds. So long as DTC or its nominee is the registered owner of the Bonds, notice of the call for any redemption will be given to DTC, and not directly to Beneficial Owners. See "THE 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 Bonds called, together with accrued interest on the Bonds to the redemption date. After the redemption date, if proper notice of redemption by mailing has been given and sufficient funds have been deposited with the Trustee, interest will cease to accrue on the Bonds that have been called.

APPLICATION OF THE PROCEEDS OF THE BONDS

The proceeds of sale of the Bonds will be applied as follows:

Deposit to General Account	\$ 51,016.74
Deposit to Debt Service Reserve Fund	2,695,575.00
Net Original Issue Discount	215,788.40
Costs of Issuance Fund/Underwriters' Discount and Insurance Premium	717,619.86
Deposit to General Account for Purchase of the Qualified Obligations	<u>27,815,000.00</u>
 TOTAL	 \$31,495,000.00

THE INDIANA BOND BANK

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

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 Director of the State Department of Financial Institutions, 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:

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

Charles W. Phillips, Director of the Indiana Department of Financial Institutions, 1989 to present, and Director Ex Officio, serving at the pleasure of the Governor. Residence: New Albany, Indiana. Director Ex Officio, Indiana Housing Finance Authority; President, Floyd County Bank, New Albany, Indiana, 1962-1985; Former Examiner, Federal Deposit Insurance Corporation.

Ann E. Kolata, Vice Chairman; term expires July 1, 2001. Residence: Granger, Indiana. Deputy Executive Director of the South Bend Department of Economic Development; Deputy Director, South Bend Department of Redevelopment, 1979-1982; Member, Indiana Planning Association; Board Member, National Association of Housing and Redevelopment Officials, Indiana chapter; Member, American Society for Public Administration; Economic Development Finance Professionals, the National Development Council, 1986.

Joseph T. Morrow, Director; term expires July 1, 2000. Residence: Hammond, Indiana. Attorney; Chairman of the Board, Mercantile National Bank of Indiana, 1979 to present; Chairman of the Board, First National Bank of Illinois, 1979 to present; Chairman of the Board and General Counsel, Home State Bank of Crystal Lake, 1979 to present.

Clark H. Byrum, Director; term expires July 1, 2000. Residence: Indianapolis, Indiana. Chairman of the Board and President, The Key Corporation, Indianapolis, Indiana, 1977 to present; Chairman of the Board, American State Bank of Lawrenceburg, Aurora and Greendale, Indiana, 1990 to present; Board Member, NCB Corporation and Norcen Bank, 1986 to present; Member, American Bankers Association; Member, Indiana Bankers Association; Member, National Association of Life Underwriters.

C. Kurt Zorn, Director; term expires July 1, 2000. Residence: Bloomington, Indiana. Professor of Public and Environmental Affairs, Indiana University, 1994 to Present; Chairman, State Board of Tax Commissioners, January 1991-August 1994; Associate Professor, School of Public and Environmental Affairs, Indiana University, 1987-1994 (on leave 1989-1992); Member, American Economic Association; Member, National Tax Association; Member, Governmental Finance Officers Association.

Russell Breeden, III, Director; term expires July 1, 2000. Residence: Indianapolis, Indiana. Chairman of the Board and CEO, Community First Financial Group, Inc., 1993 to present. Director, English State Bank, 1993 to present; Chairman, Peoples Trust Bank Company, 1994 to present; Chairman, Peninsula Banking Group, 1995 to present; Chairman, Bay Cities National Bank, 1995 to present; Director and President, Bettenhausen Motorsports, Inc. 1988 to present.

June Midkiff was appointed Executive Director of the Indiana Bond Bank October 12, 1999. Ms. Midkiff served as Director of Economic Development in the Office of Mayor Stephen Goldsmith for the City of Indianapolis for seven years. In that capacity she managed various development projects throughout the city. Prior to joining the Mayor's office, she was Vice President of Merchants National Bank & Trust Company, from 1973-1991, and was responsible for the management of governmental accounts and the cash management division.

Outstanding Indebtedness

Under separate trust indentures and other instruments authorized under the Act, the Bond Bank has previously issued and has outstanding as of the date of this Official Statement an aggregate principal amount of approximately \$1,108,831,377 in separate program obligations. The total amount of bonds or notes of the Bond Bank outstanding at any one time may not exceed the aggregate limit currently imposed by the Act of \$1,000,000,000. However, such aggregate limit does not apply to, inter alia, bonds, notes or other obligations not secured by a reserve fund under Indiana Code 5-1.5-5. The Bond Bank has previously issued and has outstanding as of the date of this Official Statement an aggregate principal amount of approximately \$437,575,000 in separate program obligations which count against the \$1,000,000,000 limitation. All previously issued obligations are secured separately and independently and do not constitute Bonds under the Indenture or for purposes of this Official Statement. The Bond Bank has never failed to punctually pay principal and interest on any previously issued obligations.

Further, as of the date of this Official Statement, the Bond Bank is considering undertaking other types of financings 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 additional financings will be secured separately and independently from the Bonds and will not constitute Bonds.

REVENUES, FUNDS AND ACCOUNTS

Creation of Funds and Accounts

The Indenture establishes the following special trust funds and accounts to be held by the Trustee:

1. General Fund which contains a General Account, Bond Issuance Expense Account and a Redemption Account;
2. Debt Service Reserve Fund; and
3. Rebate Fund.

Deposit of Net Proceeds of the Bonds

The Trustee will deposit the net proceeds from the sale of the Bonds as follows:

1. To the General Account an amount equal to \$51,016.74, which will be used to pay a portion of the interest on the Bonds due on August 1, 2000.
2. To the Bond Issuance Expense Account the amount needed to pay the costs of issuance of the Bonds (other than Underwriters' Discount and the bond insurance premium paid to Ambac Assurance Corporation which was paid by the Underwriters for and on behalf of the Bond Bank).
3. To the Debt Service Reserve Account, \$2,695,575.
4. To the General Account, the amount needed to purchase the Qualified Obligations.

The Trustee will deposit the proceeds of any Additional Bonds as provided in a Supplemental Indenture authorizing the issuance of such Additional Bonds.

Deposit of Revenues and Other Receipts

The Trustee will deposit all Revenues into the Funds and Accounts as follows:

1. All payments of principal of and interest on Qualified Obligations paid by the Qualified Entity will be deposited in the General Account;
2. All income or gain from the investment of moneys (except moneys in the Rebate Fund), and all other Revenues will be deposited in the General Account; provided, however, that investment earnings on the Debt Service Reserve Fund which will remain in the Debt Service Reserve Fund until the balance in such fund equals the Reserve Requirement from time to time and thereafter be disbursed as provided in the Indenture; and
3. All income or gain from the investment of moneys in the Rebate Fund will remain in the Rebate Fund.

OPERATION OF FUNDS AND ACCOUNTS

General Fund

General Account. The Trustee will make the following payments from the General Account on the specified dates, and, in the event of insufficient funds to make all of such required payments, with the following order of priority:

- (a) On the date of initial delivery of the Series 2000 A Bonds, to purchase the Qualified Obligations, and upon the submission of requisitions of the Bond Bank signed by an Authorized Officer stating that all requirements with respect to such financing set forth in the Indenture have been or will be complied with;
- (b) On or before 10:00 A.M. in the city in which the Trustee is located on the business day next preceding each Interest Payment Date, such amount as will be necessary to pay the principal and interest coming due on the Bonds on such Interest Payment Date;
- (c) As soon as funds become available to the Debt Service Reserve Fund sufficient amounts to assure that the Reserve Requirement is met from time to time;
- (d) As necessary, to the Bond Bank amounts to pay Program Expenses, but only to the extent contemplated in the most recent Cash Flow Certificate;
- (e) On or before 30 days after each anniversary of the issuance of the Bonds, the amounts to be transferred to the Rebate Fund; and
- (f) After making such deposits, the Trustee will retain such remaining amounts in the General Account to be used from time to time for the purposes set forth in paragraphs (b) through (e) above. Upon final maturity of the Bonds, any money remaining in the General Account which is not needed to pay any of the costs set forth in paragraph (b) through (e) above in connection with the final maturity of the Bonds will be transferred within thirty (30) days after such final maturity to the Qualified Entity. However, the Bond Bank must supply the Trustee with a Cash Flow Certificate to the effect that, after such transfer, Revenues expected to be received and money expected to be held in the Funds and Accounts will at least equal debt service on all Outstanding Bonds.

Redemption Account. The Trustee will deposit in the Redemption Account all money received from the sale or optional mandatory redemption prior to maturity of Qualified Obligations and all other money required to be deposited therein pursuant to the provisions of the Indenture, and will invest such funds pursuant to the Indenture, and will disburse the funds in the Redemption Account as follows:

- (a) On the fifteenth day of each month, to the General Account an amount equal to the principal which would have been payable during the following month if such Qualified Obligations had not been sold or redeemed.
- (b) On the second business day prior to each Interest Payment Date, if moneys in the General Account are not sufficient to make the payments of principal and interest required to be made on such date, to the General Account such amounts as are not already committed to the redemption of Bonds for which notice of redemption has already been given.

(c) After provision has been made 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, or (ii) to purchase Bonds of such maturity or maturities as directed by an Authorized Officer of the Bond Bank at the most advantageous price obtainable with reasonable diligence, whether or not such Bonds are then subject to redemption and not in excess of the applicable redemption price for such Bonds; the Trustee will pay the interest accrued on the Bonds so purchased to the date of delivery from the General Account and the balance of the purchase price from the Redemption Account, but no such purchase will be made by the Trustee within the prior of forty-five (45) days next preceding an interest payment date or a date on which such Bonds are subject to redemption under the provisions of the Indenture.

(d) In the event the Trustee is unable to purchase Bonds in accordance with subparagraph (c), then, subject to restrictions on redemption set forth in the Indenture (see "THE BONDS - Optional Redemption and --Mandatory Sinking Fund Redemption"), the Trustee will call for redemption on the next ensuing redemption date such amount of the Bonds of such maturity or maturities as directed by an Authorized Officer as, at the Redemption Price thereof, will exhaust the Redemption Account as nearly as may be possible. Such redemption will be made pursuant to the Indenture. The Trustee will pay the interest accrued on the Bonds so redeemed to the date of redemption from the General Account and will pay the Redemption Price from the Redemption Account.

Bond Issuance Expense Account. The Trustee will deposit in the Bond Issuance Expense Account the money required to be deposited by the Indenture, will invest such funds pursuant to the Indenture and will disburse the funds held in the Bond Issuance Expense Account upon receipt of acceptable invoices or requisitions, to pay the Costs of Issuance of the Bonds or to reimburse the Bond Bank for amounts previously advanced for such costs. The Trustee will transfer any funds remaining in the Bond Issuance Expense Account to the General Account on July 1, 2000.

Debt Service Reserve Fund

The Trustee will deposit in the Debt Service Reserve Fund all money required to be deposited therein pursuant to the Indenture, any moneys appropriated by the General Assembly of the State of Indiana to the Debt Service Reserve Fund, and any other moneys directed by the Bond Bank; will invest such funds pursuant to the Indenture and will disburse the funds held in the Debt Service Reserve Fund to the General Account if, on the second business day next preceding each Interest Payment Date the moneys in the General Account are not sufficient to make the payments of principal and interest required to be made on such date after taking into account available funds on deposit in the General Account.

The Trustee will disburse the funds held in the Debt Service Reserve Fund to pay principal and interest on the Bonds only in the event that moneys in the General Fund are insufficient to pay such amount due. The Trustee will draw first on cash or Investment Securities on deposit in the Debt Service Reserve Fund and then *pro rata* as provided in the Supplemental Indentures or Debt Service Reserve Fund Credit Facility or Facilities.

The Bond Bank may cause to be deposited into the Debt Service Reserve Fund for the benefit of the holders of the Bonds a Debt Service Reserve Fund Credit Facility. If such deposit causes the Debt Service Reserve Fund to be equal to the Reserve Requirement, moneys in excess of the Reserve Requirement will be moved to the General Account or Redemption Account, as directed by the Bond Bank.

If a disbursement is made pursuant to a Debt Service Reserve Fund Credit Facility, the Bond Bank will be obligated (but solely from any appropriations made by the General Assembly of the State of Indiana or funds otherwise available from the Trust Estate) within twelve 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, or a combination of such alternatives, so that the Debt Service Reserve Fund is equal to the Reserve Requirement.

If a deficiency in the Debt Service Reserve Fund is projected by Bond Bank in the next succeeding Fiscal Year, the Chairman of the Bond Bank will certify such projected deficiency or depletion to the General Assembly of the State of Indiana on or before August 1 of the Fiscal Year in which the deficiency is projected to occur.

The Bond Bank will take all actions required or allowed by the Act to certify to the General Assembly of the State of Indiana any deficiency in the Debt Service Reserve Fund, regardless of whether such deficiency was projected by the Bond Bank.

Rebate Fund

The Rebate Fund will be established to comply with the provisions of Section 148 of the Code concerning the rebate of certain arbitrage earnings to the United States of America. Deposits into the Rebate Fund and disbursements from the Rebate Fund will be made as provided by the Indenture and as required by federal tax law applicable to the Bonds. The Rebate Fund is not subject to the lien of the Indenture and does not constitute a Fund or Account for purposes of the Indenture.

So long as any of the Bonds are Outstanding and the Bond Bank is subject to a rebate obligation under the Code, the Bond Bank covenants to establish and maintain the Rebate Fund and to comply with the instructions relating to its ongoing rebate responsibilities delivered on the date of initial delivery of the of Bonds. Such instructions will set forth procedures which may be amended from time to time.

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 rebate payments to the United States of America and the fees, charges and expenses of the Trustee and the Bond Bank will be distributed to the Qualified Entity.

Investment of Funds

Any money held as a part of any Fund or Account under the Indenture will be invested and reinvested at all times as continuously as reasonably possible by the Trustee in such Investment Securities as may be directed by the Bond Bank provided, however, in the absence of such direction, the Trustee will select Investment Securities at its discretion. All such investments will at all times 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 in the General Account except for income and profits on investment of funds in the Rebate Fund which will remain in the Rebate Fund and except for investment earnings on the Debt Service Reserve Fund which will remain in the Debt Service Reserve Fund until the balance in such fund equals the Reserve Requirement from time to time and thereafter be disbursed as provided in the Indenture. Any investment income, gains or losses from an Investment Security will be charged to the Fund or Account from which money was employed to invest in such Investment Security,

subject to any requirements in the Act with respect to earnings on money appropriated by the General Assembly of the State of Indiana to the Debt Service Reserve Account. The Trustee will not be liable for any investment losses. Moneys in any Funds or Accounts will be invested in Investment Securities with maturity dates (or redemption dates determinable at the option of the owner of the Investment Security) 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 sufficient amounts of such Investment Securities in a respective Fund or Account as may be necessary to make up a deficiency in any amounts required to be distributed from such Fund or Account.

Obligations purchased as investments of moneys in any Funds or Accounts, except the Debt Service Reserve Fund, with a stated maturity of less than two years will be valued at cost, including accrued interest paid and unamortized debt discount. All other such obligations will be valued at the lower of cost, including accrued interest paid and unamortized debt discount, or market value, whichever is lower, exclusive of earned accrued interest. Investment Securities held in the Debt Service Reserve Fund will be valued at their amortized costs.

THE STATE OF INDIANA

A discussion of the State and its financial condition and procedures is set forth in APPENDIX A "Certain Financial and Economic Information on the State of Indiana." **However, the faith, credit and taxing power of the State are not pledged to the payment of the principal of, premium, if any, and interest on any of the Bonds and the Bonds are not a debt, liability, loan of the credit or pledge of the faith and credit of the State.**

THE 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 of the Bond Bank issued under the Act.

LITIGATION

Bond Bank

There is not now pending or, to the Bond Bank's knowledge, threatened any litigation (1) restraining or enjoining the issuance, sale, execution or delivery of the Bonds, (2) prohibiting the Bond Bank from purchasing the Qualified Obligations with the proceeds of such Bonds, (3) in any way contesting or affecting the validity of the Bonds, or (4) restraining or enjoining any proceedings of the Bond Bank taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the 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.

Qualified Entity and the City of East Chicago, Indiana

Upon the issuance of the Bonds, the Bond Bank will receive a certification from the Qualified Entity and the City of East Chicago, Indiana to the effect that there is not now pending or, to the best knowledge of the Qualified Entity or the City of East Chicago, Indiana, threatened any litigation restraining or enjoining (i) the execution of the Qualified Obligations, the Agreement or the Lease or (ii) any proceedings of the Qualified Entity or the City of East Chicago taken with respect to the Qualified Obligations or the Lease or the pledge or application of any moneys or security provided for the payment of the Qualified Obligations, or in any way contesting or affecting the validity of the Qualified Obligations, the Agreement or the Lease.

TAX MATTERS

In the opinion of Barnes & Thornburg, Indianapolis, Indiana, Bond Counsel, under existing laws, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Bonds (the "Code"). The opinion of Barnes & Thornburg is based on certain certifications, covenants and representations of the Bond Bank, the Qualified Entity and the City of East Chicago, Indiana and is conditioned on continuing compliance therewith. In the opinion of Barnes & Thornburg, Indianapolis, Indiana, Bond Counsel, under existing laws, interest on the 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 Bonds as a condition to the exclusion from gross income of interest on the Bonds for federal tax purposes. Noncompliance with such requirements may cause interest on the Bonds to be included in gross income for federal tax purposes retroactive to the date of issue, regardless of the date on which noncompliance occurs. Should the Bonds bear interest that is not excluded from gross income for federal income tax purposes, the market value of the Bonds would be materially and adversely affected. It is not an event of default if interest on the Bonds is not excludable from gross income for federal tax purposes pursuant to any provision of the Code which is not in effect on the date of issuance of the Bonds.

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

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

Although Bond Counsel will render an opinion that interest on the Bonds is excluded from gross income for federal tax purposes and exempt from State income tax, the accrual or receipt of interest on the 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. Prospective purchasers of the Bonds should consult their own tax advisors with respect to the tax consequences of owning the Bonds.

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

ORIGINAL ISSUE DISCOUNT

The initial public offering price of the Bonds maturing on February 1, 2016, February 1, 2020 and February 1, 2025 (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 cover page of this Official Statement (assuming it is the first price at which a substantial amount of that maturity is sold) (the "Issue Price" for such maturity), and the amount payable at maturity of the Discount Bonds will be treated as "original issue discount." 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). A taxpayer who purchases a Discount Bond in the initial public offering at the Issue Price for such maturity and who holds such Discount Bond to maturity may treat the full amount of original issue discount as interest which is excludable from the gross income of the owner of that Discount Bond for federal income tax purposes and will not, under present federal income tax law, realize taxable capital gain upon payment of the Discount Bond at maturity.

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 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 Bonds maturing on February 1, 2005, February 1, 2011 and February 1, 2017 (collectively, the "Premium Bonds"), is greater than the principal amount payable at maturity. 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 public offering of the Bonds will be required to adjust the owner's basis in the Premium Bond downward as a result 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 disposition of the Premium Bonds, including sale, redemption or payment at maturity. The amount of amortizable Bond Premium will be computed on the basis of the taxpayer's yield to maturity, with compounding at the end of each accrual period. Rules for determining (i) the amount of amortizable Bond Premium and (ii) the amount amortizable in a particular year are set forth in Section 171(b) of the Code. No income tax deduction for the amount of amortizable Bond Premium will be allowed pursuant to Section 171(a)(2) of the Code, but amortization of Bond Premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining other tax consequences of owning 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 tax advisors concerning treatment of Bond Premium.

LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Bonds by the Bond Bank are subject to the approval of Barnes & Thornburg, Indianapolis, Indiana, Bond Counsel, whose approving opinion will be delivered with the Bonds. Bond Counsel will render a further opinion that representatives of such firm have reviewed the information contained under the captions, "INTRODUCTION", "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS", "THE BONDS", "REVENUES, FUNDS AND ACCOUNTS", "TAX MATTERS", "ORIGINAL ISSUE DISCOUNT", "AMORTIZABLE BOND PREMIUM", and "APPENDIX D - SUMMARY OF CERTAIN LEGAL DOCUMENTS" of this Official Statement and determined that such information conforms in all material respects to the provisions of the documents and other matters set forth therein. Certain legal matters will be passed upon for the State by its disclosure counsel, Johnson, Smith, Pence & Heath, LLP, Indianapolis, Indiana. Certain legal matters will be passed upon for the Bond Bank by its counsel, Barnes & Thornburg, Indianapolis, Indiana. Certain legal matters will be passed upon for the Underwriters by its counsel, Ice Miller Donadio & Ryan, Indianapolis, Indiana.

Bingham Summers Welsh & Spilman, Indianapolis, Indiana, serves as bond counsel to the Qualified Entity in connection with the issuance and sale of its bonds to the Bond Bank and will be passing on certain legal matters in connection therewith.

The remedies available to the Trustee, to the Bond Bank or to the owners of the Bonds upon an Event of Default under the Indenture, under the terms of any of the Bonds purchased by the Bond Bank, under the terms of the Agreement 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 under the Qualified Obligations, the Lease or the Agreement may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 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 State and the United States of America. These exceptions would encompass any exercise of any of the police powers of the Qualified Entity or the City of East Chicago, Indiana in a manner consistent with the public health and welfare. Enforceability of the Indenture, the Qualified Obligations, the Agreement or the Lease in situations where such enforcement may adversely affect public health and welfare may be subject to the police powers of the State, the Qualified Entity or the City of East Chicago, Indiana.

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 under the caption "INTRODUCTION" is qualified by reference to this entire Official Statement, including the Appendices hereto. This introduction is only a brief description and a full review should be made of this entire Official Statement, including the appendices hereto, 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.

Information contained in this Official Statement with respect to the Bond Bank and the Qualified Entity and copies of the Indenture 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 the 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 holders of the Bonds pursuant to the Indenture. See "CONTINUING DISCLOSURE".

RATINGS

Standard & Poor's Ratings Services ("S&P"), Fitch IBCA, Inc. ("Fitch") and Moody's Investor Service ("Moody's") have assigned a rating of "AAA", respectively with the understanding that, upon

delivery of the Bonds, a municipal bonds insurance policy, insuring the payment when due of the principal of and interest on the Bonds, will be issued by Ambac Assurance Corporation. This rating reflects only the view of S&P, Fitch and Moody's and an explanation thereof may be obtained from S&P at 55 Water Street, New York, New York 10004, Fitch at One State Street Plaza, New York, NY 10004 and Moody's Investors Service at 99 Church Street, New York, NY 10007. Such rating is not a recommendation to buy, sell or hold the Bonds. There is no assurance that such rating will remain in effect for any given period of time or that any of such rating will not be lowered or withdrawn entirely by S&P, Fitch and Moody's if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect upon the market price or marketability of the Bonds. No other ratings have been applied for.

UNDERWRITING

Under a contract of purchase entered into between the Underwriters listed on the cover page of this Official Statement and the Bond Bank, the Bonds are being purchased by the Underwriters for reoffering at an aggregate purchase price of \$30,872,973.75. The contract of purchase provides that the Underwriters will purchase all of the Bonds if any are purchased. The obligations of the Bond Bank to deliver the Bonds and of the Underwriters to accept delivery of the Bonds are subject to various conditions contained in the contract of purchase.

The Underwriters have agreed to make an initial public offering of all of the Bonds at yields not less than the yields set forth on the cover page of this Official Statement. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than the initial public offering prices reflected on the cover page of this Official Statement.

CONTINUING DISCLOSURE

General

Pursuant to the terms of the Indiana Bond Bank Continuing Disclosure Agreement and the State of Indiana Continuing Disclosure Undertaking Agreement, the Bond Bank, while the Bonds are outstanding (unless the Bonds are defeased), has agreed to provide the following information described in items 1 and 3 below to each nationally recognized municipal securities information repository ("NRMSIR"), or to the Municipal Securities Rulemaking Board (the "MSRB"), and to the Indiana State Information Depository then in existence, if any (the "State Depository"), and the State of Indiana (the "State"), while the Bonds are outstanding (unless the Bonds are defeased), has agreed to provide to each NRMSIR, or to the MSRB and the State Depository, the following information described in items 1 and 2 below:

1. Audited Financial Statements. When and if available, the audited financial statements of the Bond Bank and the State for each fiscal year of the Bond Bank and the State beginning with the fiscal year ending June 30, 2000, together with the independent auditor's report and all notes thereto; if audited financial statements are not available within 220 days of the close of the fiscal year of the Bond Bank or the State, beginning with the fiscal year ending June 30, 2000, the Annual Report (as hereinafter defined) will contain unaudited financial statements of the Bond Bank or the State, as the case may be, and the audited financial statements will be filed in the same manner as the Annual Report when they become available;

2. Financial Information in this Official Statement. Within 220 days of the close of the fiscal year of the State, beginning with the fiscal year ending June 30, 2000, annual financial information other than the audited or unaudited financial statements described above in item 1, including operating data of the type provided in APPENDIX A – Summary of Information regarding the State of Indiana”;

(The information described in items 1 and 2 is referred to as the “Annual Report”.)

3. Material Events. Upon the occurrence of any of the following events, if material:
 - 1) principal and interest payment delinquencies;
 - 2) non-payment related defaults;
 - 3) unscheduled draws on debt service reserves reflecting financial difficulties;
 - 4) unscheduled draws on credit enhancements reflecting financial difficulties;
 - 5) substitution of credit or liquidity providers, or their failure to perform;
 - 6) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
 - 7) modifications to rights of Bondholders;
 - 8) bond calls;
 - 9) defeasances;
 - 10) release, substitution or sale of property securing repayment of the Bonds; and
 - 11) rating changes.

The City, while the Bonds are outstanding, has agreed to provide to the Bond Bank the preceding event notices with respect to it and the Qualified Obligations if material, and in a timely manner, and the City has agreed to provide the following information while any of the Qualified Obligations are outstanding.

- **Audited Financial Statements.** To each nationally recognized municipal securities information repository (“NRMSIR”) then in existence and to the Indiana state information depository then in existence, if any (“SID”), when and if available, the audited financial statements of City as prepared and examined by the State Board of Accounts for each twelve (12) month period ending December 31, together with the opinion of such accountants and all notes thereto, within sixty (60) days of receipt from the State Board of Accounts; and

- **Financial Information in this Official Statement.** To each NRMSIR then in existence and to the SID, within 210 days of each December 31, unaudited annual financial information for the City for such calendar year including (i) unaudited financial statements of the City and (ii) operating data of the type provided under the following headings in this Official Statement (collectively, the “Annual Information”):

CITY OF EAST CHICAGO:

SCHEDULE OF BONDED INDEBTEDNESS

VALUATION, PROPERTY TAX RATE AND COLLECTION INFORMATION

- Property Tax Levies and Collections
- Net Assessed Valuation
- Largest Property Taxpayers
- Tax Rates

FINANCIAL INFORMATION

- Receipts

The disclosure obligations of the Bond Bank, the Qualified Entity and the City are referenced as the "Undertakings."

Remedy

The purpose of the Undertakings is to enable the Underwriters to purchase the Bonds in satisfaction of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"). The Undertakings are solely for the benefit of the holders and Beneficial Owners of the Bonds. The sole remedy against the Bond Bank, the State or the City for any failure to carry out any provision of the Undertakings shall be for specific performance of the Bond Bank's, the State's or the City's disclosure obligations under the Undertakings. For the purposes of this section only, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding any Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bond for federal income tax purposes.

Failure on the part of the Bond Bank, the State or the City to honor its Undertaking shall not constitute a breach or default under the Bonds, the Indenture, or any other agreement to which the Bond Bank, the State, the Qualified Entity or the City is a party.

Modification of Undertakings

The Bond Bank, the State, the Trustee and the City may, from time to time, amend any provision of the Undertakings without the consent of the holders or Beneficial Owners of the Bonds if: (a) such amendment (if related to certain provisions of the Undertakings) 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, the State or the City or type of business conducted, (b) the respective Undertaking, as so amended, would, have complied with the requirements of the Rule on the date of execution thereof, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) such amendment or modification does not materially impair the interests of the holders or Beneficial Owners of the Bonds, as determined by either (i) any person selected by the Bond Bank, the State, the Trustee or the City, as applicable, that is unaffiliated with the Bond Bank, the State, the Trustee or the City, as applicable, (including the Counterparty) or (ii) 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 holders or (iii) if such amendment is permitted by law or the SEC Rule, as then in effect.

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

Compliance with Previous Undertakings

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

MISCELLANEOUS

The Bond Bank's offices are located at 2980 Market Tower, 10 West Market Street, Indianapolis, Indiana 46204, telephone (317) 233-0888.

All quotations from, and summaries and explanations of, the Act, the Indenture, the Lease, the Undertakings and the Agreement 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 form of Agreement, the Lease, the Undertakings and the supplemental materials furnished to the Bond Bank by the Qualified Entity 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 Bonds, upon written request. In addition, certain other information concerning the Bond Bank is available to the Trustee and holders of the Bonds pursuant to the Indenture.

Neither any advertisement of the Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Bonds. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

INDIANA BOND BANK

By: /s/ Tim Berry
Chairperson Ex Officio
Treasurer of the State of Indiana

Dated: January 14, 2000

APPENDIX A
STATE OF INDIANA

APPENDIX B

**ADDITIONAL INFORMATION PERTAINING TO
THE CITY OF EAST CHICAGO, INDIANA**

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GENERAL, PHYSICAL, SOCIAL AND DEMOGRAPHIC INFORMATION

Location

The City of East Chicago, Indiana (the "City") is located on the southern shore of Lake Michigan between the City of Gary, Indiana and the City of Hammond, Indiana, the State's 5th and 6th largest cities, respectively. The City is approximately 20 miles southeast of the City of Chicago, Illinois.

History and General Characteristics

The City was incorporated in 1893. It is generally known for its resident steel industry, Great Lakes, rail and interstate transportation network, schools and recreational opportunities. The City is an urbanized home to over 30,000 people. Of the City's 12 square miles, 3 1/2 miles are residential in nature.

Population

According to the U.S. Bureau of Census, the population of the City is reported as follows:

<u>Year</u>	<u>City</u>
1996	31,761
1990	33,892
1980	39,786
1970	46,982
1960	57,669

Government

The City is governed by a Mayor and 9 member Common Council. Mayor Robert A. Pastrick is currently serving his 8th consecutive 4-year term as Mayor. Mayor Pastrick also served two terms as a member of the City's Common Council and as the City's Controller prior to his election to Mayor.

City Councilors serve four-year terms, with six elected from and representing defined geographical districts and three serving at-large. Three members of the Common Council are completing their initial terms, one is completing his second straight term, four have over a decade of continuous service and one has over two decades of service.

The City Controller is appointed by the Mayor and is responsible for the financial records of the City. The current City Controller is in his second year of service, having served for eight years as first, the Deputy City Controller and then the Senior Deputy City Controller.

City services include public safety, highways and streets, health and social services, recreation and culture, public improvements, planning and zoning, general administrative services, water, wastewater, sewage collection, solid waste disposal and urban development and housing. The City has 1,100 full and part time employees.

GENERAL ECONOMIC AND FINANCIAL INFORMATION

Employment

Unemployment percentages for Lake County and Indiana for the last ten years are reported as follows.

<u>Annual Unemployment Averages</u>			
<u>Year</u>	<u>County of Lake</u>	<u>State of Indiana</u>	<u>Lake County Labor Force</u>
1990	6.2%	5.3%	207,810
1991	7.1%	6.0	205,780
1992	9.0%	6.6	202,090
1993	7.1%	5.4	225,140
1994	6.6%	4.9	229,650
1995	6.9%	4.7	230,270
1996	5.6%	4.1	227,180
1997	4.5%	3.5	228,750
1998	4.1%	3.1	228,700

Source: Indiana Employment Security Division.

Industry

Five companies, ISPAT International N.V., LTV Steel, AMOCO, Praxair and Union Tank Car have facilities within the City that employ over 18,000 people and have an assessed value of approximately \$470,000,000.

In July 1998, the City's largest taxpayer, Inland Steel Industries, Inc. completed the sale of its wholly owned steel manufacturing business (located in East Chicago, Indiana) to ISPAT International N.V. ("ISPAT"). ISPAT ships steel worldwide and provides nearly 50% of the annual property tax revenues for the City.

The City's second largest taxpayer, LTV Corporation ("LTV"), through its subsidiary LTV Steel, provides nearly 24% of the annual property tax revenues for the City.

The common stock of ISPAT and LTV is listed and trades on the New York Stock Exchange under the symbols "IST" and "LTV", respectively. ISPAT and LTV report earnings and make periodic news announcements as required by the New York Stock Exchange and the Securities & Exchange Commission. This information is publicly available.

Large Employers

The following is a list of the largest employers in the City. Employment statistics are reported by company personnel.

<u>Employer</u>	<u>Product</u>	<u>Reported Employment</u>
Ispat/Inland Steel	Manufacturing	11,000
LTV Steel	Manufacturing	4,300
Amoco	Petroleum refining	1,600
Union Tank Car	Manufacturing	1,500
Harrah's Entertainment	Casino gambling	1,400
School City of East Chicago	Education	1,250
City of East Chicago	Government	1,100
St. Catherine Hospital	Medical treatment	1,031
Praxair	Manufacturing	200
PCI Association	Transfer & storage	100

Earnings and distributions of labor force by major employment divisions in 1997 for Lake County are as follows:

<u>Industry</u>	<u>Average Annual Pay</u>	<u>Percent of Earnings</u>	<u>Distribution Of Labor Force</u>
Manufacturing	\$46,902	31.9%	38,318
Government	26,097	11.2%	24,222
Agriculture & Services	23,658	24.1%	57,396
Wholesale and retail trade	35,787	5.1%	8,080
Contract construction	36,428	8.5%	13,182
Transportation, communication and public utilities	35,012	6.2%	10,041
Retail trade	13,548	9.6%	40,060
Finance, insurance and real estate	26,008	<u>3.4%</u>	<u>7,283</u>
Total		<u>100.0%</u>	<u>198,582</u>

Source: Indiana Department of Workforce Development.

Employment Statistics and Patterns

The figures below, which were furnished by the Indiana Employment Security Division, Merrillville, Indiana, reflect employment statistics and patterns with respect to the work force in Lake County.

<u>Year</u>	<u>Labor Force</u>	<u>Number Employed</u>	<u>Number Unemployed</u>	<u>Rate of Unemployment</u>
1990	207,810	194,950	12,860	6.2%
1991	205,780	191,220	14,560	7.1%
1992	202,090	184,000	18,090	9.0%
1993	225,140	209,150	15,990	7.1%
1994	229,650	214,470	15,180	6.6%
1995	230,270	214,300	15,970	6.9%
1996	227,180	214,370	12,810	5.6%
1997	228,750	218,480	10,270	4.5%
1998	228,700	(1)	(1)	4.1%

(1) Breakdown of employed v. unemployed is not available.

Miscellaneous Economic Data

The following information concerning the Lake County and the State of Indiana has been obtained from the Bureau of Census Reports and the Indiana State Library.

Per Capita Income

<u>Year</u>	<u>County of Lake</u>	<u>State of Indiana</u>
1994	\$20,148	\$20,734
1995	21,053	21,427
1996	22,137	22,234
1997	22,887	23,202
1998	(1)	24,219

(1) Information is not available.

Median Household Income

<u>Year</u>	<u>City of East Chicago</u>
1994	\$23,061
1995	22,443
1996	21,636
1997	24,123
1998	22,968

Construction

Below is a summary of building permit data from the City of East Chicago. Building Permit values do not reflect land or personal property.

Summary of Construction Activity

<u>Year</u>	<u>Residential</u>		<u>Commercial</u>		<u>Total</u>
	<u>Units</u>	<u>Value</u>	<u>Units</u>	<u>Value</u>	<u>Value</u>
1994	(A)	(A)	(A)	(A)	\$ 5,013,637
1995	724	\$2,700,125	201	\$ 5,480,534	8,180,659
1996	764	4,338,238	287	37,669,171	42,007,409
1997	649	2,630,925	246	25,133,732	27,764,657
1998	679	3,562,128	280	23,833,637	27,395,765

Source: City of East Chicago Building Department
(A) Distribution records not available

Primary Education

The School City of East Chicago (“School Corporation”) is a school corporation and political subdivision of the State of Indiana as described in Indiana Code 20-4-1-26. It is charged with the responsibility of providing public school education to the children within its boundaries.

The School Corporation is coterminous with the City. A five member board of school trustees, appointed to four year staggered terms, governs the School Corporation. Administrative functions are carried out by a superintendent of schools, appointed by the board. The School Corporation, as of December 1998, had a total staff of 1,024 personnel.

In addition to the administration center, 10 school buildings are currently housing the educational programs for the School Corporation. Summary information about the schools presented by selected category follows:

<u>Name of School</u>	<u>Date of Construction/ Add/Renovation</u>	<u>1998-99 Enrollment</u>
Elementary Schools:		
Field	1952/87	327
Franklin	1928/91	626
Carrie Gosch	1998	481
Harrison	1930/94	589
Lincoln	1973/84	517
McKinley	1961/94	678
Washington	1979/83	486
Secondary Schools:		
Central High	1986/89	1,653
Block Jr. High	1967/81	457
West Side Jr. High	1976/80	370
Other Buildings:		
Kennedy Admin Bldg	1964/85	N/A
Central Maintenance	1990	N/A

The School Corporation currently operates seven elementary schools, two junior high schools and one high school. Enrollments for the School Corporation system for the last 10 years have been:

<u>Academic Year</u>	<u>Enrollment</u>	<u>Academic Year</u>	<u>Enrollment</u>
1989-90	7,131	1994-95	6,409
1990-91	7,041	1995-96	6,291
1991-92	7,021	1996-97	6,322
1992-93	6,823	1997-98	6,152
1993-94	6,800	1998-99	6,184

In addition, four parochial schools, teaching grades K-8 and special education are located in East Chicago, however are not part of the School City's responsibilities. They have a total enrollment of approximately 700 students.

Higher Education

The institutions of higher education in the East Chicago area are Indiana University Northwest Campus in Gary, Purdue University Calumet Campus in Hammond, Indiana, Calumet College in Whiting, Valparaiso University in Valparaiso and Indiana Vocational Technical College in East Chicago. All are within 20 miles of East Chicago.

Transportation

The City of East Chicago is served by a network of roads, highways and thoroughfares which include Interstate Highways 65, 80, 90 (Indiana toll road) and 94, U.S. Highways 6, 12, 20 and 41 and State Roads 152, 312 and 912. Rail service is provided by Conrail, Elgin Joliet & Eastern, Chessie System and the South Shore railroads. Numerous trucking companies service the City. In addition to the Gary Municipal Airport adjacent to the City, Chicago's Midway and O'Hare airports are within an hour's driving distance of East Chicago. Barge and shipping-terminal facilities are also available as a result of the Lake Michigan deep-water port and inland barge canals in the City.

Financial Institutions

Two banks are located within the City and have reported total assets as of December 31, 1998 of \$88,581,907,000. The banks include the following:

<u>Banking Institution</u>	<u>Total Assets</u>
Mercantile National Bank of Indiana	\$ 581,907,000
National City Bank	\$88,000,000,000

SCHEDULE OF BONDED INDEBTEDNESS

The following tabulation, calculated as of January 16, 2000, has been adjusted to reflect the issuance of the Bonds. (The principal amounts calculated after principal payments made on January 15, 2000.)

			<u>Percent of</u>	
		<u>Per Capita</u>	<u>Assessed Valuation</u>	<u>Estimated Actual Value</u>
Actual Value of Taxable				
Property (est @ 3X)	\$1,628,445,900	\$51,272	--	--
Est Net Assessed Value	542,815,300	17,091	--	--
Direct Debt	157,660,000	4,964	29.04%	9.68%
Direct & Overlapping Debt	161,901,325	5,097	29.83%	9.94%

1990 population: 31,761

The following tabulation itemizes the direct and overlapping indebtedness of the City and its various special taxing districts:

	<u>Amount</u>	<u>Percent</u>	<u>Applicable Amount</u>
<u>Direct Debt:</u>			
General Obligation – Civil City	\$ 0	100.0%	\$ 0
This Issue	28,955,000	100.0%	28,955,000
School City	107,880,000	100.0%	107,880,000
Sanitary District	12,000,000	100.0%	12,335,000
Park District	6,100,000	100.0%	6,100,000
Public Library District	600,000	100.0%	600,000
Redevelopment District	1,790,000	100.0%	<u>1,790,000</u>
Total			<u>\$157,660,000</u>
<u>Overlapping Debt:</u>			
Lake County	\$25,705,000	16.5%	<u>\$ 4,241,325</u>

Ratio of 1998 Debt Service Disbursements for Direct Bonded Debt to total 1998 General Disbursements

Total Debt Service	<u>\$ 4,341,969</u>
Total general governmental disbursements	<u>\$61,254,291</u>
Ratio of debt service to general governmental disbursements	<u>7.1%</u>

Tax Anticipation Warrants:

Tax anticipation warrants of the City will be sold in early 2000 in the approximate amounts as follows:

	Due June 30, 2000	Due December 31, 2000
	<u>Principal</u>	<u>Principal</u>
General Fund	\$ 0	\$8,900,000
Parks and Recreation	0	208,000
Transportation	0	263,000
CCD	203,000	204,000
MVH	365,000	367,000

Additionally, the Sanitary District of the City will issue tax anticipation warrants in the approximate amount of \$8,600,000 to be sold in early 2000 and repaid on June 30, 2000 and December 31, 2000, and the School City of East Chicago will issue tax anticipation warrants in the approximate amount of \$7,000,000 to be sold in early 2000 and repaid on December 31, 2000.

VALUATION, PROPERTY TAX RATE AND COLLECTION INFORMATION

1998 Property Tax Levies and Collections

	<u>1998</u>	<u>1999</u>
Tax levy	\$39,596,620	\$38,478,654
Tax collections	37,102,103	38,247,367
Ratio of total tax collection to tax levy	93.7%	99.4%

The above amounts include the City's General Fund, Special Revenue funds, Debt Service funds, Capital Project funds, Police and Fire Pension Trust funds and Sanitary District General Maintenance and Expense Fund. In addition, the above amounts for tax collections exclude amounts related to gaming related admissions taxes and wagering taxes. See "Certain Riverboat Gaming Related Matters" herein.

The \$2,494,517 difference between the tax levy and tax collection relates primarily to a 1998 credit granted by the Indiana State Board of Tax Commissioners to Ispat/Inland Steel for 1994 appealed assessed valuation. The City was denied in 1999 a request for an additional levy in 1999 to correct for the tax rate effect of the error in the 1993 and 1994 assessed valuations. The City was advised by the Indiana State Board of Tax Commissioners that the only remedy available to it with respect to the error would be to file a 1998 tax collection shortfall, excess levy request in 1999 payable in 2000. The City filed this request prior to September 1999, and action thereon is expected in connection with the approval of the City's tax rate and levy in January, 2000.

1999 Pay 2000 Assessed and Estimated Actual Value of Taxable Property*

Assessed real property	\$ 200,841,680*
Estimated actual value of real property	\$ 602,525,040
Assessed personal property	\$ 341,973,670*
Estimated actual value of personal property	\$1,025,921,010
Total assessed value of property	\$ 542,815,350*
Total estimate actual value of property	\$1,648,455,050

Source: Total assessed value per the Indiana State Board of Tax Commissioners. Real versus personal property allocation not available and therefore estimated based on 1998 pay 1999 relationships.

Net Assessed Valuation - City of East Chicago

<u>Levy Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Net Assessed Valuation</u>
1994	\$188,299,555	\$307,225,590	\$495,525,145
1995	178,648,062	291,478,418	470,126,480
1996	193,127,159	315,102,206	508,229,365
1997	216,140,921	275,088,444	491,229,365
1998	207,379,916	345,739,403	553,119,319
1999	229,783,447	383,090,096	612,873,543
2000	200,841,680	341,973,670	542,815,350*

Source: Total obtained from the State Board of Tax Commissioners and the Allocations are estimated.

Largest Property Taxpayers (Levy Year 1998)

<u>Taxpayer</u>	<u>Business</u>	<u>Valuation</u>	<u>Percent of Total Assessed Value</u>
Ispat/Inland Steel	Manufacturing	\$275,657,500	49.84%
LTV Steel	Manufacturing	131,929,260	23.85%
Amoco	Petroleum refining	45,179,650	8.17%
Praxair	Manufacturing	10,309,020	1.86%
Harrah's	Casino gaming	9,366,330	1.69%
Union Tank Car	Manufacturing	6,884,100	1.24%
PCI Association	Transfer & storage	6,648,860	1.20%
NIPSCO	Utility	4,460,920	0.81%
Safety Kleen Corporation	Chemical Refining	3,847,950	0.70%
		<u>\$494,283,590</u>	<u>89.36%</u>

Source: 1998 CAFR.

*Estimated, subject to change.

The following table presents the tax rates of the City per \$100 of net assessed value as obtained from the Lake County Auditor's Office.

Tax Rates

	<u>(Per \$100 Valuation)</u>					
	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
City (Direct):						
General Fund	3.7721	4.5612	4.4149	4.2542	4.2587	3.6283
Park Recreation & Culture Special Revenue Fund	0.4202	0.4366	0.2982	0.3130	0.2918	0.2881
Transportation Special Revenue Fund	0.1056	0.0090	0.0012	0.0748	0.0581	0.0614
Police Pension Fund	0.2539	0.1644	0.3580	0.1813	0.1928	0.2382
Fire Pension Fund	0.2335	0.1253	0.3130	0.1349	0.1521	0.2447
Cumulative Capital Dev. Fund	0.1200	0.1200	0.1110	0.0501	0.0501	0.0446
Park Bond Debt Service Fund	0.1351	0.2224	0.1344	0.1727	0.1695	0.1463
Redevelopment Bond Debt Service Fund	0.1556	0.2561	0.1492	0.2051	0.2010	0.1551
Corporate Bond Debt Service Fund	<u>0.0056</u>	<u>0.0037</u>	<u>0.000</u>	<u>0.2830</u>	<u>0.2195</u>	<u>0.000</u>
Total Direct	<u>5.2016</u>	<u>5.8987</u>	<u>5.7799</u>	<u>5.6691</u>	<u>5.5936</u>	<u>4.8067</u>
Sanitary District	1.6104	1.6786	1.5896	1.7603	1.5641	1.4717
Library District	0.5260	0.5528	0.5865	0.6486	0.5753	0.5730
School City	6.6295	7.2238	7.2514	7.5075	7.2181	7.2959
North Township	0.3074	0.2940	0.2748	0.3330	0.2758	0.2801
Lake County	5.2113	5.2497	4.9228	5.2315	4.2320	5.0039
State of Indiana	<u>0.0100</u>	<u>0.0100</u>	<u>0.0100</u>	<u>0.0100</u>	<u>0.0100</u>	<u>0.0100</u>
Total Overlapping	14.2946	15.0089	14.6351	15.4909	<u>13.8753</u>	<u>14.6346</u>
TOTAL	<u>19.4962</u>	<u>20.9076</u>	<u>20.4150</u>	<u>21.1600</u>	<u>19.4689</u>	<u>19.4413</u>

Tax Extensions and Distributions

<u>Tax Collection Year</u>	<u>Property Tax Levies</u>	<u>Property Tax Collections</u>	<u>Percent Collected</u>	<u>Auto License Excise Tax</u>	<u>Total Tax Collections</u>
1994	\$33,755,173	\$35,144,157	104.1%	\$529,644	\$35,673,801
1995	35,622,894	36,388,938	102.2%	583,778	36,972,716
1996	37,453,963	35,068,065	93.6%	558,496	35,353,543
1997	36,495,394	39,084,139	107.1%	551,356	39,635,495
1998	39,590,621	37,102,103	93.7%	615,456	37,717,560

Note: This table includes all City, Sanitary District, Redevelopment District and Park District funds.

FINANCIAL INFORMATION

The City annually prepares a Comprehensive Annual Financial Report ("CAFR") which includes the City's audited financial statements, as well as certain statistical information regarding the finances of the City. The complete audited financial information from the CAFR for the year ended December 31, 1998 is available upon request from the City.

Settlement of City Budget Dispute

During 1998, City officials settled a dispute with certain petitioners regarding the City's 1998 budget. For purposes of the agreement, the Park and Recreation Special Revenue Fund is included in the definition of the City as a result of the Park and Recreation Special Revenue Fund being a part of the City for defined maximum levy calculation purposes.

Among other things and in connection with this settlement, the City agreed to restrict the otherwise permitted annual 5% levy growth rate to 3% during each of the years 1999 through and including 2001. The parties to the agreement acknowledge that the City regularly finances its operations through various short-term financing mechanisms and nothing contained in the agreement shall be construed to prevent such action. Further, the parties to the agreement (including the petitioners' successors in interests or assigns) agree that they will not directly or indirectly file an objection or appeal or institute a proceeding similar to the one for 1998 challenging the City's budgets or budget levies in these years. Nothing in the settlement agreement or contemplated by the settlement restricted the City's ability to issue debt related to capital project needs.

As a result of the foregoing settlement, during the term of the settlement agreement, the City expects to fund a portion of its operations through available sources other than property tax levies.

City of East Chicago Employee Pensions

The City contributes to the Public Employees' Retirement Fund on behalf of its employees as well as provides post-employment medical health care benefits, in accordance with an agreement between the City and the police and fireman's unions. For a description of the City's pension plans and post-employment medical benefits, see the City's Comprehensive Annual Financial Report which is available upon request from the City.

Certain Riverboat Gaming Related Matters

On January 8, 1996, the Indiana Gaming Commission (the "Commission") issued an order for a Certificate of Suitability for a Riverboat Owner's License for a riverboat to be docked in East Chicago, Indiana. On March 20, 1996, pursuant to the City's Resolution 1996-20, the Certificate of Suitability was transferred by the Commission to Showboat Marina Casino Partnership ("Showboat"). The initial Certificate of Suitability was valid for a period of 180 days. The Commission issued extensions of the Certificate of Suitability to Showboat on June 3, 1996, June 21, 1996 and December 20, 1996. The last extension expired June 2, 1997. Showboat was

issued a Riverboat Owner's License for the period April 15, 1997 to April 14, 2002. Effective April 1, 1999, Showboat's interest in the riverboat gambling operation in East Chicago was acquired by Harrah's Entertainment, Inc. Harrah's Entertainment, Inc. also succeeded to Showboat's agreements with the City described below.

Pursuant to the enabling gaming legislation, the City receives wagering taxes of 5% of defined gaming gross receipts and a \$1 per head admissions tax. In connection with the Certificate of Suitability, the City established a Showboat Expendable Trust fund to account for certain additional fixed economic incentives and for the monthly payment of 1% of defined gaming gross receipts from Showboat. Showboat has also provided economic support for other non-city administered East Chicago related activities.

Since commencement and through December 31, 1999, the City recorded the following in wagering tax, admissions tax and 1% distributions, respectively, and as further described below:

<u>Receipts</u>	<u>1997</u>	<u>1998</u>	<u>1999*</u>
Gaming Special Revenue Fund	\$7,127,609	\$13,314,719	\$15,127,541
Showboat Expendable Trust Fund	650,291	1,844,583	3,085,177

The above amounts do not include any direct payments by Showboat or reimbursements to the City for expenditures related to the \$16,371,890 of fixed incentives to the City described in the Certificate of Suitability issued by the Indiana Gaming Commission. The City has pledged \$7,500,000 of gaming revenues to be collected in both calendar year 2000 and calendar year 2001 for the repayment of \$13,750,000 of gaming revenue Bond Anticipation Notes which mature on or prior to January 1, 2002.

Recent Financial Results

The City has had negative balances in its general fund in the past four years, except for fiscal year 1996. In early October, 1999, when it appeared that the City would end fiscal year 1999 with a negative general fund balance, the City implemented several cost cutting measures in order to end fiscal year 1999 with a positive fund balance. As a result of these measures, the City ended fiscal year 1999 with a preliminary unaudited cash balance of approximately \$2,400,000 in the General Fund and a preliminary unaudited cash balance of approximately \$1,200,000 in its pooled bank account of all funds. Fiscal year end 1999 account payables are expected to be paid from normal and excess tax levies to be received in calendar year 2000 and from budget relief from cost cutting measures that will continue in the year 2000.

The cost cutting measures included an immediate pay cut of 10% for all salaried employees, a reduction of one eight hour work day every two weeks for all non-public safety employees and an immediate hiring freeze. Employees who retire will not be replaced, and the City has frozen all raises. Overtime will be paid only when the work has been pre-approved by the City Controller.

*Estimated, subject to change.

Other cost cutting measures included placing cell phones belonging to the City in the name of individual employees' names and reimbursing employees only for those calls related to City business. Many City cars were recalled and placed in a pool for employee use if an employee must go outside the City on City business. Those cars that were not recalled will become the responsibility of the employee for maintenance and gasoline. Finally, all capital projects were cut except for the new police station for which these Bonds are being sold, and no contractors are being paid until January, 2000.

APPENDIX C
FORM OF BOND COUNSEL OPINION

APPENDIX D

SUMMARY OF CERTAIN LEGAL DOCUMENTS

APPENDIX E