SUPPLEMENT TO OFFICIAL STATEMENT

Dated December 24, 2008

relating to

$6,060,000
INDIANA BOND BANK
Special Program Bonds, Series 2008 D
consisting of $4,265,000 Special Program Bonds, Series 2008 D-1
and $1,795,000 Taxable Special Program Bonds, Series 2008 D-2
(Anderson Municipal Light and Power)

This Supplement, dated December 24, 2008 (the "Supplement"), is a supplement to the Official Statement, dated December 9, 2008, relating to the above-captioned bonds (the "Official Statement").

This Supplement is intended to supplement the financial information and economic statement for the State of Indiana (the "State") set forth in Appendix A of the Official Statement (the "Original Appendix A"). On December 11, 2008, the forecast of State revenue for Fiscal Years 2009, 2010 and 2011 was released (the "Revenue Forecast"). Certain financial information and other information set forth in Original Appendix A of the Official Statement have been updated based upon the Revenue Forecast.

SUPPLEMENT

The Original Appendix A is hereby deleted and replaced in its entirety with the financial information and economic statement for the State as updated based upon the Revenue Forecast and attached hereto as Exhibit A.

AUTHORIZATION

This Supplement has been duly approved, executed and delivered by the Indiana Bond Bank for distribution to prospective purchasers of the above-captioned bonds. The Official Statement, as supplemented by this Supplement, shall be read and construed as a single document.

INDIANA BOND BANK

By: /s/ Richard E. Mourdock
Richard E. Mourdock, Chairman, Ex Officio

EXHIBIT A

APPENDIX A

FINANCIAL AND ECONOMIC STATEMENT
FOR THE STATE OF INDIANA

APPENDIX A

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FOR
STATE OF INDIANA

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APPENDIX A

FINANCIAL AND ECONOMIC STATEMENT
FOR
STATE OF INDIANA

Table of Contents

	Page
INTRODUCTION	5
STRUCTURE OF STATE GOVERNMENT	5
Division of Powers	5
Executive Department	5
Legislative Department	6
Judicial Department	6
FISCAL POLICIES	7
Fiscal Years	7
Accounting System	7
Fund Structure	7
Budget Process	8
State Board of Finance	10
Office of Management and Budget	10
Cash Management and Investments	11
Audits	11
2007 Financial Report	11
STATE BUDGET PROFILE AND FINANCIAL RESULTS OF OPERATIONS	12
Operating Revenue	12
General Fund and PTR Fund Revenue Sources	12
Lottery and Gaming Revenue	14
Revenue History	16
Operating Expenditures	17
Fund Balances	20
Financial Results of Operations	21
Revenue Forecast for Fiscal Years 2008 and 2009	21
Combined Balance Statements	22
Toll Road Lease	23
STATE INDEBTEDNESS	24
Constitutional Limitations on State Debt	24
Other Debt, Obligations	24
Obligations Payable from Possible State Appropriations	24
Contingent Obligations	30
Other Entities Issuing Debt	33
STATE RETIREMENT SYSTEMS	35
Public Employees' Retirement Fund	35
Other PERF Plans	36
State Teachers' Retirement Fund	37
State Police Pension Trust	38
ECONOMIC AND DEMOGRAPHIC INFORMATION	39
Summary	39
Population	39
Employment	41
Income	42
Exports	43
LITIGATION	45
Contract Litigation	45
Employment Litigation	45

Civil Rights Litigation 46
Property Litigation 46
Class Action Litigation 46

Schedule of Tables

Table 1 State Operating Revenue..... 16

Table 2 Expenditures..... 17

Table 3 Schedule of Fee Replacement Debt..... 19

Table 4 General Fund and Property Tax Replacement Fund
Combined Statement of Actual and Estimated Unappropriated Reserve..... 22

Table 5 Schedule of Long Term Debt
Obligations Payable from Possible State Appropriations..... 26

Table 6 Scheduled Principal and Interest Payments
Obligations Payable from Possible State Appropriations..... 28

Table 7 Ratios of Outstanding Debt Subject to Possible Appropriation
to Population and Personal Income..... 30

Table 8 Schedule of Long Term Debt
Contingent Obligations..... 32

Table 9 Public Employees' Retirement Fund (State-Related Portion Only)..... 36

Table 10 Other State Plans Pension Funds
Summary of Results of Actuarial Valuation..... 37

Table 11 State Teachers' Retirement Fund
Summary of Results of Actuarial Valuation..... 38

Table 12 Educational Attainment, Indiana Population 25 Years & Over..... 40

Table 13 Population, including Selected Indiana MSAs..... 40

Table 14 Indiana High-Growth Manufacturing Sub-sectors..... 41

Table 15 Indiana Non-Farm Employment by Sector; December 1996 to December 2006..... 41

Table 16 Unemployment Rate..... 42

Table 17 Growth in Per Capita Personal Income..... 42

Table 18 Indiana Gross Domestic Product by Sector; 1997 to 2006..... 43

Table 19 Exports..... 43

Table 20 Indiana's Leading Export Industries and Destinations..... 44

INTRODUCTION

This Financial and Economic Statement (this "Appendix A") for the State of Indiana (the "State") includes a description of the State's economic and fiscal condition, the results of operations for the past two fiscal years and revenue and expenditure projections through the end of the biennium ending June 30, 2009. The information is compiled on behalf of the State by the State Budget Agency and the Indiana Finance Authority and includes information and data taken from the Budget Agency's unaudited reports. It also includes information obtained from other sources the State believes to be reliable.

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

STRUCTURE OF STATE GOVERNMENT

Division of Powers

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

Executive Department

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

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

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

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

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

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

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

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

Legislative Department

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

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

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

Judicial Department

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

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

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

FISCAL POLICIES

Fiscal Years

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

Accounting System

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

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

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

Fund Structure

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

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

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

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

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

The Property Tax Replacement Fund ("PTR Fund") is also reported as a Special Revenue Fund by the Auditor of State. Prior to the enactment of P.L. 146-2008, the PTR Fund had been funded from 50% of State sales and use tax revenue, a portion of individual income tax receipts and a portion of Gaming Revenue described below. The PTR Fund is currently used to provide (i) property tax relief and (ii) local school aid. With the enactment of

P.L. 146-2008, the PTR Fund will cease to exist on December 31, 2008, and any remaining funds will be transferred to the General Fund. See "State Budget Profile and Financial Results of Operations – The Governor's Property Tax Reform Legislation, P.L. 146-2008" for a summary of P.L. 146-2008.

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

Capital Projects Funds. Capital Projects Funds are used to account for financial resources to be used by the State for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Capital Projects Funds include the Post War Construction Fund, Build Indiana Fund ("BIF"), Soldiers and Sailors Children's Home Fund, Veterans Home Fund, State Police Building Commission Fund, Law Enforcement Academy Building Fund, Interstate Bridge Fund and Major Construction-Indiana Army National Guard Fund.

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

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

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

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

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

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

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

Budget Process

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

State Budget Committee. The Budget Committee consists of the State Budget Director and four State legislators. The Budget Committee oversees the preparation of the budget and administration of capital budgets after enactment. The legislative members of the Budget Committee consist of two members of the Senate, appointed by the President pro tempore of the Senate, and two members of the House of Representatives, appointed by the Speaker of the House of Representatives. One of the two appointees from each chamber must be nominated

by the minority floor leader. Four alternate members of the Budget Committee must be legislators selected in the same manner as regular members. An alternate member participates and has the same privileges as a regular member, except that an alternate member votes only if the regular member from the alternate member's respective chamber and political party is not present. The legislators serve as liaisons between the executive and legislative departments and provide fiscal information to their respective caucuses.

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

Revenue Projections. Revenue projections are prepared by the State's Technical Forecast Committee. Historically, the Economic Forecast Committee was responsible for forecasting independent variables that were employed by the Technical Forecast Committee in deriving the State's revenue projections. Starting with the December 2008 forecast, Global Insight, Inc. will provide the forecasted independent variables. Global Insight, Inc. was chosen following a thorough evaluation of submitted proposals based on forecasting capabilities and detailed knowledge of the State, national, and international economies.

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

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

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

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

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

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

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

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

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

State Board of Finance

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

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

Office of Management and Budget

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

The Director ("Director") of the OMB is the chief financial officer of the State, and reports directly to the Governor. The Director is responsible for and has authority over all functions performed by the Budget Agency, the Department of State Revenue, the Department of Administration and the Department of Local Government Finance, as well as all budgeting, accounting and spending functions within the various agencies, departments and programs of State government. The Director may also serve as the State Budget Director. By statutory designation, the State Budget Director also serves as the Chairman of the Indiana Finance Authority. Pursuant to Executive Order 05-02, the OMB oversees and coordinates the functions, responsibilities and duties of the Public Employees' Retirement

Fund (PERF), the Teachers' Retirement Fund (TRF) and the State Board of Accounts to the fullest extent permitted by law.

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

Cash Management and Investments

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

Audits

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

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

2007 Financial Report

The Indiana Comprehensive Annual Financial Report For Fiscal Year Ended June 30, 2007 (the "2007 Financial Report"), contains certain financial information about the State, including the financial statements of the State as of and for the Fiscal Year ended June 30, 2007 as set forth therein. The 2007 Financial Report was previously provided to each then nationally recognized municipal securities information repository (each then nationally recognized municipal securities information repository, a "NRMSIR"), and is included in this Appendix A by reference.

A copy of the 2007 Financial Report may be obtained from any NRMSIR. In addition, the 2007 Financial Report may be found at: http://www.in.gov/auditor/.

The 2007 Financial Report speaks only as of its date. The inclusion of the 2007 Financial Report in this Appendix A does not imply that there has been no change in the information therein since the date thereof.

STATE BUDGET PROFILE AND FINANCIAL RESULTS OF OPERATIONS

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

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

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

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

Operating Revenue

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

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

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

General Fund and PTR Fund Revenue Sources

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

Sales and Use Taxes. As part of the property tax reform legislation enacted in P.L. 146-2008, the sales and use tax rate was increased from 6.0% to 7.0%, effective April 1, 2008. This tax is imposed on the sale and rental of tangible personal property and the sale of certain services, including the furnishing of public utility services and the rental or furnishing of public accommodations such as hotel and motel room rentals. In general, the complementary 7.0% use tax is imposed upon the storage, use or consumption of tangible personal property in the State. Some of the major exemptions from the sales and use taxes are sales of certain property to be used in manufacturing, research and development equipment after July 1, 2007, agricultural production, public transportation or governmental functions, sales for resale, food sold in grocery stores and prescription drugs.

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

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

Financial Institution Tax. This tax is applicable to a financial institution for the privilege of exercising its franchise or the corporate privilege of transacting the business of a financial institution in Indiana. It applies to any business which is primarily engaged in extending credit, or engaged in leasing. The tax base is a taxpayer's apportioned adjusted gross income with statutory deductions and additions. Insurance companies, international banking facilities, federally chartered credit unions, and S corporations are exempt. The tax rate is 8.5%. Local units of government are guaranteed revenue based on the former Financial Institution Taxes in 1989. Any remaining revenue collected is deposited in the state General Fund.

Utilities Receipts Tax. The utilities receipts tax is based on gross receipts from retail utility sales. It is imposed at a rate of 1.4% and was effective January 1, 2003. All revenue is deposited in the state General Fund. Utilities must also pay the corporate adjusted gross income tax. Effective July 1, 2007, a use tax was imposed on consumers of utilities if the Utilities Receipts Tax was not paid by the seller. The use tax is imposed at the rate of 1.4% on the gross purchase price of the utilities.

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

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

Riverboat Wagering Tax. The wagering tax is applied to the adjusted gross receipts of riverboat gambling operations in Indiana. Prior to Fiscal Year 2003, all wagering taxes earned by the State were deposited into the BIF. Legislation passed in 2002 changed the collection and distribution of wagering taxes and allowed riverboats to implement flexible scheduling, enabling patrons to gamble while a riverboat is docked. The legislation imposed a graduated wagering tax on riverboats that adopt flexible scheduling. As amended by P.L 233-2007, the graduated tax is set at 15% of the first $25 million of adjusted gross receipts in a fiscal year, 20% of receipts between $25 million and $50 million, 25% of receipts between $50 million and $75 million, 30% of receipts between $75 million and $150 million, 35% of receipts between $150 million and $600 million, and 40% of all adjusted gross receipts exceeding $600 million.

The legislation also changed the distribution of wagering taxes. The first $33 million of wagering taxes collected in the State's fiscal year must be set aside for revenue sharing among local units of government that do not have riverboats. Of the remaining revenue, 25% is distributed to the cities and counties with riverboat operations, and 75% is deposited in the PTR Fund. The legislation capped the amounts that may be distributed to the cities and towns with riverboat operations at the amounts distributed in FY 2002. All revenue in excess of the capped amounts is deposited in the PTR Fund. The PTR Fund receives 37.5% of wagering tax from the Orange County Casino. The remaining wagering tax revenue from Orange County Casino is deposited in the local funds. From the revenue distributed to the PTR Fund, an amount is distributed annually to the BIF. The transfer amount is such that the total lottery and gaming revenue deposited in the BIF equals $250.0 million in a fiscal year. Interest revenue deposited in the fund does not count against the $250.0 million cap.

With the enactment of P.L. 146-2008, the PTR Fund will cease to exist on December 31, 2008, and any remaining funds will be transferred to the General Fund. All revenues previously deposited in the PTR Fund will be deposited in the General Fund after December 31, 2008, including riverboat wagering taxes. See "Fiscal Policies - Fund Structure — Governmental Funds – Special Revenue Funds" and "State Budget Profile and Financial Results of Operations – The Governor's Property Tax Relief Legislation, P.L. 146-2008" for a summary of P.L. 146-2008.

In 2007, the General Assembly enacted legislation authorizing the two existing licensed horse racing facilities in Indiana to install up to 2,000 slot machines on their premises. P.L. 233-2007 imposes a one-time license fee of $250 million per track and graduated wagering taxes in the amount of 25% of the first $100 million of adjusted gross receipts in a fiscal year, 30% of receipts between $100 million and $200 million, and 35% of receipts exceeding $200 million. The license fee receipts are deposited in the Property Tax Reduction Trust Fund to fund homestead credits for calendar years 2007 and 2008. Until December 31, 2008, wagering taxes from the two licensed horse racing facilities will also be deposited in the Property Tax Reduction Trust Fund. Any remaining funds in the Property Tax Reduction Trust Fund will be transferred to the General Fund.

Other Operating Revenue. Other revenue ("Other Revenue") is derived from cigarette taxes, alcoholic beverage taxes, inheritance taxes, insurance taxes, interest earnings and miscellaneous revenue. In 2002, the General Assembly increased the cigarette tax by $0.40 per pack, to $0.555 per pack, and increased the tax on other tobacco products by 3 percentage points. In 2007, the cigarette tax was further increased by $0.44 per pack to $0.995 per pack effective July 1, 2007. In FY 2008, total revenue from other operating revenues deposited in the state General Fund amounted to $1,066.3 million.

Lottery and Gaming Revenue

By statute, certain revenue from the Hoosier Lottery, horse racing pari-mutuel wagering tax and charity gaming taxes and license fees (collectively, "Gaming Revenue") must be deposited in the BIF. In 2002, the General Assembly enacted annual distributions of wagering tax revenue to the BIF in the amount of $250 million per year less the annual amounts distributed to the BIF from Hoosier Lottery profits, charitable gaming taxes and license fees and pari-mutuel wagering taxes. Any revenue in excess of $250 million is to remain in the PTR Fund. For a description of wagering taxes, *see* "General Fund and PTR Fund Revenue Sources—Wagering Tax."

Before Hoosier Lottery profits are transferred to the BIF, $60 million annually is used to fund pension liabilities—$30 million goes to the Teachers' Retirement Fund and $30 million goes to the local Police and Firefighter Pension Fund. All lottery and gaming revenue deposited to BIF is appropriated by the General Assembly, and the statute that governs deposits of that revenue also governs priority of distribution in the event that revenue falls short of appropriations. At present, the highest distribution priority (after pension account transfers) is to the State's counties for motor vehicle excise tax replacement, providing a substantial cut in the excise tax charged on motor vehicles; $236.2 million was appropriated for Fiscal Year 2008.

As shown below, Gaming Revenue totaling $968.4 million was collected by the State for Fiscal Year 2008. These numbers include revenue deposited in the state and local funds (including $5 million in slot machine wagering tax deposited in the State Property Tax Reduction Trust Fund) but does not include riverboat admissions tax revenue distributed in Fiscal Year 2008 to state and local units in the amount of $81.2 million and $300 million in slot machines license tax deposited in State Property Tax Reduction Trust Fund.

Type of Tax	FY 2008
Wagering Taxes	$734.8
Lottery	$224.0
Charity Gaming	$5.9
Horse Racing	$3.7
Total	$968.4

Source: State Budget Agency

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

Revenue History

Annual percentage changes for each component of Operating Revenue is reflected in Table 1. The table also includes actual revenue for prior Fiscal Years as well as projected revenue for FY 2009, FY 2010 and FY 2011.

Table 1
State Operating Revenue
(Millions of Dollars)

	FY 2005[1]	FY 2006[1]	FY 2007[1]	FY 2008[1]	FY 2009[2]	FY 2010[2]	FY 2011[2]
6% Sales Tax	4,960.4	5,226.3	5,379.1	5,534.4	5,425.8	5,550.0	5,833.8
Changes from Prior Year	5.1%	5.4%	2.9%	2.9%	-2.0%	2.3%	5.1%
Individual Income	4,213.2	4,322.4	4,615.6	4,837.5	4,726.0	4,774.1	4,924.2
Change from Prior Year	10.6%	2.6%	6.8%	4.8%	-2.3%	1.0%	3.1%
Corporate Income	824.8	925.4	987.1	909.5	822.4	827.5	834.9
Change from Prior Year	27.9%	12.2%	6.7%	-7.9%	-9.6%	0.6%	0.9%
Wagering Tax[3]	584.7	589.9	625.3	582.9	525.2	513.9	528.9
Change from Prior Year	-2.8%	0.9%	6.0%	-6.8%	-9.9%	-2.2%	2.9%
Other[4]	853.4	996.4	1,019.1	1,066.3	942.6	911.9	904.8
Change from Prior Year	1.0%	16.7%	2.3%	4.6%	-11.6%	-3.3%	-0.8%
Total	11,436.5	12,060.3	12,626.2	12,930.6	12,442.0	12,577.4	13,026.6
Change from Prior Year	7.7%	5.5%	4.7%	2.4%	-3.8%	1.1%	3.6%
Property Tax Relief (P.L. 146-2008)[5]	-	-	-	151.6	1,074.3	1,243.8	1,295.3
Total (with P.L. 146-2008)	-	-	-	13,082.2	13,516.3	13,821.2	14,321.9
Change from Prior Year	N/A	N/A	N/A	N/A	3.3%	2.3%	3.6%

(1) Actual, but unaudited, Operating Revenue. FY 2006 figures are net of Tax Amnesty collections.
(2) Revenues are as projected by the Technical Forecast Committee on December 11, 2008. Revenues exclude Disproportionate Share Hospital (DSH), Quality Assessment Fee (QAF), and other miscellaneous revenues excluded from the forecast such as Marion County Juvenile Arrearage payments.
(3) Prior to Fiscal Year 2003, the Wagering Tax revenues were deposited in the BIF.
(4) See "General Fund and PTR Fund Revenue Sources – Other Operating Revenue"
(5) P.L. 146-2008, the Governor's property tax reform legislation, included the following revenue changes in Fiscal Year 2009: an increase in sales tax from 6% to 7% effective April 1, 2008 ($899.2 million); individual income impacted by state-captured miscellaneous revenues ($141.7 million) and increase in renter's deduction (-$10.2 million) resulting in a total increase of $131.5 million; wagering tax from slots at the race tracks ($108.2 million); and loss of reimbursement for juvenile incarceration costs (-$11.4 million). P.L. 146-2008 also included $151. million of sales tax revenues for Fiscal Year 2008.

Source: State Budget Agency

Operating Expenditures

Actual expenditures may differ from estimated levels as a result of a number of factors, including unforeseen expenses and executive and legislative action. The State's five largest expenditure categories include local school aid, higher education, property tax relief, Medicaid and correction. Table 2 sets forth operating expenditures and estimates for all major expenditure categories for Fiscal Years 2003 through 2009.

Table 2
Expenditures
(Millions of Dollars)

	FY 2003[1]	FY 2004[1]	FY 2005[1]	FY 2006[1]	FY 2007[1]	FY 2008[1]	FY 2009[2]
Local School Aid	4,141.1	4,356.3	4,447.5	4,517.0	4,628.8	4,795.6	5,036.4
Change from Prior Year	6.50%	5.20%	2.09%	1.56%	2.48%	3.60%	5.02%
Property Tax Relief	1,222.9	2,096.8	2,142.5	2,169.5	2,211.6	2,196.7	2,196.8
Change from Prior Year	3.70%	71.50%	2.18%	1.26%	1.94%	-0.67%	0.00%
Higher Education	1,404.1	1,470.5	1,523.5	1,568.7	1,589.8	1,704.8	1,752.2
Change from Prior Year	8.40%	4.70%	3.60%	2.97%	1.35%	7.23%	2.78%
Medicaid	1,167.2	1,243.7	1,393.4	1,455.1	1,514.6	1,583.2	1,610.0
Change from Prior Year	2.60%	6.60%	12.04%	4.43%	4.09%	4.53%	1.69%
Correction	594.0	619.4	620.9	584.0	589.2	615.7	635.5
Change from Prior Year	2.00%	4.30%	0.25%	-5.94%	0.89%	4.50%	3.22%
Other	1,634.2	1,613.0	1,528.0	1,600.2	1,712.8	1,834.0	1,306.3
Change from Prior Year	2.60%	1.30%	-5.27%	4.73%	7.04%	7.08%	-28.77%
Total	10,163.5	11,399.7	11,655.8	11,894.5	12,246.8	12,730.0	12,537.2
Change from Prior Year	5.00%	12.20%	2.25%	2.05%	2.96%	3.95%	-1.09%
Property Tax Relief (P.L. 146-2008)[3]	-	-	-	-	-	149.7	1,069.2
Total (with P.L. 146-2008)	-	-	-	-	-	12,879.7	13,606.4
Change from Prior Year	-	-	-	-	-	-	5.64%

[1] Actual, but unaudited, expenditures.

[2] Estimated expenditures.

[3] Estimated expenditures for appropriations made in HEA 1001-2007 and HEA 1001-2008 (P.L. 146-2008). P.L. 146-2008, the Governor's property tax reform legislation, requires the State to assume a number of local levies, including 100% of the Tuition Support Levy ($1,194.7 million), the Family and Children Levy ($240.0 million), the Child Psychiatric Services Fund Levy ($10.2 million), the Medical Assistance to Wards Levy ($12.2 million), the Children with Special Health Care Needs Levy ($5.2 million), the Hospital Care for the Indigent Levy ($33.6 million), the Pre-School Special Education Levy ($3 million), the State Fair Levy ($1.3 million), and the State Forestry Levy ($2.5 million). It also replaces a portion of the Property Tax Replacement Credits with Homestead Credits ($690 million), School Circuit Breaker Replacement Credits ($25 million), and Increased Tuition Support for New Facilities Appeals ($10 million). P.L. 146-2008 also provides $48.6 million for Public Safety Pension costs and $10 million for Marion County Health and Hospital, costs previously borne by local government. These expenditures will be allocated across the appropriate categories in future reporting periods.

Source: State Budget Agency

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

Local school aid includes distributions for programs such as assessment and performance, as well as tuition support. The General Assembly established the State's calendar year 1972 funding level as the base for local school aid.

Prior to January 1, 2003, the State provided approximately 66% of school corporations' general fund budgets. As a result of the tax restructuring legislation enacted in 2002, the State now provides approximately 85% of the school corporations' general fund budgets. As part of the property tax reform legislation enacted by P.L. 146-2008, the State will assume responsibility for the local share of tuition support and will provide 100% of the tuition support for school corporation general funds beginning in January 2009. Also included in P.L. 146-2008 are appropriations for new facilities appeals ($10 million), a preschool special education levy ($3 million), and circuit breaker replacement credits ($25 million), each of which were formerly paid by local property taxes.

Partly due to the assumption of the local share of tuition support by the state, local school aid formula funding for tuition support will increase 30.2% for Fiscal Year 2009 on a statewide basis. Local school aid expenditures for Fiscal Year 2009 are expected to total $6.313 million. *See* "Financial Results of Operations."

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

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

Higher Education. Through the General Fund, the State supports seven higher education institutions, Ball State University, Indiana University, Indiana State University, Ivy Tech Community College of Indiana, Purdue University, University of Southern Indiana and Vincennes University. Higher education expenditures for Fiscal Year 2008 are $1,704.8 million, an increase of 7.2% from Fiscal Year 2007. Higher education appropriations for Fiscal Year 2009 are $1,816.6 million, an increase of 6.6%. Appropriations for higher education include university operating appropriations, university fee-replaced debt service appropriations, university line item appropriations, other higher education line item appropriations, university repair and rehabilitation appropriations, university capital project appropriations, and appropriations for state student aid. The General Assembly appropriated $40.0 million in Fiscal Year 2007 and $31.0 million in both Fiscal Year 2008 and Fiscal Year 2009 to reduce and eliminate by June 30, 2009 the repair and rehabilitation payment delay to State colleges and universities. The State Fiscal Years 2007 and 2008 funds have been paid in full to the Universities, and the 2009 funds have been partially paid. *See* "Financial Results of Operations."

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

General Assemblies to continue the present Fee Replacement Appropriations policy; however, it is anticipated that the policy will continue for outstanding bonds and notes.

The aggregate principal amount of bonds and notes outstanding as of June 30, 2008, for each State university and college eligible for Fee Replacement Appropriations and the amount of Fee Replacement Expenditures or Appropriations for Fiscal Year 2008, and 2009 are shown below.

Table 3
Schedule of Fee Replacement Debt

	Amount of Debt Outstanding June 30, 2008	Fiscal Year 2008 Fee Replacement Expenditures	Fiscal Year 2009 Fee Replacement Appropriations
Ball State University	$116,325,000	$8,308,663	$14,064,079
Indiana University [1]	463,264,514	69,779,674	73,525,792
Indiana State University	69,474,679	9,110,369	10,224,769
Ivy Tech Community College	199,358,000	20,737,163	27,967,850
Purdue University[2]	257,889,988	21,361,216	33,100,762
University of Southern Indiana	75,792,432	9,484,540	10,996,853
Vincennes University	47,224,297	5,364,213	6,700,593
Total	$1,229,328,910	$144,145,838	$176,580,698

[1] Includes its regional campuses other than Indiana University-Purdue University at Fort Wayne.
[2] Includes its regional campuses other than Indiana University-Purdue University at Indianapolis.

Source: State Budget Agency

Medicaid. The fourth largest expenditure from the General Fund is Medicaid. Medicaid is a state/federal shared fiscal responsibility with the state supporting 35.74% of the total program through a combination of State General Fund and dedicated funds. Federal funding accounts for the remaining 64.26%. For Fiscal Year 2008, state Medicaid expenditures totaled $1,583.2 million. In Fiscal Year 2009, state Medicaid appropriations total $1,663.7 million. The Medicaid forecast presented to the Budget Committee on December 11, 2008, projects expenditures to come in below the appropriated level. The increases in cost are due to projected reimbursement for physicians and continued increases in enrollment. Enrollment was 821,156 at the end of Fiscal Year 2008 and expected to reach 837,285 by the end of Fiscal Year 2009 (these figures exclude the Children's Health Insurance Program). In addition, Indiana is expected to have the federal reimbursement rate increased from 62.7% to 65.93% in Fiscal Year 2010. This increase is forecasted to enable the State to use the currently appropriated general fund dollars to help cover increased costs of the program while remaining within the appropriation.

Correction. The fifth largest operating expenditure, payable almost entirely from the General Fund, is for the Department of Correction. Appropriations for the Department of Correction include funds for incarceration, rehabilitation and parole programs. Correction expenditures for Fiscal Year 2008 were $615.7 million. Fiscal Year 2009 appropriations equal $635.5 million, an increase of 3.2% over Fiscal Year 2008 expenditures.

Correctional population is the most significant driver of Correction expenditures. Correctional population steadily increased from 21,540 in Fiscal Year 2001 to a projected 28,768 in Fiscal Year 2008 and is projected to reach approximately 29,315 by the end of Fiscal Year 2009.

Other. The balance of State expenditures is composed of spending for a combination of other purposes, the principal ones being the costs of institutional care and community programs for persons with mental illnesses and developmental disabilities, the State's administrative operations, the State's share of public assistance payments, the General Fund share of State Police costs, economic development programs and General Fund expenditures for capital improvements. Other categories estimated expenditures for Fiscal Year 2008 from the General Fund total

$1,834 million. For Fiscal Year 2009, Other categories of General Fund expenditures are expected to be $1,306 million based on current projections.

Expenditure Limits. In 2002, the General Assembly enacted a law establishing a state spending cap. The law provides that the maximum annual percentage growth in state's spending cap from the General Fund and the Property Tax Replacement Fund must be the lesser of the average percentage change in Indiana non-farm personal income during the past six calendar years or 6%. At present, state expenditures are below the spending cap. The law excludes expenditures from revenue derived from gifts, federal funds, dedicated funds, intergovernmental transfers, damage awards and property sales. Expenditures from the transfer of funds between the General Fund, the PTR Fund and the Rainy Day Fund, reserve fund deposits, refunds of intergovernmental transfers, state capital projects, judgments and settlements, distributions of specified State tax revenue to local governments and Motor Vehicle Excise Tax replacement payments are also exempt from the expenditure limit. The expenditure limit is applied to appropriations from the General Fund, the PTR Fund and the Rainy Day Fund.

The law directs the Budget Agency to compute a new State spending growth quotient before December 31 in each even-numbered year. The State spending growth quotient is equal to the lesser of the six-year average increase in Indiana non-farm personal income or 6%. The legislation allows the state spending cap to be increased or decreased to account for new or reduced taxes, fees, exemptions, deductions or credits adopted after June 30, 2002. The Budget Agency computed the spending growth quotient for Fiscal Years 2008 and 2009 to be 3.7% and 4.0%, respectively.

Fund Balances

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

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

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

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

All earnings from the investment of the Rainy Day Fund balance remain in the Rainy Day Fund. Money in the Rainy Day Fund at the end of a Fiscal Year does not revert to the General Fund. If the balance in the Rainy Day Fund at the end of a Fiscal Year exceeds 7.0% of total General Fund revenue for the Fiscal Year, the excess is transferred from the Rainy Day Fund to the PTR Fund. The excess will be transferred to the General Fund after December 31, 2008. *See* Table 4 for Rainy Day Fund balances.

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

146-2008 formally created the State Tuition Reserve Fund to which the balance of the Tuition Reserve was transferred and can only be used to make local school aid payments. An additional $50 million was deposited in the Tuition Reserve Fund on June 30, 2008, two-and-a-half years before the legislative deadline of December 31, 2010.

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

Combined General and PTR Fund. The PTR Fund was created by statute in Fiscal Year 1973. It is funded from revenue from the State sales and use tax, a portion of individual income tax receipts and wagering taxes. The PTR Fund is used to (a) replace local property tax levies ("PTR Credits"), which were reduced through PTR Credits under the same statute that created the PTR Fund, and (b) fund local school aid. To the extent the PTR Fund does not have sufficient revenue to make authorized payments, General Fund transfers must be made to the PTR Fund.

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

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

Financial Results of Operations

The State closed Fiscal Year 2008 with combined balances of $1,413.1 million in the General and PTR funds, which was 10.7% of that Fiscal Year's operating revenue. This combined balance includes a General Fund balance of $592.5 million, a Tuition Reserve balance of $400.0 million, and a Rainy Day Fund balance of $363.0 million. It also includes $57.6 million in the Medicaid Reserve.

Fiscal Year 2008 was highlighted by a third consecutive balanced budget. Revenues exceeded expenditures in Fiscal Year 2008 by $321.4 million. The Indiana General Assembly authorized and the Governor approved the repayment of $240.8 million to higher education and municipalities in Fiscal Year 2008 and $31.1 million to higher education in Fiscal Year 2009.

Revenue Forecast for Fiscal Years 2009, 2010 and 2011

The Technical Forecast Committee (the "Forecast Committee") presented an updated forecast of State revenue for Fiscal Years 2009, 2010 and 2011 to the State Budget Committee on December 11, 2008. Fiscal Year 2008 revenue increased by $304.4 million (or 2.4%) over Fiscal Year 2007 revenue. Under the forecast, Fiscal Year 2009 State revenue is projected to decrease by $488.6 million (or -3.8%) over Fiscal Year 2008. Fiscal Year 2010 State revenue is projected to increase by $135.4 million (or 1.1%) over the lower 2009 revenue base. Fiscal Year 2011 State revenue is projected to increase by $449.2 million (or 3.6%) over 2010 revenues.

P.L. 146-2008 increased the sales tax from 6.0% to 7.0% effective April 1, 2008, as part of the property tax reform legislation. The increase generated $151.6 million in FY 2008, and is projected to generate $904.1 million in FY 2009. P.L. 146-2008 increased projected wagering tax collections for Fiscal Year 2009 to the General Fund by $51.0 million, caused by the elimination of the Property Tax Reduction Trust Fund on December 31, 2008. P.L. 146-2008 also increased projected "Other" collections for Fiscal Year 2009 by $119.2 million due to state captured miscellaneous revenues, an increase in the renter's deduction, and the loss of reimbursement for juvenile incarceration costs previously borne by local units.

Combined Balance Statements

Table 4 sets forth the Budget Agency's unaudited end-of-year combined balance statements and estimates and projections, including revenue and other resources, expenditures and balances at the end of each Fiscal Year. For past Fiscal Years, the balances reflect actual revenue and other resources and expenses before adjustments to the modified accrual basis of accounting. As a result, the Budget Agency's "working" statements may differ from the results included in the 2007 Financial Report or the Auditor of State's comprehensive annual financial reports for other Fiscal Years. Forecasted revenue is developed by the Technical Forecast Committee, and actual revenue may be higher or lower than forecasted. Estimates of other resources and uses were developed by the Budget Agency taking into account historical resources and appropriations as well as other variables, including the budget for Fiscal Years 2008 and 2009.

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

	Actual FY2005	Actual FY2006	Actual FY2007	Actual FY2008	Estimated FY2009[1]
Resources:					
Working Balance on July 1	$0.2	$118.8	$410.7	$537.2	$592.5
Current Year Resources:					
Forecast Revenue	11,436.4	12,060.6	12,626.2	12,930.6	12,442.0
Miscellaneous Revenue	-	-	-	35.9	15.0
P.L. 146-2008 Revenue	-	-	-	151.6	1,074.3
DSH Revenue	52.0	82.0	65.1	65.2	67.0
Tax Amnesty[2]	-	228.8	-	-	-
Quality Assessment Fee	-	62.7	21.7	19.7	18.0
Rainy Day Fund Interest and Repayment of Loans	-	11.6	14.6	18.8	12.8
Jobs & Growth Tax Relief Reconciliation Act of 2003 (including Medicaid)	-	-	-	-	-
2007 Outside Acts	-	-	9.8	-	-
2008 Outside Acts	-	-	-	-	-
Transfer from Medicaid Reserve to General Fund	-	-	-	30.0	-
Transfer from Dedicated Fund Balances	245.4	-	1.2	-	-
Transfer from Tuition Reserve	-	-	-	-	-
Transfer From (To) Rainy Day Fund	-87.2	-	-	-	-
Total Current Year Resources	11,646.6	12,445.7	12,738.6	13,251.8	13,616.3
Total Resources	11,646.8	12,564.5	13,149.3	13,789.0	14,208.8
Uses: Appropriations, Expenditures and Reversions:					
Appropriations					
Budgeted Appropriations	11,522.0	12,076.4	12,246.0	13,001.9	13,427.1
Adjustments to Appropriations[3]	-4.1	-29.3	-32.5	-0.6	-
Enrolled Acts 2006	-	25.2	69.6	-	-
Enrolled Acts 2008 (excluding P.L. 146-2008)	-	-	-	-	6.1
P.L. 146-20008 Net Estimated Expenditures	-	-	-	149.7	1,069.2
Medicaid Shortfall	117.0	-	-	-	-
Teachers' Retirement Fund	190.0	-	-	-	-
Tuition Support Deficiency	20.0	20.1	56.1	-	-

Total Appropriations	11,844.9	12,092.4	12,339.2	13,151.0	14,502.4
Other Expenditures and Transfers					
Transfer to Tuition Reserve	-	26.1	-	83.4	-
Transfer to Medicaid Contingency	-	10.0	-	-	-
Local Option Income Tax Distributions	-	37.5	35.2	11.8	-
PTRC and Homestead Credit Adjustments	-101.0	-61.9	-25.9	-38.0	78.7
Judgments and Settlements[4]	6.1	5.9	11.4	6.6	8.0
Total Appropriations and Expenditures	11,750.0	12,110.0	12,359.9	13,214.8	14,649.0
Payment Delays			-		
Higher Education Allotment	-3.9	-	40.0	-	-
Tuition Support Distribution	-	156.4	160.1	-	-
Property Tax Replacement Credit	-	-	136.5	95.7	-105.5
Reversions[5]	-218.1	-124.9	-118.9	-132.8	-767.4
Total Net Uses	11,528.0	12,141.5	12,577.9	13,177.7	13,716.2
Auditor's Adjustment	-	0.8	-	-	-
General Fund Reserve Balance at June 30	118.8	410.6	537.2	592.5	492.6
Reserved Balances					
Medicaid Reserve	24.0	34.0	87.6	57.6	57.6
Tuition Reserve	290.5	316.6	316.6	400.0	400.0
Rainy Day Fund	316.5[7]	328.1[7]	344.3[7]	363.0[7]	375.8[7]
Total Combined Balances	749.8	1,089.3	1,285.7	1,413.1	1,326.0
Payment Delay Liability	-726.8	-622.1	-285.5	-31.1	0.0
Combined Balance as a Percent of Operating Revenue	6.5%	9.0%	10.1%	10.7%	9.7%

*Totals may not add as a result of rounding.

(1) Revenues are those projected by the Technical Forecast Committee on December 11, 2008; appropriations are those authorized by the 2007 General Assembly for Fiscal Years 2008 and 2009.
(2) Net of $15.8 million expenses.
(3) Adjustments to appropriations by augmentation, transfer and open-ended appropriations and other reconciling adjustments made as part of the end-of-Fiscal Year closing process are shown in total.
(4) Represents the estimated cost to the State of judgments and other legal and equitable claims. No reserve fund is established for judgments or other legal or equitable claims against the State. Judgments and other such claims must be paid from appropriations or balances. *See* "LITIGATION."
(5) $55.3 million of reversions in FY2007 represent capital reversions, previously reported as reverting in FY2005.
(6) Includes loans to local governments authorized by the General Assembly. The loans are illiquid.
(7) Net of outstanding loans to local governments.

Source: State Budget Agency

Toll Road Lease

In 2006, the General Assembly enacted legislation authorizing the Indiana Finance Authority to lease the Indiana Toll Road to a private entity to operate for a term not to exceed 75 years. A lease agreement with ITR Concession Company LLC was signed in April 2006 and the transaction was closed on June 29, 2006. Shortly after the closing, the revenues from the lease, $3.8 billion (net of expenses and the bond repayments), were transferred to a trust fund or are being used to fund nearly 200 statewide transportation and economic growth projects throughout the State.

STATE INDEBTEDNESS

Constitutional Limitations on State Debt

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

Other Debt, Obligations

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

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

Obligations Payable from Possible State Appropriations

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

Indiana Finance Authority. Before 2005, there had been numerous bodies corporate and politic of the State, with separate decision making and borrowing authority, that issued bonds and otherwise accessed the financial markets. On May 15, 2005, to provide economic efficiencies and management synergies and to enable the State to communicate, with a single voice, with the various participants in the financial markets, the Indiana Development Finance Authority, the State Office Building Commission, the Indiana Transportation Finance Authority, the Recreational Development Commission, the State Revolving Fund Programs, and the Indiana Brownfields Program were consolidated into the Indiana Finance Authority. Effective July 1, 2007, the Indiana Health and Educational Facility Financing Authority was also merged into the Indiana Finance Authority. As the successor entity, the Indiana Finance Authority has assumed responsibility for the financing of certain buildings, highways, aviation facilities and recreation facilities.

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

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

The Indiana Finance Authority also provides (and its predecessor, the State Office Building Commission, had provided) short-term, or construction, financing for authorized projects through the issuance of commercial paper, in an aggregate amount not to exceed $75 million, payable from proceeds of its revenue bonds.

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

In 2005, legislation was enacted that authorizes the Indiana Finance Authority to issue grant anticipation revenue bonds to finance highway projects eligible for federal highway revenues. However, none have been issued to date.

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

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

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

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

Bond Bank. The Indiana Bond Bank issued its revenue bonds, payable from possible State appropriations, to finance or refinance certain State interests or initiatives, including the State's Animal Disease and Diagnostic Laboratory ("ADDL") at Purdue University, West Lafayette, and the Columbus Learning Center ("CLC"), an

educational facility to be used by a number of State post-secondary educational institutions to provide services in South Central Indiana. *See* "Table 5—Schedule of Long Term Debt—Obligations Payable from Possible State Appropriations—Bond Bank" and "Table 8—Schedule of Long Term Debt—Contingent Obligations—Bond Bank." For a description of other powers and responsibilities of the Bond Bank, including its authority to issue other debt, *see* "Contingent Obligations—Indiana Bond Bank" and Table 8.

Schedule of Long Term Debt. Table 5 lists, by type of financing, long-term debt that is subject to possible State appropriations as of June 30, 2008. *See* "Authorized but Unissued Debt."

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

Type/Series	Original Par Amount	Ending Balance 6/30/2007	(Redeemed)/ Issued	Ending Balance 6/30/2008
STATE BUILDINGS				
Forensic & Health Sciences Lab				
Series 2006A	$62,900,000	$62,900,000	$0	$62,900,000
Subtotal	$62,900,000	$62,900,000	$0	$62,900,000
Government Center Parking Facilities				
Series 1990A	$26,669,824	$7,135,256	($420,039)	$6,715,217
Series 2003A	26,735,000	20,370,000	(2,980,000)	17,390,000
Subtotal	$53,404,824	$27,505,256	($3,400,039)	$24,105,217
Government Center North				
Series 1990B	$77,123,542	$22,132,887	($1,302,688)	$20,830,199
Series 2003B	73,205,000	62,240,000	(5,700,000)	56,540,000
Subtotal	$150,328,542	$84,372,887	($7,002,688)	$77,370,199
Government Center South				
Series 1990C	$18,063,800	$4,832,470	($283,810)	$4,548,660
Series 1990D	110,675,000	46,180,000	(8,045,000)	38,135,000
Series 2000B	43,400,000	14,600,000	(200,000)	14,400,000
Series 2003C	7,835,000	6,565,000	(630,000)	5,935,000
Subtotal	$179,973,800	$72,177,470	($9,158,810)	$63,018,660
Other Facilities				
Series 1995B	47,975,000	19,310,000	0	19,310,000
Series 1998A	93,020,000	67,260,000	(5,365,000)	61,895,000
Series 1999A	96,785,000	27,560,000	(4,075,000)	23,485,000
Series 2000A	44,800,000	34,500,000	(1,900,000)	32,600,000
Series 2001A	66,600,000	58,800,000	(2,300,000)	56,500,000
Series 2002A	128,110,000	55,970,000	(4,955,000)	51,015,000
Series 2003A	83,530,000	44,035,000	(3,050,000)	40,985,000
Series 2003B	31,930,000	30,745,000	(1,215,000)	29,530,000
Series 2003C	55,075,000	55,075,000	0	55,075,000
Series 2003D	20,475,000	20,250,000	(2,000,000)	18,250,000
Series 2004A	46,180,000	46,125,000	(65,000)	46,060,000
Series 2004B	61,890,000	61,890,000	0	61,890,000

Series 2004C	33,950,000	33,950,000	0	33,950,000
Series 2004D	33,995,000	33,995,000	0	33,995,000
Series 2004E	57,005,000	57,005,000	0	57,005,000
Subtotal	$901,320,000	$646,470,000	($24,925,000)	$621,545,000
TOTAL STATE BUILDINGS	$1,347,927,166	$893,425,613	($44,486,537)	$848,939,076
HIGHWAY REVENUE BONDS				
Series 1990A	$72,498,391	$28,455,477	($520,478)	$27,935,000
Series 1992A	74,035,000	35,285,000	0	35,285,000
Series 1993A	193,531,298	101,326,298	(8,040,000)	93,286,298
Series 1996B	27,110,000	3,485,000	(3,485,000)	0
Series 1998A	175,360,000	70,500,000	(11,670,000)	58,830,000
Series 2000	269,535,000	16,235,000	0	16,235,000
Series 2003A	431,585,000	126,475,000	(11,465,000)	115,010,000
Series 2004A	320,550,000	11,645,000	0	11,645,000
Series 2004B	147,345,000	147,345,000	0	147,345,000
Series 2004C	146,080,000	146,080,000	0	146,080,000
Series 2007A	642,300,000	642,300,000	0	642,300,000
TOTAL HIGHWAYS	$2,499,929,689	$1,329,131,775	($35,180,478)	$1,293,951,298
AVIATION FACILITIES				
Airport Facilities Bonds				
Series 2004A	$56,025,000	$56,025,000	($56,025,000)	$0
Series 2004B	79,825,000	79,825,000	(79,825,000)	0
Series 2004C	68,700,000	64,700,000	(64,700,000)	0
Series 2008A	127,655,000	0	127,655,000	127,655,000
Series 2008B	51,485,000	0	51,485,000	51,485,000
Subtotal	383,690,000	$200,550,000	($21,410,000)	$179,140,000
Aviation Technology Bonds				
Series 2002	$10,095,000	$8,150,000	($595,000)	$7,555,000
Subtotal	$10,095,000	$8,150,000	($595,000)	$7,555,000
TOTAL AVIATION FACILITIES	$393,785,000	$208,700,000	($22,005,000)	$186,695,000
RECREATIONAL FACILITIES				
Series 1997	$6,600,000	$4,550,000	($280,000)	$4,270,000
Series 2002	14,400,000	13,385,000	(820,000)	12,565,000
Series 2004	12,780,000	12,780,000	(365,000)	12,415,000
TOTAL RECREATIONAL FACILITIES	$33,780,000	$30,715,000	($1,465,000)	$29,250,000
BOND BANK				
Series 1998A (ADDL)	$10,830,000	$4,195,000	($860,000)	$3,335,000
TOTAL BOND BANK	$10,830,000	$4,195,000	($860,000)	$3,335,000

TOTAL ALL BONDS	**$4,286,251,855**	**$2,466,167,388**	**($103,997,015)**	**$2,362,170,374**

Source: Indiana Finance Authority (as of June 30, 2008). Excludes accreted value of capital appreciation bonds.

Scheduled Principal and Interest Payments. Table 6 lists principal and interest payments payable from possible State appropriations (not including debt that has been defeased) as of June 30, 2008. *See* "Authorized but Unissued Debt."

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

Type/Series	FY 2009	FY2010	FY2011	FY2012	Thereafter
STATE BUILDINGS					
Forensic & Health Sciences Lab					
Series 2006A	$4,814,965	$4,812,165	$4,811,065	$4,811,465	$76,465,680
Subtotal	$4,814,965	$4,812,165	$4,811,065	$4,811,465	$76,465,680
Government Center Parking Facilities					
Series 1990A	$1,948,050	$468,050	$468,050	$468,050	$7,517,325
Series 2003A	3,696,013	3,676,763	3,672,863	3,668,863	4,845,306
Subtotal	$5,644,063	$4,144,813	$4,140,913	$4,136,913	$12,362,631
Government Center North					
Series 1990B	$6,041,880	$1,451,880	$1,451,880	$1,451,880	$23,318,520
Series 2003B	8,567,178	8,547,803	8,538,803	8,528,928	34,073,256
Subtotal	$14,609,058	$9,999,683	$9,990,683	$9,980,808	$57,391,776
Government Center South					
Series 1990C	$1,317,090	$317,090	$317,090	$317,090	$5,092,525
Series 1990D	10,934,615	10,920,515	10,893,980	10,867,423	0
Series 2000B[(1)]	1,053,000	1,041,000	1,029,000	1,017,000	13,668,000
Series 2003C	876,288	873,138	870,838	867,538	3,476,394
Subtotal	$14,180,993	$13,151,743	$13,110,908	$13,069,050	$22,236,919
Other Facilities					
Series 1995B	$1,206,875	$3,081,406	$3,067,719	$3,069,375	$15,292,188
Series 1998A	8,524,424	8,524,231	8,529,831	8,518,671	42,426,131
Series 1999A	5,392,457	5,379,500	772,538	772,538	20,132,606
Series 2000A[(1)]	3,846,000	3,820,500	3,789,000	3,657,000	30,334,500
Series 2001A[(1)]	5,650,670	5,701,540	5,639,984	5,671,922	61,459,835
Series 2002A	7,601,597	7,591,828	7,591,813	7,576,794	39,776,175
Series 2003A	5,064,090	5,070,903	5,056,965	5,062,963	37,557,028
Series 2003B	2,551,260	2,553,310	2,546,925	2,545,245	32,854,615
Series 2003C[(1)]	3,304,500	3,304,500	3,983,500	4,766,000	72,853,750
Series 2003D[(1)]	3,017,750	1,164,500	1,176,750	1,163,250	21,752,250
Series 2004A	2,478,375	2,481,894	7,080,194	7,062,156	42,062,544
Series 2004B	3,249,225	3,249,225	3,249,225	3,249,225	78,864,825
Series 2004C	1,779,285	1,779,285	1,779,285	1,789,141	44,133,811

Series 2004D	2,665,338	2,660,963	2,662,425	2,657,188	42,195,008
Series 2004E	4,501,620	4,491,295	4,492,306	4,489,638	71,241,084
Subtotal	$60,923,466	$60,854,880	$61,427,458	$62,051,104	$652,936,349
TOTAL STATE BUILDINGS	$100,172,545	$92,963,284	$93,481,025	$94,049,339	$821,393,355
HIGHWAY REVENUE BONDS					
Series 1990A	$3,490,288	$2,694,075	$3,880,388	$6,708,863	$20,136,300
Series 1992A	2,399,380	2,399,380	6,364,810	6,351,320	31,596,720
Series 1993A	12,573,200	12,621,413	12,268,900	14,435,250	113,256,350
Series 1998A	15,277,573	14,145,244	1,896,950	1,896,950	51,689,325
Series 2000	901,575	901,575	901,575	901,575	18,574,418
Series 2003A	17,328,946	17,295,396	17,297,726	17,311,558	87,183,148
Series 2004A	603,315	603,315	603,315	603,315	15,766,990
Series 2004B	8,192,175	8,192,175	8,192,175	8,192,175	199,516,363
Series 2004C	7,858,988	9,111,863	9,188,988	16,581,113	190,748,031
Series 2007A	33,228,283	33,210,383	41,533,170	28,574,845	978,206,806
TOTAL HIGHWAYS	$101,853,722	$102,174,819	$102,127,996	$101,556,963	$1,706,764,450
AVIATION FACILITIES					
Airport Facilities Bonds					
Series 2008A	7,003,295	6,382,750	6,382,750	14,689,750	140,499,875
Series 2008B	15,903,107	16,282,910	15,917,804	7,185,549	0
Subtotal	$22,906,402	$22,665,660	$22,300,554	$21,875,299	$140,499,875
Aviation Technology Bonds					
Series 2002	$954,728	$950,033	$953,398	$954,769	$5,726,758
Subtotal	$954,728	$950,033	$953,398	$954,769	$5,726,758
TOTAL AVIATION FACILITIES	$23,861,130	$23,615,693	$23,253,951	$22,830,068	$146,226,633
RECREATIONAL FACILITIES					
Series 1997	$520,430	$520,111	$518,636	$520,963	$3,618,250
Series 2002	1,454,545	1,488,361	1,522,793	1,562,493	10,177,341
Series 2004	1,116,808	1,129,858	1,115,208	1,162,873	12,233,056
TOTAL RECREATIONAL FACILITIES	$3,091,783	$3,138,330	$3,196,636	$3,246,328	$26,028,648
BOND BANK					
Series 1998A (ADDL)	$1,043,548	$1,042,598	$1,044,130	$522,113	$0
TOTAL BOND BANK	$1,043,548	$1,042,598	$1,044,130	$522,113	$0
TOTAL ALL BONDS	**$230,022,728**	**$222,934,723**	**$223,103,739**	**$222,204,810**	**$2,700,323,085**

[1]Debt service on variable rate debt is estimated by assuming an interest rate of 6%.

Source: Indiana Finance Authority (as of June 30, 2008)

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

Fiscal Year	Population[1]	Personal Income[1][2]	Outstanding Debt Subject to Appropriation[2]	Debt/Capita	Debt/Income
1999	5,942,901	$154,842	$1,228	$207	0.8%
2000	6,091,735	165,285	1,569	258	0.9%
2001	6,125,525	167,881	1,624	265	1.0%
2002	6,151,102	172,474	1,713	278	1.0%
2003	6,184,519	178,675	1,774	287	1.0%
2004	6,218,863	186,210	2,494	401	1.3%
2005	6,257,121	193,348	2,518	402	1.3%
2006	6,302,646	203,502	2,460	390	1.2%
2007	6,345,289	213,302	2,466	389	1.2%
2008	6,345,289	213,302	2,362	372	1.1%

[1] Estimated.
[2] In millions.

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

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

(a) Two additional regional mental health facilities;

(b) State-wide wireless public safety communications network; and

(c) Parking facilities in the area of the state capitol complex.

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

The Indiana Finance Authority may initially provide short-term, or construction, financing for these facilities through its commercial paper program. At June 30, 2008, $75,000,000 principal amount of commercial paper was authorized and $9,852,000 principal amount of commercial paper was outstanding.

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

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

Contingent Obligations

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

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

agreement that creates a moral obligation of the State to pay any indebtedness issued by the Indiana Bond Bank or the Indiana Financing Authority.

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

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

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

The total amount of bonds and notes which the Bond Bank may have outstanding at any one time (except bonds or notes issued to fund or refund bonds or notes) is limited to $1.0 billion plus (a) up to $200 million for certain qualified entities that operate as rural electric membership corporations or as corporations engaged in the generation and transmission of electric energy and (b) up to $30 million for certain qualified entities that operate as telephone cooperative corporations. However, these limits do not apply to bonds or notes not secured by a reserve fund eligible for State appropriations.

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

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

Pursuant to this authority, the Indiana Transportation Finance Authority and its predecessors issued their revenue bonds (the "Toll Road Bonds") to finance and refinance the construction and improvement of the 157-mile Indiana East-West Toll Road (the "Toll Road") in northern Indiana, which links the Chicago Skyway and the Ohio Turnpike. These bonds were redeemed on June 29, 2006 and are no longer outstanding.

In 2006, the General Assembly enacted legislation authorizing the Indiana Finance Authority to lease the Toll Road to a private entity to operate for a term not to exceed 75 years. A lease agreement with ITR Concession Company, LLC was signed in April 2006, and the transaction was closed on June 29, 2006. On June 29, 2006 a portion of the $3.8 billion in revenues from the lease was applied to pay off all of the Toll Road Bonds. See "STATE BUDGET PROFILE AND FINANCIAL RESULTS OF OPERATIONS—Toll Road Lease."

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

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

In 2005, legislation was enacted that authorizes the Indiana Finance Authority to issue revenue bonds and loan the proceeds thereof to the Indiana Stadium and Convention Building Authority for the purpose of financing the acquisition and construction of a stadium and the expansion of a convention center in Indianapolis. The legislation authorizes the Indiana Stadium and Convention Building Authority to lease such capital improvements to a State agency pursuant to a lease, which requires the State agency: (1) to seek biennial appropriations from the General Assembly in an amount sufficient to pay rent equal to the debt service due on such bonds, only if: (a) the amount of such rent is fair and reasonable; and (b) such capital improvements are available for use and occupancy; and (2) to pay, from such appropriated amounts, rent sufficient to pay such debt service, only if certain local tax revenues expected to satisfy debt service are insufficient. In addition, the Indiana Finance Authority, in connection with the issuance of such revenue bonds, may establish a debt service reserve fund and a procedure for requesting appropriations from the General Assembly to restore the debt service reserve fund to required levels. The Indiana Finance Authority has previously issued $611,525,000 of such revenue bonds and issued the Series 2008 A Bonds (Stadium Project) in the principal amount of $55,000,000 on July 24, 2008, for the stadium project. The Indiana Finance Authority issued $40,000,000 of bond anticipation notes for the convention center expansion project. The Indiana Finance Authority issued the Series 2008 A Bonds (Convention Center Expansion Project) on August 20, 2008, in the amount of $120,000,000, the proceeds of which will be used to finance the cost of the convention center expansion project and to refund the bond anticipation notes. The Indiana Finance Authority is expected to issue additional revenue bonds during the next two years in an additional principal amount of approximately $180,000,000, the proceeds of which will be used, together with other available funds, for the purpose of financing the cost of the convention center expansion projects.

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

Schedule of Long Term Debt. Table 8 lists the long term debt classified as contingent obligations that was outstanding on June 30, 2008. Debt classified as a contingent obligation is debt for which the issuing entity has agreed to, under certain circumstances, request an appropriation from the General Assembly to replenish a debt service reserve fund.

Table 8
Schedule of Long Term Debt
Contingent Obligations

Type/Series	Original Par Amount	Ending Balance 6/30/2007	(Redeemed)/ Issued	Ending Balance 6/30/2008
BOND BANK Special Program Pool				
Series 1997C	$5,010,000	$4,025,000	($4,025,000)	0
Series 1998A	6,485,000	5,130,000	(225,000)	4,905,000
Series 2000A (Refunding)	32,860,000	5,585,000	(985,000)	4,600,000
Series 2001A (Refunding)	20,840,000	12,905,000	(1,510,000)	11,395,000
Series 2001A	7,055,000	4,575,000	(315,000)	4,260,000
Series 2001B	9,500,000	7,010,000	(565,000)	6,445,000
Series 2002A	42,910,000	38,040,000	(1,325,000)	36,715,000
Series 2002C	3,940,000	2,100,000	(475,000)	1,625,000
Series 2002D	60,000,000	7,075,000	(1,295,000)	5,780,000
Series 2002E	10,155,000	9,155,000	(280,000)	8,875,000
Series 2003A	40,385,000	39,555,000	(850,000)	38,705,000
Series 2003B	8,885,000	7,270,000	(360,000)	6,910,000
Series 2003C	10,425,000	7,130,000	(835,000)	6,295,000
Series 2003D[1] (CLC)	27,515,000	27,515,000	0	27,515,000

Series 2003E	36,530,000	35,000,000	(555,000)	34,445,000
Series 2003F-1	17,155,000	12,440,000	(1,345,000)	11,095,000
Series 2004A	17,210,000	15,870,000	(680,000)	15,190,000
Series 2004B	17,590,000	15,675,000	(835,000)	14,840,000
Series 2004C	35,010,000	34,610,000	(815,000)	33,795,000
Series 2004D	29,275,000	27,630,000	(1,400,000)	26,230,000
Series 2005A	14,790,000	13,775,000	(645,000)	13,130,000
Series 2005C	11,160,000	10,780,000	(395,000)	10,385,000
Series 2005D	4,505,000	4,505,000	(130,000)	4,375,000
Series 2006B-1	12,400,000	12,400,000	(230,000)	12,170,000
Series 2006B-2	2,890,000	2,890,000	(15,000)	2,875,000
Series 2006A (Ref)	26,485,000	25,130,000	(1,030,000)	24,100,000
Series 2006C[1]	20,660,000	20,660,000	0	20,660,000
Series 2006D	13,985,000	13,110,000	(1,065,000)	12,045,000
Series 2007A (Ref)	44,915,000	44,915,000	0	44,915,000
TOTAL BOND BANK	$590,525,000	$466,460,000	($22,185,000)	$444,275,000
INDIANA FINANCE AUTHORITY				
Stadium Project Series 2005A	$400,000,000	$400,000,000	$0	$400,000,000
Stadium Project Series 2007A	211,525,000	211,525,000	0	211,525,000
TOTAL STADIUM PROJECT	$611,525,000	$611,525,000	$0	$611,525,000
TOTAL ALL BONDS	$1,202,050,000	$1,077,985,000	($22,185,000)	$1,055,800,000

[1] Qualified obligation revenues are expected to be sufficient to pay debt service. However, a portion of qualified obligation revenues are payable solely from General Assembly appropriations to the qualified entity.

Source: Indiana Finance Authority (as of June 30, 2008)

Other Entities Issuing Debt

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

Entity	Purpose of Debt Issuance
Board for Depositories	Provide guarantees for industrial development or credit enhancement for Indiana enterprises.
Indiana Housing and Community Development Authority [1]	Provide funds for construction or mortgage loans for federally assisted multi-family housing or for low and moderate income residential housing.
Ports of Indiana	Provide funds for ports and other projects.
Indiana Secondary Market for Education Loans, Inc. [2]	Provide funds for secondary market for higher education loans.
Indiana State Fair Commission	Provide funds for State fairgrounds.

State Revolving Fund Loan Program	Provide funds to assist local municipalities in financing drinking water and waste water infrastructure projects.

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

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

STATE RETIREMENT SYSTEMS

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

Public Employees' Retirement Fund

The Public Employees' Retirement Fund ("PERF") has been in existence since 1945 to provide retirement, disability and survivor benefits for most State and local government employees. PERF is administered by a six-member Board of Trustees. Five members are appointed by the Governor and the sixth is the State Budget Director. PERF is the State's largest pension fund and has management responsibility for pension assets of State employees; local government units; judges; legislators; prosecutors; municipal police and fire units; and State conservation, gaming agent, gaming control officer and excise officials. On July 1, 2007, the State portion of PERF; the 1977 Police Officers' and Firefighters' Pension and Disability Fund ("1977 Fund"); the Judges' Retirement System; the Legislators' Retirement System; the State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan; and the Prosecuting Attorneys' Retirement Fund had 67,144 active and deferred vested members and a total actuarial value of assets equal to approximately $6.1 billion.

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

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

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

	July 1, 2004[1]	July 1,2005[2]	July 1, 2006[3]	July 1, 2007	July 1, 2008
Funded Status					
Actuarial Value of Assets	$2,138,655,367	$2,145,805,051	$2,169,619,411	$2,350,652,206	$2,469,431,611
Actuarial Accrued Liability (AAL)	2,019,492,456	2,189,336,721	2,210,376,679	2,335,081,836	2,513,791,279
Unfunded/(Overfunded) AAL	(119,162,911)	43,531,670	40,757,268	(15,570,370)	44,359,668
Funded Ratio	105.9%	98.0%	98.2%	100.7%	98.2%
Contribution History					
Annual Required Contribution	$54,579,389	$69,647,405	87,947,466	96,430,158	102,334,158
Actual Employer Contribution	90,708,898	62,759,547	72,890,131	89,800,510	78,658,313[5]
Contribution Rate[4]	4.5%	5.5%	6.3%	6.3%	6.5%

[1] Third year of four year phase-in of a new census database system. Also, the 2% cost of living adjustment assumption for 5-years was changed to 0.5% lifetime cost of living adjustment assumption. The intention is to phase-in to a recommended 1.5% lifetime cost of living adjustment assumption in 3 years.
[2] Final year of four year phase-in of new census database system. Also, the 0.5% lifetime cost of living adjustment assumption was changed to a 1.0% lifetime cost of living adjustment assumption as part of the 3-year plan to raise the assumption to 1.5%.
[3] The 1.0% lifetime cost of living adjustment assumption was changed to a 1.5% lifetime cost of living adjustment assumption as the final step in phasing in this assumption. Also, the actuarial assumptions were revised based on the recommendations of an actuarial experience study prepared for the period 2000-2005.
[4] Contribution rate is set using the most recently completed actuarial valuation to go into effect the next fiscal year.
[5] Amount is for State of Indiana employees. Total amount for all State employers is $106,793,219.

Source: Actuarial Valuation Report, Public Employees' Retirement Fund of Indiana, July 1, 2008.

Other PERF Plans

PERF also administers five other plans. These include the 1977 Fund, the Judges' Retirement System, the Legislators' Retirement System, the State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan and the Prosecuting Attorneys' Retirement Fund. Table 10 highlights the actuarial valuation findings for these plans as of July 1, 2008.

Table 10
Other State Plans Pension Funds
Summary of Results of Actuarial Valuation
(as of July 1, 2008)

	Judges' Retirement System	Legislators' Defined Benefit Plan	Excise Police, Gaming Agent, Gaming Control Officer & Conservation Officers' Retirement Plan	Prosecuting Attorneys' Retirement Fund	1977 Police and Firefighter Fund[2]
Funded Status					
Actuarial Value of Assets	$234,880,522	$5,119,961	$65,375,140	$26,350,456	$3,281,480
Actuarial Accrued Liability	338,748,983	5,039,094	77,176,656	38,068,986	2,889,295
Unfunded/(Overfunded) AAL	103,868,461	(80,867)	11,801,516	11,718,530	(392,185)
Funded Ratio	69.3%	101.6%	84.7%	69.2%	113.6%
Contribution History[1]					
Annual Required Contribution	$18,631,734	$66,023	$4,426,685	$1,340,108	$117,772,800
Actual Employer Contribution	15,920,268	100,000	4,854,164	170,000	128,913,332

[1] Contribution History is for Plan Year 2008
[2] As of January 1, 2008

Source: Actuarial Valuation Reports, July 1, 2008

The 1977 Fund provides pension and disability benefits for local police officers and firefighters hired after April 30, 1977. Benefits for the members of this plan have been funded on an actuarial basis through contributions from cities and towns and from plan members.

In addition, the PERF Board of Trustees administers a pension relief fund for those local police officers and firefighters hired before May 1, 1977. Benefits for the members of this plan have been funded on a "pay-as-you-go" basis, under which benefits are paid from current revenue provided by cities and towns and by plan members' contributions. Currently, cities and towns receive pension relief funds from the State to reimburse them for a portion of benefit expenditures. Beginning in 2009, cities and towns will be reimbursed their entire pension benefit expenditure. To provide such pension relief, the State has dedicated a portion of the State's cigarette tax revenue, liquor tax revenue, Hoosier Lottery profits, and investment earnings on the Public Deposit Insurance Fund. From time to time, the General Assembly has also appropriated general and dedicated funds to pension relief. During Fiscal Year 2008, $138 million was expended from the pension relief fund, and on June 30, 2008, the total net assets of the pension relief fund were $172.4 million.

State Teachers' Retirement Fund

The Indiana State Teachers' Retirement Fund ("TRF") administers a multiple-employer retirement fund established to provide pension benefits for teachers and their supervisors in the State's public schools. Membership in TRF is required for all legally qualified and regularly employed public school teachers. TRF provides retirement benefits, as well as death and disability benefits. TRF is administered by a six member Board of Trustees ("TRF Board"), which includes the State Budget Director and five members appointed by the Governor. The State Budget Director was added to the TRF Board on July 1, 2005 due to the fiscal importance of monitoring the TRF appropriation. On June 30, 2008, TRF had over 162,000 total members with assets totaling $9.034 billion.

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

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

For the Closed Plan, moneys to pay the related TRF benefits are provided from State appropriations as the liabilities come due each year, or on a "pay as you go" basis. This structure provides General Fund appropriations as the liabilities come due each year. To minimize the amount of future state appropriations in the Closed Plan, the State and the TRF Board established the Pension Stabilization Fund in July 1, 1995 to partially pre-fund liabilities in the Closed Plan. The Pension Stabilization Fund was funded from the General Fund, Hoosier Lottery, and gaming revenue as well as investment income and has the result of limiting the peak required annual appropriations to the Closed Plan at a 3.12% increase over the prior year based on an assumed annual investment return of 7.5%. As of June 30, 2008, the Pension Stabilization Fund balance was $2.084 billion.

For the New Plan, the State capped its pension benefit obligation by (i) shifting the obligation for all teachers hired after July 1, 1995, to local school districts and (ii) implementing a level percent of payroll current funding approach. The TRF Board sets the contribution rate for the New Plan based on an actuarial valuation of the New Plan. The New Plan was intended to be responsible not only for newly hired teachers into the schools, but also for the cost of teachers who began service before 1995 but subsequently transferred to other school corporations after 1995. The liability for these transferred teachers, which shifted from the Closed Plan to the New Plan, began to cause an unfunded liability in the New Plan. The General Assembly in 2005 addressed this growing unfunded liability in the New Plan by stopping the transfer of liabilities—therefore transferred teachers remain part of the Closed Plan which is "pay as you go". In addition, the actuarial assumptions used for calculating the contributions rate into the New Plan now include an assumption for a cost of living adjustment, thereby making the contribution rate for which local schools are liable more realistic. The TRF Board has set the current contribution rate for the New Plan account at 7.25%, changing to 7.0% effective January 1, 2009.

Table 11
State Teachers' Retirement Fund – New Plan
Summary of Results of Actuarial Valuation
(as of June 30, 2008)

	2003	2004	2005	2006	2007	2008
ıded Status of New Plan						
ctuarial Value of Assets	$825,811,772	$1,038,726,916	$1,268,575,809	$2,209,267,754	$2,713,051,576	$3,080,000,000
ctuarial Accrued Liability	1,392,472,616	1,649,400,668	2,010,746,868	2,363,101,528	2,827,553,780	2,958,000,000
nfunded AAL	566,660,844	610,673,752	742,171,059	153,633,774	114,502,204	(122,000,000)
ınded Ratio	59.3%	63.0%	63.1%	93.5%	95.9%	104.1%

Source: Indiana State Teachers' Retirement Fund, The Report of the Annual Actuarial Valuation, June 30, 2008.

State Police Pension Trust

The State Police Pension Trust consists of two structures that provide retirement benefits to State police officers. The State makes contributions to the State Police Pension Trust from appropriations of General Fund and Motor Vehicle Highway Fund moneys. At present, members contribute and may borrow funds in an amount up to their contribution, subject to State Police Pension Advisory Board policies. Retirement benefits may not exceed one-half of either the member's highest salary in 36 consecutive months or a third year trooper's pay (depending upon the structure in which the member belongs), plus additions tied to years of service. Survivor and disability benefits may not exceed the basic pension amount. The State Police Pension Trust is funded on an actuarial basis. The Treasurer of State is custodian for the trust. Certain financial information about the State Police Pension Trust is also included in the 2007 Financial Report. *See* "FISCAL POLICIES—2007 Financial Report."

ECONOMIC AND DEMOGRAPHIC INFORMATION

Summary

Indiana's economy is growing in diversity, even as it strengthens its manufacturing roots. With an estimated 2007 Gross Domestic Product (GDP) by State of approximately $246 billion (current dollars), Indiana's economy ranks eighteenth largest in the country in terms of the value of goods and services produced. From 1997 to 2007, Indiana witnessed a significant shift in the distribution of employment between sectors. Employment in the Professional and Business Services sector increased by 27.1%, followed by a 26.7% gain in Education and Health Services and a 12.9% increase in Leisure & Hospitality Services. The Manufacturing sector is 18.1% of total employment in Indiana, a decrease from 22.5% in 1997. Manufacturing has been surpassed by Trade, Transportation and Utilities as the largest single sector of employment in Indiana.

Indiana is rich in assets with a low cost of living, a business-friendly regulatory environment and an efficient transportation system. Well-located for goods production and distribution, Indiana is within a day's drive of nearly two-thirds of the United States' population. With 10,023 miles of State highways and 1,172 miles of interstate highways, Indiana has more interstate highways passing through it than any other state. The Governor's 2006 Major Moves transportation initiative, calling for $10.6 billion invested over 10 years, will fund both maintenance and new construction for Indiana's roadways. Coupled with the elimination of the state's inventory tax and the adoption of Daylight Savings Time in 2006, Indiana becomes even more attractive as a site for production, warehousing and distribution and transportation activities.

The cost of living index for Indiana's major cities has been consistently below the national average. Indiana ranks favorably among the states in housing affordability and percent of home ownership. Electricity costs are comparatively low in Indiana due to the ready availability of ample coal reserves. According to the U.S. Energy Information Administration, year to date average retail electric utility rates through December 2007 were 22% lower than the national average for all industrial consumers; while residential retail electric bills were 23.7% lower than the national average.

The Indiana Economic Development Corporation (IEDC) is Indiana's lead economic development agency. Officially established in February 2005 to replace the state's former department of commerce, the IEDC is a public private partnership governed by a 12-member board of directors chaired by the Governor. Since its inception, the IEDC has worked with more than 575 companies from across Indiana and around the globe who have collectively committed to create more than 71,000 new jobs and invest more than $16.9 billion of private capital in their Indiana operations. In 2007 alone, the IEDC worked with 153 companies who committed to create more than 22,200 new jobs and invest more than $3.3 billion in new or expanded operations in industries ranging from advanced manufacturing, life sciences, insurance and financial services, food/agriculture, biofuels/energy and information technology.

Population

Indiana is the 15th most populous state in the United States. The capital and largest city is Indianapolis. From 2000 to 2007, the Indianapolis Metropolitan Statistical Areas ("MSA") has grown by 11.1%. While Indiana's educational attainment rate for bachelors' degrees has lagged the nation and several neighboring states, estimates from Census 2000 and the 2001-2007 American Community Survey indicate that between 2000 and 2007, the number of individuals with "some college", associates' degrees and bachelors' degrees were increasing at a substantially higher rate than the population 25 years and older. In addition, of those Hoosiers who have completed a bachelors' degree or above, 35.9% have attained masters', doctoral or professional degrees, closely matching the national average of 36.7%.

Table 12
Educational Attainment, Indiana Population 25 Years & Over

Year	Some college, no degree	Assoc Degree	BA/BS or Above	Population 25 Yrs & Over
2000	727,387	210,265	749,872	3,893,278
2001	739,281	244,714	789,776	3,882,504
2002	725,926	219,712	794,098	3,845,706
2003	747,449	253,224	811,771	3,863,200
2004	768,437	250,762	838,435	3,889,833
2005	789,952	276,886	840,876	3,956,723
2006	793,376	295,974	887,923	4,110,754
2007	803,293	293,297	914,471	4,143,159
2000-2007	10.44%	39.48%	21.95%	6.42%

Sources: Census 2000, 2001-2007, American Community Survey, September 2008

Indiana's excellent state colleges and universities attract students from around the county (the state ranks 5th nationally in terms of net in-migration of college freshman, according to the National Center for Education Studies)[1]. These schools also serve as the focus of research and development efforts, assist in the formation of small business "incubators," and award advanced degrees in fields as varied as engineering, economics and pharmacy. In 2006, based on a National Science Foundation (NSF) survey, among the nation's public universities, Indiana ranked 12th in the nation in Academic Research & Development from Institutional funding (including grants and endowments) and 11th in terms of both Industry (for-profit entities) funding and 15th in funding from "All Other" sources[2]. In the National Science Foundation 2003-2005 Science and Engineering State Profiles report, Indiana ranks in the top 20 for numbers of Doctoral Scientists, Science and Engineering (S&E) doctorates awarded, S&E and health post doctorates and graduate students in doctorate granting institutions.[3] Purdue University, Indiana University and the University of Notre Dame have all been included in the Financial Times rankings of the world's top business schools.[4]

Table 13
Population, including Selected Indiana MSAs

	2000*	2007	Percentage Change 2000-2007
Indiana	6,080,485	6,345,289	4.4%
Indianapolis MSA	1,525,104	1,695,037	11.1%
Fort Wayne MSA	390,158	410,070	5.1%
Gary PMSA	675,971	698,971	3.4%
Evansville-Henderson MSA	342,815	349,717	2.0%
South Bend MSA	316,663	316,639	0.0%
United States	281,421,906	301,621,527	7.2%

*These Indiana Metropolitan Statistical Areas were reconfigured in 2005. The above population estimates are based on the areas as defined by the Office of Management and Budget as of December 2005. Consistent aggregate historical data are not yet readily available. Source: U.S. Census Bureau, March 2008.

Section Footnotes:
[1]http://nces.ed.gov/programs/digest/d05/tables/dt05_204.asp
[2]http://www.nsf.gov/statistics/nsf07322
[3]FinancialTimes Report: Business Education http://search.ft.com/ftArticle?queryTest=Purdue+University&aje=true&id+070129000926

Employment

During this past decade, employment in Indiana has shifted significantly between sectors, reflecting the fundamental changes taking place in the state's economy and following larger trends at the national level. Although manufacturing is still the second largest sector of employment at 18% of total employment, it was the slowest growing sector from 1997 to 2007 and has undergone significant diversification and acquired an international presence in recent years. The latter is especially key for the automotive and auto parts manufacturing industries where the contributions of Toyota, Subaru and the Honda plant announced in 2006 should serve to buffer that sector from some of the current vicissitudes of the domestic auto industry. Within the Manufacturing sector, some well-paying industry components experienced significant growth over the last 5 years, either in contradiction to the national trend or surpassing the U.S. rate of growth.

Table 14
Indiana High-Growth Manufacturing Sub-sectors

NAICS	Sector Description	2002-2007 Employment Change	Indiana % Change	Indiana 2007 Annual Average Wage	U.S. % Change
3361	Motor Vehicle Manufacturing	1,470	12%	$74,497	-16%
3362	Motor Vehicle Body & Trailer Manufacturing	6,812	22%	$45,898	9%
3391	Medical Equipment & Supplies Manufacturing	3,563	24%	$60,739	-2%

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment & Wages-2002 & 2007 Annual Averages, June 2008

The fastest growing sectors overall during the last decade were Professional and Business Services, which grew by 27.1% from 1997 to 2007, followed closely by Education and Health Services (26.7% growth).

Table 15
Indiana Non-Farm Employment by Sector; December 1997 to December 2007
(Not Seasonally Adjusted)

NAICS Super Sectors	1997	Percentage of Total	2007	Percentage of Total	Growth 1997-2007
Total Non Farm	2,913,200	100%	3,020,800	100%	3.7%
Professional & Business Services	228,200	8%	290,100	10%	27.1%
Education & Health Services	322,400	12%	408,600	13%	26.7%
Leisure and Hospitality	246,800	8%	278,600	9%	12.9%
Government	403,600	14%	445,900	15%	10.5%
Other Services	105,900	4%	111,900	4%	5.7%
Construction	141,000	5%	148,300	5%	5.2%
Trade, Transportation & Utilities	611,500	21%	604,100	20%	-1.2%
Financial Activities	146,100	5%	138,400	5%	-5.2%
Information	43,700	1%	41,000	1%	-6.2%
Natural Resources & Mining	7,600	0%	7,000	0%	-7.9%
Manufacturing	655,900	23%	546,900	18%	-16.6%
Services Providing	2,108,700	72%	2,318,600	77%	10.0%
Goods Producing	804,500	28%	702,200	23%	-12.7%

Source: U.S. Bureau of Labor Statistics, Current Employment Survey, March 2008

Table 16
Unemployment Rate
(Annual Averages of Monthly Data)

Year	Indiana	U.S.	Indiana as Percentage of U.S.
1997	3.3	4.9	71.4%
1998	2.9	4.5	68.9%
1999	2.9	4.2	71.4%
2000	2.9	4.0	80.0%
2001	4.2	4.7	93.6%
2002	5.2	5.8	87.9%
2003	5.3	6.0	85.0%
2004	5.3	5.5	96.4%
2005	5.4	5.1	105.9%
2006	4.9	4.6	106.5%
2007	4.5	4.6	97.8%

Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, April 2008

Income

In 2007, Indiana's preliminary per capita personal income reached $33,616, increasing 4.1% from 2006. During the past ten years, Indiana's personal income grew at an average annual rate of 3.8%. Indiana's personal income has grown more rapidly than the nation's in the early years of a recovery and more slowly during the later stages.

Table 17
Growth in Per Capita Personal Income
(Current Dollars)

Year	Indiana	U.S.	Indiana	U.S.
1997	23,306	25,334	4.2%	4.8%
1998	24,894	26,883	6.8%	6.1%
1999	25,615	27,939	2.9%	3.9%
2000	27,133	29,845	5.9%	6.8%
2001	27,407	30,574	1.0%	2.4%
2002	28,040	30,821	2.3%	0.8%
2003	28,891	31,504	3.0%	2.2%
2004	29,943	33,123	3.6%	5.1%
2005	30,900	34,757	3.2%	4.9%
2006	32,288	36,714	4.5%	5.6%
2007(p)	33,616	38,611	4.1%	5.2%
Average Annual Growth Rate (1997-2007):			3.8%	4.4%
Total Growth Rate (1997-2007):			41.5%	47.9%

Source: U.S. Department of Commerce, Bureau of Economic Analysis, March 2008

Gross Domestic Product by State

With an estimated 2007 Gross Domestic Product by State of approximately $246.4 billion, Indiana's economy ranks eighteenth largest in the country in terms of the value of goods and services produced. Since 2002, Indiana's Gross Domestic Product by State has grown at an average annual rate of 4.0% (current dollars).

Table 18
Indiana Gross Domestic Product by Sector; 1998 to 2007
(Millions of Current Dollars)

NAICS Industry Sectors	1998	Percentage of Total	2007	Percentage of Total	Percentage Growth 1998-2007
Arts, entertainment, and recreation	$ 2,020	1.13%	$ 3,537	1.44%	75.10%
Educational services	1,075	0.60%	2,018	0.82%	87.72%
Administrative and waste services	4,065	2.27%	6,735	2.73%	65.68%
Health care and social assistance	10,965	6.13%	18,839	7.64%	71.81%
Professional and technical services	6,306	3.52%	10,321	4.19%	63.67%
Transportation and warehousing	6,153	3.44%	9,456	3.84%	53.68%
Finance and insurance	10,619	5.94%	13,192	5.35%	24.23%
Other services, except government	4,197	2.35%	6,042	2.45%	43.96%
Government	17,111	9.56%	24,343	9.88%	42.27%
Accommodation and food services	3,891	2.17%	5,639	2.29%	44.92%
Real estate, rental, and leasing	16,575	9.26%	23,999	9.74%	44.79%
Mining	700	0.39%	1,083	0.44%	54.71%
Manufacturing	52,979	29.61%	62,697	25.44%	18.34%
Wholesale trade	9,571	5.53%	14,029	5.66%	46.58%
Information	4,090	2.29%	6,018	2.44%	47.14%
Construction	8,506	4.75%	9,790	3.97%	15.09%
Retail trade	11,837	6.61%	15,803	6.41%	33.50%
Utilities	4,105	2.29%	6,257	2.54%	52.42%
Management of companies and enterprises	2,480	1.39%	2,919	1.18%	17.70%
Agriculture, forestry, fishing, and hunting	1,666	0.93%	3,722	1.51%	123.40%
Total Gross Domestic Product by State	$178,909	100.00%	$246,439	100.00%	37.75%

Note: Individual sectors may not sum to totals due to rounding. NAICS Industry detail is based on the 1997 North American Industry Classification System (NAICS).
Source: U.S. Department of Commerce, Bureau of Economic Analysis, June 2008

Exports

Since 2002, Indiana businesses have significantly increased exported output. The value of exports in calendar year 2003 jumped to $16,402 million, a 9.91% increase over 2002, in 2004 the total value increased to $19,109 million, a 16.50% growth rate, in 2005 the total value increased to $21,476 million, a 12.39% increase, in 2006 increased to $22,620 million, a 5.33% increase and in 2007 improved to $25,877 million, a 14.4% increase. Since 1998, Indiana's exports have grown at an average annual rate of 8.20% as compared to 5.67% for the United States as a whole.

Table 19
Exports
(Millions)

	Exports		Annual Percentage Change		Indiana as a Percentage of
Year	Indiana	U.S.	Indiana	U.S.	U.S. Exports
1998	12,318	680,474	2.40%	-1.04%	1.81%
1999	12,910	692,821	4.81%	1.81%	1.86%
2000	15,386	780,419	19.18%	12.64%	1.97%
2001	14,365	731,026	-6.64%	-6.33%	1.97%
2002	14,923	693,257	3.88%	-5.17%	2.15%
2003	16,402	723,743	9.91%	4.40%	2.27%
2004	19,109	817,936	16.50%	13.01%	2.34%
2005	21,476	904,380	12.39%	10.57%	2.37%

2006	22,620	1,037,143	5.33%	14.68%	2.18%
2007	25,878	1,162,708	14.40%	12.11%	2.23%
Average Annual Growth Rate (1998-2007):			8.20%	5.67%	
Total Growth (1998-2007):			82.16%	56.68%	

Source: Office of Trade and Industry Information (OTII), Manufacturing and Services, International Trade Administration, U.S. Department of Commerce, June 2008

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

Top Export Industries		Export Destinations	
Industry	2007 Exports	Country	2007 Exports
Transportation Equipment Mfg	$ 7,757.4	Canada	$ 10,727
Chemical Manufacturing	4,868.7	Mexico	2,606
Machinery Manufacturing	3,914.7	United Kingdom	1,900
Computer & Electronic Products	1,778.1	France	1,501
Primary Metal Manufacturing	1,579.5	Germany	1,100
Misc. Manufacturing	1,250.1	China	758
Elect Equip, Appl. & Component	1,081.3	Japan	737
Fabricated Metal Products	693.1	Brazil	512
Rubber & Plastics Products	689.3	Australia	470
Food Manufacturing	380.3	Netherlands	462
Other	1,885.3	Other	5,104
Total	$25,877.8		$25,878

Source: Office of Trade and Industry Information (OTII), Manufacturing and Services, International Trade Administration, U.S. Department of Commerce, June 2008 and Foreign Trade Division. U.S. Census Bureau, June 2008

LITIGATION

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

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

Contract Litigation

In June 2000, in *Linet Alexander Chanell, et al v. Marion County Sheriff and Commissioner of Indiana Department of Administration*, plaintiffs filed a class action lawsuit, that alleged the Sheriff and the Department of Administration entered into illegal telecommunication contracts that allowed the Sheriff and the Department of Administration to collect commissions from the collect call telephone service which is provided to inmates, and that the Sheriff and the Department of Administration caused the telecommunication providers to charge unreasonable telephone rates. Plaintiffs' allegations against the Department of Administration specifically claim that the Department of Administration breached its common law duty of reasonableness, levied unauthorized taxes, was unjustly enriched and violated Indiana's antitrust statute. The Department of Administration's motion for summary judgment was filed in March 2006. The plaintiffs filed a response to the motion for summary judgment, and also a cross motion for summary judgment, which raised new factual issues. The Department of Administration and the Sheriff are in the process of taking depositions in order to prepare a reply to the plaintiffs' response and to respond to the cross motion for summary judgment. Deadlines in the summary judgment process, as well as the summary judgment hearing date, have all been extended due to these developments. Summary judgment briefs are complete. Defendants filed a motion to strike concerning some of the statements of fact in plaintiffs' summary judgment brief. Plaintiffs responded and defendants' filed a reply brief and are awaiting the court's ruling. If plaintiffs are successful, the damages could be in excess of $12.0 million. Summary judgment was found in favor of defendants. The plaintiffs appealed. All parties have briefed the matter before the Appellate Court. On July 29, 2008, the Court of Appeals upheld the Trial Court's grant of summary judgment in favor of defendants. On September 22, 2008, the Court of Appeals denied plaintiff's petition for rehearing. Plaintiff filed a petition to transfer on October 22, 2008. The defendant's opposition to the petition for transfer was filed on November 10, 2008. No decision has been received yet as to whether the transfer will be granted.

Employment Litigation

In July 1993, in *Paula Brattain, et al vs. Richmond State Hospital,* plaintiffs filed a breach of employment contract lawsuit in a state trial court alleging that the State has failed to pay certain similarly classified State employees at an equal rate of pay from September 19, 1973, to September 19, 1993. The court certified plaintiffs' class, and class notification is complete. The bench trial had been set for August 19, 2008. Plaintiffs seek to recover damages as well as attorneys' fees and costs. Mediation was unsuccessful. A claims-made basis class action settlement was preliminarily approved on August 18, 2008 with an $8.5 million settlement cap (inclusive of fees and costs). If the State's total liability for claims, attorneys' fees and expenses exceeds $8.5 million, the State may exercise its option to terminate the Settlement Agreement and proceed to trial. The Court approved the settlement on October 30, 2008, subject to the State's option to terminate the settlement agreement. On November 10, 2008, the State filed a notice regarding settlement agreement in which they gave notice that the conditions for terminating the settlement agreement have been met in that the State's total liability for claims, fees and expenses under the settlement agreement exceeds $8.5 million and the State elects to exercise its option to terminate the settlement pursuant to the settlement agreement. On November 10, 2008, claims were in excess of $36 million, with approximately 7,000 claims processed (this amount does not include an additional 6,500 claims still waiting to be processed). The court has ordered the parties to return for a second mediation session set for February 5, 2009. A four day trial has been set for March 10 through 13, 2009.

Civil Rights Litigation

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

Property Litigation

In December 2000, in *NJK Farms and George W. Pendygraft vs. Indiana Department of Environmental Management,* property owners filed an action against the State, including the Office of Environmental Adjudication, claiming that denial of a permit for certain land use was an unconstitutional taking of property and a denial of due process under the United States Constitution, as well as a violation of the Indiana Constitution. Plaintiffs are seeking in excess of $30.0 million in damages plus costs and attorney fees. Federal claims against the Office of Environmental Adjudication were dismissed by the federal court. Remaining federal claims are expected to be taken up after the state court acts. Pendygraft is attempting to negotiate a settlement that would grant him a landfill permit. The State is monitoring the permit process as a component of the settlement. The enactment of SB 43 now requires NJK Farms to submit a new application with the approval of the county executive. On June 18, 2008, the Indiana Department of Environmental Management ("IDEM") sent a letter to NJK Farms asking for the re-submission of the permit with evidence of approval by the county executive. On August 1, 2008, NJK Farms filed a motion for judgment finding total breach of the settlement agreement, alleging that the IDEM and/or the State legislature are liable for damages. At a hearing held on October 21, 2008, the court held IDEM in contempt and scheduled a damages hearing for February 10, 2009. A motion to certify for appeal was filed on December 19, 2008.

In May 2000, *Greenfield Mills v. Indiana Department of Natural Resources* was filed against the State by property owners along the Fawn River in Northeastern Indiana, alleging violations of the Clean Water Act, unconstitutional takings of property and federal civil rights violations. Plaintiffs are seeking in excess of $38.0 million in damages, costs and attorney fees. The federal trial court granted summary judgment in favor of the State, but the property owners appealed. A federal appeals court remanded the case to the trial court on one issue under the federal Clean Water Act. The parties have completed discovery on that issue and prepared briefs in support of new motions for summary judgment for consideration of the trial court. An order denying the State's motion for summary judgment and entering summary judgment in favor of the plaintiffs (on liability) was issued. The parties have to file a joint status report, following a teleconference with the court, as to how this case will proceed. Currently an independent surveyor is assessing the Fawn River. This assessment may take a year to conduct. In the interim, plaintiffs filed a motion for attorney's fees, which was denied. This matter has been reassigned to outside counsel. The plaintiffs renewed their request for attorney's fees. In a July 2008 order, the District Court ruled in favor of the plaintiffs and awarded nearly $1M interim fees and costs. The defendants filed a motion to alter or amend the order, which motion the Court denied. The plaintiffs filed a motion for order to pay judgment, which the Court granted. Payments shall be made as follows: (1) Defendants shall pay the interim award of $887,738.00 in attorney fees and $70,206.09 in costs directly to plaintiffs' counsel of record and the other parties according to their relative interest in the proceeds; (2) Defendants shall pay the first installment of $387,500.00 within 14 days from the date of the order; the second installment of $387,500.00 shall be paid on or before January 31, 2009, and the remaining amount owed shall be paid on or before April 30, 2009.

Class Action Litigation

Koehlinger, et al. v. The State Lottery Commission of Indiana d/b/a Hoosier Lottery is a class action claim for, among other allegations, negligence and violation of the Deceptive Sales Act by the Hoosier Lottery. The claimant is seeking class certification on behalf of all consumers allegedly damaged by the lottery's actions. The basis for the claim is the lottery's overstatement of remaining prizes available for Instant Ticket game #743. The overstatement was due to an unintentional error with the lottery's computer system that only affected this game for a period of nearly 14 months. The claimant is seeking a yet undetermined amount based on statutory damages

outlined in the Deceptive Consumer Sales Act and the negligence claim. The lottery has completed the first wave of discovery and a January 7, 2008 hearing on lottery's motion to dismiss was denied on February 1, 2008. The Lottery Commission filed an Answer to Plaintiffs' Class Action Complaint and Motion for Certification of Interlocutory Appeal for several of the motion to dismiss issues and a Motion for Stay of Trial Court Proceedings on March 5, 2008. The Court issued an Order certifying the class on March 13, 2008. Class certification was granted on July 3, 2008. Although a damages amount has not been discussed or requested in writing, Plaintiffs' counsel has verbally mentioned an amount between $20 million and $1 billion dollars based on the Deceptive Consumer Sales Act damages theory. The Lottery Commission sought an interlocutory appeal of the order certifying the class which was denied by the Court of Appeals on September 15, 2008. The trial court approved an amended class notice on October 2, 2008. Class notification has commenced and parties are in the process of coordinating a case management plan in anticipation of motions for summary judgment. This case has been transferred to outside counsel for representation.

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NEW ISSUE
Book-Entry-Only

RATINGS: Standard & Poor's: "AAA" (FSA Insured)
"AA" (Underlying)
(See "RATINGS" herein)

In the opinion of Barnes & Thornburg LLP, Indianapolis, Indiana ("Bond Counsel"), under existing law, interest on the Series 2008 D-1 Bonds (as hereinafter defined) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2008 D-1 Bonds. Interest on the Series 2008 D-2 Bonds (as hereinafter defined) is not excludable from gross income for federal income tax purposes. In the opinion of Bond Counsel, under existing laws, interest on the Series 2008 D Bonds (as hereinafter defined) is exempt from income taxation in the State of Indiana for all purposes except the Indiana financial institutions tax. See "TAX MATTERS" and Appendix C herein.

$6,060,000
INDIANA BOND BANK
Special Program Bonds, Series 2008 D
consisting of $4,265,000 Special Program Bonds, Series 2008 D-1
and $1,795,000 Taxable Special Program Bonds, Series 2008 D-2
(Anderson Municipal Light and Power)

Dated: Date of Delivery **Due: As shown on the inside cover**

The Special Program Bonds, Series 2008 D-1 (Anderson Municipal Light and Power) (the "Series 2008 D-1 Bonds") and the Taxable Special Program Bonds, Series 2008 D-2 (Anderson Municipal Light and Power) (the "Series 2008 D-2 Bonds") (collectively, the "Series 2008 D Bonds"), being issued by the Indiana Bond Bank (the "Bond Bank"), will bear interest from the date of delivery of the Series 2008 D Bonds to their respective maturities, in the amounts and at the rates set forth on the inside front cover. The Series 2008 D Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Series 2008 D Bonds will be made in book-entry-only form, in the denomination of $5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Series 2008 D Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interests in the Series 2008 D Bonds. Interest on the Series 2008 D Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2009. The principal of and interest on the Series 2008 D Bonds will be paid directly to DTC by U.S. Bank National Association, as trustee (the "Trustee") under the Indenture, as defined and described herein, so long as DTC or its nominee is the registered owner of the Series 2008 D Bonds. The final disbursement of such payments to the Beneficial Owners of the Series 2008 D Bonds will be the responsibility of the Direct Participants and the Indirect Participants, all as defined and more fully described herein under the caption "THE SERIES 2008 D BONDS-Book-Entry-Only System."

The Series 2008 D Bonds are issued by the Bond Bank for the principal purposes of (1) providing funds for the purchase of securities issued by the City of Anderson, Indiana (the "Series 2008 D Qualified Entity"); (2) paying the premiums for a financial guaranty insurance policy and a debt service reserve credit facility to Financial Security Assurance Inc. (the "Series 2008 D Bond Insurer"); (3) paying a portion of the interest due on the Series 2008 D Bonds on August 1, 2009; and (4) paying costs related to the issuance of the Series 2008 D Bonds, all as more fully described in this Official Statement.

The Series 2008 D Bonds are not subject to redemption prior to maturity.

The Series 2008 D Bonds are limited obligations of the Bond Bank payable solely out of the revenues and funds of the Bond Bank pledged therefor under the Indenture, as more fully described herein. The Series 2008 D 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 any Qualified Entity (as defined herein), under the constitution and laws of the State or a pledge of the faith, credit and taxing power of the State or any political subdivision thereof, including any Qualified Entity. The source of payment of, and security for, the Series 2008 D Bonds are more fully described herein. The Bond Bank has no taxing power.

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

The scheduled payment of principal of and interest on the Series 2008 D Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2008 D Bonds by Financial Security Assurance Inc. See "BOND INSURANCE" and "Appendix F".

The Series 2008 D Bonds are offered when, as and if issued by the Bond Bank and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel. Certain legal matters will be passed on for the Bond Bank by its general counsel, Graham & Hurley PC, Indianapolis, Indiana and for the Underwriters by their counsel, Bose McKinney & Evans LLP, Indianapolis, Indiana. It is expected that the Series 2008 D Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about December 22, 2008.

RAYMOND JAMES & ASSOCIATES, INC. **FIFTH THIRD SECURITIES, INC.**

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

The Date of this Official Statement is December 9, 2008

Maturity Schedule

$4,265,000
Indiana Bond Bank
Special Program Bonds, Series 2008 D-1
(Anderson Municipal Light and Power)

$4,265,000 Series 2008 D-1 Serial Bonds:

Maturity Date	Principal	Interest Rate	Yield	CUSIP
February 1, 2011	$ 875,000	4.000%	3.500%	454624WF0
February 1, 2012	2,365,000	4.000	3.750	454624WG8
February 1, 2013	1,025,000	4.000	4.000	454624WH6

$1,795,000
Indiana Bond Bank
Taxable Special Program Bonds, Series 2008 D-2
(Anderson Municipal Light and Power)

$1,795,000 Series 2008 D-2 Serial Bonds:

Maturity Date	Principal	Interest Rate	Yield	CUSIP
February 1, 2010	$1,310,000	4.500%	4.500%	454624WJ2
February 1, 2011	485,000	5.000	5.000	454624WK9

INDIANA BOND BANK

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No dealer, broker, salesperson or other person has been authorized by the Bond Bank or by the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Series 2008 D Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2008 D Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there have been no changes in the information presented herein since the date hereof.

Other than with respect to information concerning the Series 2008 D Bond Insurer contained under the captions "BOND INSURANCE" and "DEBT SERVICE RESERVE FUND CREDIT FACILITY" and in Appendix F, "SPECIMEN MUNICIPAL BOND INSURANCE POLICY," and Appendix G, "SPECIMEN DEBT SERVICE RESERVE FUND CREDIT FACILITY" herein, none of the information in this Official Statement has been supplied or verified by the Series 2008 D Bond Insurer and the Series 2008 D Bond Insurer makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2008 D Bonds; or (iii) the tax exempt status of the interest on the Series 2008 D-1 Bonds.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCE OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2008 D BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2008 D 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 STATE, THE BOND BANK, THE SERIES 2008 D QUALIFIED ENTITY, AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2008 D 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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TABLE OF CONTENTS

INTRODUCTION **1**
THE SERIES 2008 D BONDS **2**
SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 D BONDS **4**
AGREEMENT WITH THE STATE **7**
BOND INSURANCE **7**
DEBT SERVICE RESERVE FUND CREDIT FACILITY **9**
RISKS TO OWNERS OF THE SERIES 2008 D BONDS **10**
PLAN OF FINANCING **11**
APPLICATION OF PROCEEDS OF THE SERIES 2008 D BONDS **11**
THE INDIANA BOND BANK **12**
REVENUES, FUNDS AND ACCOUNTS **15**
OPERATION OF FUNDS AND ACCOUNTS **16**
LITIGATION **19**
TAX MATTERS **19**
AMORTIZABLE BOND PREMIUM **20**
ENFORCEABILITY OF REMEDIES **20**
APPROVAL OF LEGAL PROCEEDINGS **21**
RATINGS **21**
UNDERWRITING **21**
VERIFICATION OF MATHEMATICAL CALCULATIONS **21**
SERIES 2008 D BONDS AS LEGAL INVESTMENTS **21**
AVAILABILITY OF DOCUMENTS AND FINANCIAL INFORMATION **22**
CONTINUING DISCLOSURE **22**
MISCELLANEOUS **25**

APPENDIX A: FINANCIAL AND ECONOMIC STATEMENT FOR THE STATE OF INDIANA A-1
APPENDIX B: SERIES 2008 D QUALIFIED OBLIGATIONS B-1
APPENDIX C: FORM OF APPROVING BOND COUNSEL OPINION C-1
APPENDIX D: SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE D-1
APPENDIX E: DEFINITIONS E-1
APPENDIX F: SPECIMEN MUNICIPAL BOND INSURANCE POLICY F-1
APPENDIX G: SPECIMEN DEBT SERVICE RESERVE FUND CREDIT FACILITY G-1

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OFFICIAL STATEMENT

$6,060,000
Indiana Bond Bank
Special Program Bonds, Series 2008 D
consisting of $4,265,000 Special Program Bonds, Series 2008 D-1
and $1,795,000 Taxable Special Program Bonds, Series 2008 D-2
(Anderson Municipal Light and Power)

INTRODUCTION

The purpose of this Official Statement, including the cover page and appendices, is to set forth certain information concerning the issuance and sale by the Indiana Bond Bank (the "Bond Bank") of its $6,060,000 aggregate principal amount of Special Program Bonds, Series 2008 D consisting of $4,265,000 Indiana Bond Bank Special Program Bonds, Series 2008 D-1 (Anderson Municipal Light and Power) (the "Series 2008 D-1 Bonds") and $1,795,000 Indiana Bond Bank Taxable Special Program Bonds, Series 2008 D-2 (Anderson Municipal Light and Power) (the "Series 2008 D-2 Bonds") (the Series 2008 D-1 Bonds and the Series 2008 D-2 Bonds, collectively, the "Series 2008 D Bonds"), to be issued by the Bond Bank. The Series 2008 D Bonds have been authorized by Resolutions adopted by the Board of Directors of the Bond Bank on October 21, 2008 and November 13, 2008 (together, the "Resolutions") and will be issued pursuant to the provisions of a Trust Indenture, dated as of December 1, 2008, between the Bond Bank and the Trustee (as hereinafter defined) (the "Indenture"), and the laws of the State of Indiana, including particularly Indiana Code 5-1.5-1, (as amended from time to time, the "Act"). U.S. Bank National Association, is the trustee, registrar and paying agent (the "Trustee") under the Indenture.

The proceeds from the sale of the Series 2008 D Bonds will be used to provide funds to (a) acquire the Series 2008 D Qualified Obligations (as defined in Appendix E) issued by the City of Anderson, Indiana (the "Series 2008 D Qualified Entity"), (b) pay the premiums for a financial guaranty insurance policy and a debt service reserve fund credit facility from Financial Security Assurance Inc. (the "Series 2008 D Bond Insurer"), (c) pay a portion of the interest due on the Series 2008 D Bonds on August 1, 2009, and (d) pay all of the Costs of Issuance (as defined in Appendix E) of the Series 2008 D Bonds, including the underwriters' discount.

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

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

The financial information and economic statement for the State of Indiana set forth in Appendix A is current as of the date of this Official Statement. On or about December 11, 2008, the forecast of State revenue for Fiscal Years 2009 and 2010 is expected to be released (the "Revenue Forecast"). Certain financial and other information set forth in Appendix A may be updated based upon the Revenue Forecast. Such an update, if any, will be included in a supplement to this Official Statement on or about December 19, 2008.

Information contained in this Official Statement with respect to the Bond Bank and the Series 2008 D Qualified Entity and copies of the Indenture and the Authorizing Instrument (as hereinafter defined) may be obtained from the Indiana Bond Bank, 2980 Market Tower, 10 West Market Street, Indianapolis, Indiana 46204. The Bond Bank's telephone number is (317) 233-0888.

THE SERIES 2008 D BONDS

General Description

The Series 2008 D Bonds are issuable as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Series 2008 D Bonds will be dated the date of delivery thereof and will also carry the date of authentication thereof.

Interest on the Series 2008 D Bonds will be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2009 (each an "Interest Payment Date"). The Series 2008 D Bonds will bear interest (calculated on the basis of a 30-day month and a 360-day year) at the rates and will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. If a Series 2008 D Bond is authenticated on or prior to July 15, 2009, it shall bear interest from the date of delivery of the Series 2008 D Bonds. Each Series 2008 D Bond authenticated after July 15, 2009, shall bear interest from the most recent Interest Payment Date to which interest has been paid on the date of authentication of such Series 2008 D Bond unless such Series 2008 D Bond is authenticated after a Record Date and on or before the next succeeding Interest Payment Date, in which event the Series 2008 D Bond will bear interest from such next succeeding Interest Payment Date.

When issued, all Series 2008 D Bonds will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests from DTC in the Series 2008 D Bonds will be made in book-entry-only form (without certificates) in the denomination of $5,000 or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Series 2008 D Bonds, payments of the principal of and interest on the Series 2008 D Bonds will be made directly by the Trustee by wire transfer of funds to Cede & Co., as nominee for DTC. Disbursement of such payments to the participants of DTC (the "DTC Participants") will be the sole responsibility of DTC, and the ultimate disbursement of such payments to the Beneficial Owners, as defined herein, of the Series 2008 D Bonds will be the responsibility of the Direct Participants and the Indirect Participants, as defined herein. See the heading "Book-Entry-Only System" under this caption.

If DTC or its nominee is not the registered owner of the Series 2008 D Bonds, the principal of the Series 2008 D Bonds will be payable at maturity upon the surrender thereof at the principal corporate trust office of the Trustee. Interest on the Series 2008 D Bonds, when due and payable, will be paid by check dated the due date mailed by the Trustee one business day prior to the due date (or, in the case of an owner of Series 2008 D Bonds in an aggregate principal amount of at least $1,000,000, by wire transfer on such due date, upon written direction of such registered owner to the Trustee not less than five business days before the Record Date immediately prior to such Interest Payment Date, which direction shall remain in effect until revoked in writing by such owner) to the persons in whose names such Series 2008 D Bonds are registered, at their addresses as they appear on the bond registration books maintained by the Trustee on the Record Date, irrespective of any transfer or exchange of such Series 2008 D Bonds subsequent to such Record Date and prior to such Interest Payment Date unless the Bond Bank shall default in payment of interest due on such Interest Payment Date.

Except as provided under "Book-Entry-Only System," in all cases in which the privilege of exchanging or transferring Series 2008 D Bonds is exercised, the Bond Bank will execute and the Trustee will deliver Series 2008 D Bonds in accordance with the provisions of the Indenture. The Series 2008 D Bonds will be exchanged or transferred at the principal corporate trust office of the Trustee only for Series 2008 D Bonds of the same tenor and maturity. In connection with any transfer or exchange of Series 2008 D Bonds, the Bond Bank or the Trustee may impose a charge for any applicable tax, fee or other governmental charge incurred in connection with such transfer or exchange, which sums are payable by the person requesting such transfer or exchange.

The person in whose name a Series 2008 D Bond is registered will be deemed and regarded as its absolute owner for all purposes and payment of principal thereof and interest thereon will be made only to or upon the order of the registered owner or its legal representative, but such registration may be changed as provided above. All such payments shall be valid to satisfy and discharge the liability upon such Series 2008 D Bond to the extent of the sum or sums so paid.

Redemption

The Series 2008 D Bonds are not subject to redemption prior to maturity.

Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2008 D Bonds. The Series 2008 D Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2008 D Bond will be issued for each maturity of the Series 2008 D Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of the Series 2008 D Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008 D Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2008 D Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2008 D Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2008 D Bonds, except in the event that use of the book-entry system for the Series 2008 D Bonds is discontinued.

To facilitate subsequent transfers, all Series 2008 D Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2008 D Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2008 D Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008 D Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of Series 2008 D Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2008 D Bonds, such as redemptions, defaults, and proposed amendments to the Series 2008 D Bond documents. For example, Beneficial Owners of Series 2008 D Bonds may wish to ascertain that the nominee holding the Series 2008 D Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2008 D Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Bond Bank as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2008 D Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

The principal and interest payments on the Series 2008 D Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Bond Bank or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Bond Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. The payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Bank or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2008 D Bonds at any time by giving reasonable notice to the Bond Bank or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2008 D Bond certificates are required to be printed and delivered.

The Bond Bank may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2008 D Bond certificates will be printed and delivered.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE BOND BANK BELIEVES TO BE RELIABLE, BUT THE BOND BANK TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

In the event that either (i) the Bond Bank receives notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities as a clearing agency for the Series 2008 D Bonds or (ii) the Bond Bank elects to discontinue its use of DTC as a clearing agency for the Series 2008 D Bonds, then the Bond Bank and the Trustee will do or perform or cause to be done or performed all acts or things, not adverse to the rights of the holders of the Series 2008 D Bonds, as are necessary or appropriate to discontinue use of DTC as a clearing agency for the Series 2008 D Bonds and to transfer the ownership of each of the Series 2008 D Bonds to such person or persons, including any other clearing agency, as the holder of such Series 2008 D Bonds may direct in accordance with the Indenture. Any expenses of such a discontinuation and transfer, including any expenses of printing new certificates to evidence the Series 2008 D Bonds, will be paid by the Bond Bank.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 D BONDS

The Series 2008 D Bonds will be issued under and secured by the Indenture. The principal of and interest on any and all of the Series 2008 D Bonds, together with any Refunding Bonds that may be authorized and issued by the Bond Bank under the Indenture on a parity with the Series 2008 D Bonds (collectively, the "Bonds"), are payable from those revenues and funds of the Bond Bank which, together with the Series 2008 D Qualified Obligations and all other qualified obligations pledged under the Indenture (collectively, the "Qualified

Obligations"), are pledged pursuant to the Indenture for the benefit of the owners of the Bonds equally, ratably and without priority.

Neither the faith, credit nor taxing power of the State of Indiana (the "State") or any political subdivision thereof including any Qualified Entity (as defined in Appendix E), is pledged to the payment of the principal of, redemption premium, if any, and interest on any of the Bonds. The Bonds are not a debt, liability, loan of the credit or pledge of the faith and credit of the State or of any political subdivision thereof, including any Qualified Entity. The Bond Bank has no taxing power and has only those powers and sources of revenue set forth in the Act. The Bonds are issued and secured separately from any other obligations issued by the Bond Bank. The sources of payment of and security for the Bonds are more fully described below.

Under the Indenture, the Bonds are secured by a pledge to the Trustee of the Qualified Obligations and all principal and interest payments made or required to be made on the Qualified Obligations (the "Qualified Obligation Payments"), as described therein. In addition, the Indenture pledges to the payment of the Bonds all proceeds of the Trust Estate, including without limitation all cash and securities held in the Funds and Accounts created by the Indenture, except for the Rebate Fund and the accounts thereunder, together with investment earnings thereon and proceeds thereof (except to the extent transferred to the Rebate Fund from such Funds and Accounts under the Indenture), and all other funds, accounts and moneys to be pledged by the Bond Bank to the Trustee as security under the Indenture, to the extent of any such pledge. Under the Act and Indiana Code 5-1-14-4, such pledge is valid and binding from and after the date of delivery of the Series 2008 D Bonds under the Indenture and such Qualified Obligations and the Qualified Obligation Payments thereon shall be immediately subject to the lien of such pledge without any physical delivery of the payments or further act, and the lien of such pledge is valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Bond Bank, irrespective of whether such parties have notice thereof. The Qualified Obligation Payments with respect to the Series 2008 D Qualified Obligations have been structured as of the date of issuance of the Series 2008 D Bonds to be sufficient along with earnings thereon, and other money in the Funds and Accounts under the Indenture and the earnings thereon, to pay the principal of and interest on the Series 2008 D Bonds when due.

The Series 2008 D Qualified Obligations

From the proceeds of the Series 2008 D Bonds, the Series 2008 D Qualified Obligations will be purchased by the Bond Bank and delivered to the Trustee, pursuant to the Purchase Agreement between the Bond Bank and the Series 2008 D Qualified Entity (a "Purchase Agreement"). The Series 2008 D Qualified Obligations consist of $4,190,000 in aggregate principal amount of City of Anderson, Indiana Electric Utility Refunding Revenue Bonds of 2008, Series B (the "Tax-Exempt Series 2008 D Qualified Obligations") and $1,705,000 in aggregate principal amount of City of Anderson, Indiana Taxable Electric Utility Revenue Bonds of 2008, Series A (the "Taxable Series 2008 D Qualified Obligations"). The issuance of the Series 2008 D Qualified Obligations has been authorized by an ordinance adopted by the Common Council of the Series 2008 D Qualified Entity on June 12, 2008 (the "Authorizing Instrument").

Provisions for Payment of the Qualified Obligations

The payment of principal of and interest on the Series 2008 D Qualified Obligations is derived from the Net Revenues (as hereinafter defined) of the Series 2008 D Qualified Entity's electric utility (the "Electric Utility") which have been pledged to the payment of the Series 2008 D Qualified Obligations pursuant to the Authorizing Instrument. The source of payment on the Series 2008 D Qualified Obligations is further described below.

The principal sources of payment of the Series 2008 D Qualified Obligations will be the Series 2008 D Qualified Entity's Electric Utility Sinking Fund established by the Authorizing Instrument (the "Sinking Fund") to be funded from Net Revenues (defined in the Authorizing Instrument as the gross revenues remaining after the payment of the reasonable expenses of operation, repair and maintenance) of the Electric Utility. The Sinking Fund includes a debt service account, to be funded on a monthly basis from Net Revenues, to assure the timely payment of debt service on the Series 2008 D Qualified Obligations, and a reserve account, to be funded from Net Revenues over a period not to exceed five years from the date of issuance of the Series 2008 D Qualified Obligations, to provide a reserve for the payment of debt service on the Series 2008 D Qualified Obligations.

The Net Revenues of the Electric Utility are derived from the rates and charges of said Electric Utility which, pursuant to Indiana Code 8-1.5-3, must be at a level sufficient to provide, among other things, a sinking fund for the liquidation of bonds or other evidence of indebtedness of the Electric Utility, including the Series 2008 D Qualified Obligations. Also, under Indiana Code 8-1.5-3, rates and charges which are too low to meet the cash operating requirements of the Electric Utility, including the payment of debt service, are unlawful. The Electric Utility is subject to the jurisdiction of the Indiana Utility Regulatory Commission (the "IURC"), and the Series 2008 D Qualified Entity has obtained the approval of the IURC for the issuance of the Series 2008 Qualified Obligations and for the current rates and charges of the Electric Utility.

See Appendix B for additional information concerning the source of payment of the Series 2008 D Qualified Obligations.

Enforcement of the Series 2008 D Qualified Obligations

As owner of the Series 2008 D Qualified Obligations, the Bond Bank has available to it all remedies available to owners or holders of securities issued by the Series 2008 D Qualified Entity. The Act provides that, upon the sale and delivery of the Series 2008 D Qualified Obligations to the Bond Bank, the Series 2008 D Qualified Entity is deemed to have agreed that all statutory defenses to nonpayment are waived if such Series 2008 D Qualified Entity fails to pay principal of, or interest on, such Series 2008 D Qualified Obligations when due.

The Bond Bank will be constituted a holder or owner of securities that are in default. The Bond Bank is obligated under the Indenture to avail itself of all remedies and provisions of law applicable in the circumstances, and the failure to exercise any right or remedy within a time or period provided by law may not, according to the Act, be raised as a defense by the defaulting Series 2008 D Qualified Entity.

Further, the Series 2008 D Qualified Entity, whose Tax-Exempt Series 2008 D Qualified Obligations are subject to the Code, has agreed under the Purchase Agreement to report to the Bond Bank on its compliance with certain covenants which the Series 2008 D Qualified Entity has made regarding various actions and conditions necessary to preserve the tax exempt status of interest paid on the Tax-Exempt Series 2008 D Qualified Obligations. See "TAX MATTERS." The Bond Bank has also determined to consult with the Series 2008 D Qualified Entity, as necessary from time to time, with regard to the action needed to be taken by the Series 2008 D Qualified Entity to preserve the exclusion of the interest on the Series 2008 D-1 Bonds from the gross income of the holders of the Series 2008 D-1 Bonds.

The Bond Bank will monitor the compliance by, and consult regularly with, the Series 2008 D Qualified Entity with respect to its requirements under the Series 2008 D Qualified Obligations, including the making of Qualified Obligation Payments to the Bond Bank.

Additional Bonds

Additional bonds of the Bond Bank may be issued on a parity with the Series 2008 D Bonds pursuant to the Indenture only for the purpose of refunding (in whole or in part) Bonds issued by the Bond Bank pursuant to the Indenture.

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:

(i) Moneys available to the Bond Bank required to be deposited in the Debt Service Reserve Fund by the terms of the Indenture (or any future Bond proceeds or other money required by a Supplemental Indenture or resolution of the Bond Bank);

(ii) All money required to be transferred to the Debt Service Reserve Fund for the replenishment thereof from another Fund or Account under the Indenture;

(iii) All money appropriated by the State for replenishment of the Debt Service Reserve Fund; and

(iv) Any other available money, funds or a Credit Facility that the Bond Bank may decide to deposit in the Debt Service Reserve Fund.

Under the Indenture, the Debt Service Reserve Fund is required to contain an amount equal to the Reserve Requirement (as defined in Appendix E). The Bond Bank will satisfy the Reserve Requirement with respect to the Series 2008 D Bonds by depositing a Debt Service Reserve Fund Credit Facility in the Debt Service Reserve Fund. See "DEBT SERVICE RESERVE FUND CREDIT FACILITY."

State Appropriations Mechanism

The Act authorizes, subject to the prior review of the State Budget Committee and the approval of the State Budget Director (which review and approval have been deemed conducted and received, respectively, with respect to the Series 2008 D Bonds), the Indenture to provide that the State General Assembly may annually appropriate to the Bond Bank for deposit in the Debt Service Reserve Fund any sum, required by the Act to be certified by the Chairman of the Board of Directors of the Bond Bank to the State General Assembly prior to December 1 of any year, as may be necessary to restore the Debt Service Reserve Fund to the amount then required to be on deposit in the Debt Service Reserve Fund to the Reserve Requirement. The Indenture requires such certification to be made by the Chairman to the State General Assembly on or before August 1 of any fiscal year of the Bond Bank ("Fiscal Year") in which the amount in the Debt Service Reserve Fund is projected to be less than the Reserve Requirement. However, nothing in these provisions or any other provision of the Act creates a debt or liability of the State to make any payments or appropriations to or for the use of the Bond Bank. There can be no representation or assurance (i) that a certificate from the Chairman of the Board of Directors of the Bond Bank, stating the amount of a deficiency in the Debt Service Reserve Fund, would be taken up for any or for early consideration by the State General Assembly, or (ii) that upon consideration of any such certificate, the State General Assembly would determine to appropriate funds to reduce or eliminate such deficiency, or (iii) that in the event the State General Assembly determined to make such an appropriation, the amounts thus appropriated would be forthcoming as of any particular date. The Bond Bank has previously issued and has outstanding as of December 1, 2008 an aggregate principal amount of approximately $439,795,000 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.

AGREEMENT WITH THE STATE

Under the Act, the State has pledged to and agreed with the owners of the bonds or notes of the Bond Bank, including the Series 2008 D Bonds, not to limit or restrict the rights vested in the Bond Bank by the Act to fulfill the terms of any agreements made with the owners of such bonds or notes or in any way impair the rights or remedies of such owners until the bonds and notes, together with interest thereon, and interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such owners are fully met, paid and discharged.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series 2008 D Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the Series 2008 D Bonds (the "Policy"). The Policy

guarantees the scheduled payment of principal of and interest on the Series 2008 D Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

Financial Security Assurance Inc.

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

For a description of recent events relating to a potential change in ownership of Holdings, please refer to the caption below entitled "Recent Events Regarding Financial Security's Ratings and Ownership of Holdings".

At September 30, 2008, Financial Security's consolidated policyholders' surplus and contingency reserves were approximately $2,635,095,361 and its total net unearned premium reserve was approximately $2,657,570,765 in accordance with statutory accounting principles. At September 30, 2008, Financial Security's consolidated shareholder's equity was approximately $2,715,608,321 and its total net unearned premium reserve was approximately $2,117,731,661 in accordance with accounting principles generally accepted in the United States of America.

Portions of the following documents filed by Holdings with the Securities and Exchange Commission ("SEC") that relate to Financial Security are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) Annual Report of Holdings on Form 10-K for the year ended December 31, 2007,
(ii) Quarterly Report of Holdings on Form 10-Q for the quarter ended March 31, 2008,
(iii) Quarterly Report of Holdings on Form 10-Q for the quarter ended June 30, 2008,
(iv) Current Report of Holdings on Form 8-K filed on November 14, 2008, and
(v) Quarterly Report of Holdings on Form 10-Q for the quarter ended September 30, 2008.

All information relating to Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the filing of the last document referred to above and before the termination of the offering of the Series 2008 D Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov or at Holding's website at http://www.fsa.com or will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding Financial Security included herein under the captions "BOND INSURANCE – Financial Security Assurance Inc." and " – Recent Events Regarding Financial Security's Ratings and Ownership of Holdings" or included in a document incorporated by reference herein (collectively, the "Financial Security Information") shall be modified or superseded to the extent that any subsequently included Financial Security Information (either directly or through incorporation by reference) modifies or supersedes such previously included Financial Security Information. Any Financial Security Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

The Policy does not protect investors against changes in market value of the Series 2008 D Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Series 2008 D Bonds or the advisability of

investing in the Series 2008 D Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Bond Bank the information presented under this caption for inclusion in the Official Statement.

Recent Events Regarding Financial Security's Ratings and Ownership of Holdings

On November 21, 2008, Moody's Investors Service, Inc. downgraded to "Aa3" (with developing outlook) from "Aaa" the insurance financial strength rating of Financial Security.

On October 8, 2008, Standard & Poor's Ratings Services placed Financial Security's "AAA" financial strength rating on Credit Watch with negative implications.

On October 9, 2008, Fitch Ratings placed Financial Security's "AAA" insurer financial strength rating on Rating Watch Negative.

These ratings reflect only the views of the respective rating agencies, are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by those rating agencies. See "RATINGS."

On November 14, 2008, Holdings announced that, subject to relevant regulatory and other approvals, its parent Dexia and Assured Guaranty Ltd. ("Assured Guaranty") have entered into an agreement for Assured Guaranty to acquire all of Dexia's shares of Holdings.

DEBT SERVICE RESERVE FUND CREDIT FACILITY

The Indenture requires the establishment of a Debt Service Reserve Fund in an amount equal to the maximum annual principal and interest requirements on the Series 2008 D Bonds. At the time of issuance of the Series 2008 D Bonds, the Reserve Requirement means an amount equal to $2,500,600.00, and thereafter, if less than such amount, shall be the maximum annual principal and interest requirements on the Outstanding Bonds in the then current or any succeeding Fiscal Year. The Indenture authorizes the Bond Bank to obtain a Debt Service Reserve Fund Credit Facility in place of fully funding the Debt Service Reserve Fund. Accordingly, a commitment has been made by the Series 2008 D Bond Insurer for the issuance of a Debt Service Reserve Fund Credit Facility (the "FSA Credit Facility") for the purpose of funding the Debt Service Reserve Fund (see "OPERATION OF FUNDS AND ACCOUNTS" herein). The Series 2008 D Bonds will only be delivered upon the issuance of the FSA Credit Facility. The premium on the FSA Credit Facility is to be fully paid at or prior to the issuance and delivery of the Series 2008 D Bonds. The FSA Credit Facility provides that upon the later of (i) one day after receipt by the Series 2008 D Bond Insurer of a demand for payment executed by the Trustee certifying that provision for the payment of principal of or interest on the Series 2008 D Bonds when due has not been made or (ii) the principal or interest payment date specified in the notice of nonpayment submitted to the Series 2008 D Bond Insurer, the Series 2008 D Bond Insurer will promptly deposit funds with the Trustee sufficient to enable the Trustee to make such payments due on the Series 2008 D Bonds, but in no event exceeding the FSA Credit Facility coverage, as defined in the FSA Credit Facility.

Pursuant to the terms of the FSA Credit Facility, the FSA Credit Facility coverage is automatically reduced to the extent of each payment made by the Series 2008 D Bond Insurer under the terms of the FSA Credit Facility and the Bond Bank is required to reimburse the Series 2008 D Bond Insurer for any draws under the FSA Credit Facility with interest at the rate set forth in the Indenture. Upon such reimbursement, the FSA Credit Facility is reinstated to the extent of each principal reimbursement up to but not exceeding the FSA Credit Facility coverage. The reimbursement obligation for the Bond Bank is subordinate to the Bond Bank's obligations with respect to the Series 2008 D Bonds.

In the event the amount on deposit, or credited to the Debt Service Reserve Fund, exceeds the amount of the FSA Credit Facility, any draw on the FSA Credit Facility will be made only after all the funds in the Debt Service Reserve Fund have been expended. In the event that the amount on deposit in or credited to the Debt Service Reserve Fund, in addition to the amount available under the FSA Credit Facility, includes amounts available under a letter of credit, insurance policy, surety bond or other such funding instrument (the "Additional Funding

Instrument"), draws on the FSA Credit Facility and the Additional Funding Instrument will be made on a pro rata basis to fund the insufficiency.

RISKS TO OWNERS OF THE SERIES 2008 D BONDS

Purchasers of the Series 2008 D Bonds are advised of certain risk factors with respect to the payment of the Series 2008 D Bonds. This discussion is not intended to be all-inclusive, and other risks may also be present.

Sources of Payments for the Series 2008 D Bonds

The ability of the Bond Bank to pay principal of, and interest on, the Series 2008 D Bonds depends primarily upon the receipt by the Bond Bank of payments pursuant to the Series 2008 D Qualified Obligations, including interest at the rates provided therein, together with earnings on the amounts in the Funds and Accounts sufficient to make such payments. Except for the Debt Service Reserve Fund, there is no source of funds which is required to make up for any deficiencies in the event of one or more defaults by the Series 2008 D Qualified Entity in such payments on the Series 2008 D Qualified Obligations. There can be no representation or assurance that the Series 2008 D Qualified Entity will have sufficient revenues available to make its required payments on the Series 2008 D Qualified Obligations. The receipt of such revenues by the Series 2008 D Qualified Entity is subject to, among other things, future economic conditions, actions by creditors, and other conditions which are variable and not certain of prediction. For a description of procedures for providing for the payment of the Series 2008 D Qualified Obligations, see the captions "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 D BONDS - Provisions for Payment of the Qualified Obligations."

The State General Assembly may determine to appropriate funds to the extent of any deficiency in the Debt Service Reserve Fund. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 D 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 29, 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 Series 2008 D Bonds be deemed to be a debt or obligation of the State. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 D BONDS - State Appropriations Mechanism."

Tax Exemption

The Bond Bank has covenanted under the Indenture to take all actions and not to fail to take any actions required to assure the continuing exclusion of interest on the Series 2008 D-1 Bonds from gross income for federal income tax purposes. Failure by the Bond Bank to comply with such covenants could cause the interest on the Series 2008 D-1 Bonds to be taxable retroactive to the date of issuance. Also, in connection with the original purchase of the Series 2008 D Qualified Obligations, the Bond Bank will receive an opinion of Baker & Daniels LLP, bond counsel to the Series 2008 D Qualified Entity, to the effect that conditioned upon continuing compliance by the Series 2008 D Qualified Entity with certain covenants made in connection with the issuance of the Tax-Exempt Series 2008 D Qualified Obligations, the interest on the Tax-Exempt Series 2008 D Qualified Obligations is excluded 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 Tax-Exempt Series 2008 D Qualified Obligations could become taxable in the event that the Series 2008 D Qualified Entity fails to comply with certain of such covenants, including without limitation the covenant to rebate or cause to be rebated, if necessary, to the United States government all arbitrage earnings with respect to its Tax-Exempt Series 2008 D 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 Tax-Exempt Series 2008 D Qualified Obligations from being deemed to be "private activity bonds" under the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2008 D-1 Bonds and any applicable regulations promulgated thereunder (the "Code"). Such an event could in turn adversely

affect the exempt status of the interest on all of the Series 2008 D-1 Bonds retroactive to the date of issuance. See the caption "TAX MATTERS." The Bond Bank is not aware of any circumstances that would cause the interest on the Tax-Exempt Series 2008 D Qualified Obligations to be includable in gross income for purposes of federal income tax under the Code, but has not undertaken any investigation in connection with this Official Statement.

Limited Remedies

The remedies available to the Trustee, to the Bond Bank or to the owners of the Series 2008 D Bonds upon the occurrence of an Event of Default under the Indenture or under the terms of the Series 2008 D Qualified Obligations are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the "United States Bankruptcy Code"), the remedies provided in the Indenture and the Series 2008 D Qualified Obligations may not be readily available or may be limited.

Bond Insurance

The Series 2008 D Bond Insurer has issued the Series 2008 D Bond Insurance Policy (as defined in Appendix E), guaranteeing the scheduled payment of the principal of the Series 2008 D Bonds due at maturity, but not as a result of the acceleration thereof (unless consented to by the Series 2008 D Bond Insurer), and interest on the Series 2008 D Bonds due on the scheduled interest payment dates therefor. A form of the Series 2008 D Bond Insurance Policy is attached hereto as Appendix F. Certain information with respect to the Series 2008 D Bond Insurer is set forth under the caption "BOND INSURANCE" herein. Such information was provided by the Series 2008 D Bond Insurer and no representation is made as to the adequacy or the accuracy thereof.

So long as the Series 2008 D Bond Insurer performs its obligations under the Series 2008 D Bond Insurance Policy, the Series 2008 D Bonds cannot be accelerated without the prior written consent of the Series 2008 D Bond Insurer. Furthermore, so long as the Series 2008 D Bond Insurer performs its obligations under the Series 2008 D Bond Insurance Policy, the Series 2008 D Bond Insurer may direct any remedies that the Bondholders may exercise under the Indenture.

In the event that the Series 2008 D Bond Insurer is required to pay scheduled principal of or interest on the Series 2008 D Bonds, no representation or assurance is given or can be made that such event will not adversely affect the market price for or marketability of the Series 2008 D Bonds.

PLAN OF FINANCING

The Bond Bank will use a portion of the proceeds of (i) the Series 2008 D-1 Bonds to purchase the Tax-Exempt Series 2008 D Qualified Obligations and (ii) the Series 2008 D-2 Bonds to purchase the Taxable Series 2008 D Qualified Obligations, each as identified in the table in Appendix B of this Official Statement. The Series 2008 D Qualified Entity issuing the 2008 D Qualified Obligations has represented to the Bond Bank that the Series 2008 D Qualified Entity will use the proceeds received by it in the sale to the Bond Bank of (i) the Tax-Exempt Series 2008 D Qualified Obligations to refund notes previously issued by the Series 2008 D Qualified Entity's redevelopment commission and (ii) the Taxable Series 2008 D Qualified Obligations to provide working capital for the Electric Utility, all in accordance with the Authorizing Instrument.

APPLICATION OF PROCEEDS OF THE SERIES 2008 D BONDS

Set forth below is a summary of the estimated sources and uses of the proceeds of the Series 2008 D Bonds:

Sources:

Principal amount of Series 2008 D-1 Bonds	$4,265,000.00
Principal amount of Series 2008 D-2 Bonds	1,795,000.00
Net original issue premium	25,883.95
Total	$6,085,883.95

Uses:

Acquisition of Tax-Exempt Series 2008 D Qualified Obligations	$4,085,250.00
Acquisition of Taxable Series 2008 D Qualified Obligations	1,662,375.00
Costs of issuance*	200,000.00
Underwriters' Discount	39,390.00
Premium for Series 2008 D Bond Insurance Policy	25,000.00
Premium for Debt Service Reserve Fund Credit Facility	62,515.00
Capitalized Interest	11,353.95
Total	$6,085,883.95

* Includes legal fees and other issuance related costs

THE INDIANA BOND BANK

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

Under separate trust indentures and other instruments authorized under the Act, the Bond Bank has previously issued and had outstanding as of December 1, 2008, an aggregate principal amount of approximately $2,952,747,740 in separate program obligations not secured by the Indenture, approximately $439,795,000 of which obligations are secured by debt service reserve funds eligible for annual appropriation by the State General Assembly. Additionally, as of the date of this Official Statement, the Bond Bank is considering undertaking other types of financing for qualified entities for purposes authorized by and in accordance with the procedures set forth in the Act. The obligations issued by the Bond Bank in connection with any and all such financing, if any, will be secured separately from the Series 2008 D Bonds and will not constitute Bonds under the Indenture or for purposes of this Official Statement.

The Act

Pursuant to the Act, the purpose of the Bond Bank is to assist "qualified entities", defined in the Act to include, in part, political subdivisions, as defined in Indiana Code 36-1-2-13, state educational institutions, as defined in Indiana Code 20-12-0.5-1(b), leasing bodies, as defined in Indiana Code 5-1-1-1(a), any commissions, authorities or authorized bodies of any qualified entity, and any organizations, associations or trusts with members, participants or beneficiaries that are all individually qualified entities. The Bond Bank provides such assistance through programs of, among other things, purchasing the bonds, notes or evidences of indebtedness of such qualified entities. Under the Act, qualified entities include entities such as cities, towns, counties, school corporations, library corporations, special taxing districts, state educational institutions, charter schools and nonprofit corporations and associations which lease facilities or equipment to such entities. The Series 2008 D Qualified Entity is a "qualified entity" within the meaning of the Act.

Powers Under the Act

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

1. Make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the Bond Bank or pertaining to 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 for the performance of its duties and execution of its powers under the Act;

2. Purchase, acquire or hold qualified obligations or other investments for the Bond Bank's own account or for a qualified entity at such prices and in a manner as the Bond Bank considers advisable, and sell or otherwise dispose of the qualified obligations or investments at prices without relation to cost and in a manner the Bond Bank considers advisable;

3. Fix and establish terms and provisions upon which a purchase or loan will be made by the Bond Bank;

4. Prescribe the form of application or procedure required of a qualified entity for a purchase or loan and enter into agreements with qualified entities with respect to each purchase or loan;

5. Render and charge for services to a qualified entity in connection with a public or private sale of any qualified obligation, including advisory and other services;

6. Charge a qualified entity for costs and services in review or consideration of a proposed purchase, regardless of whether a qualified obligation is purchased, and fix, revise from time to time, charge and collect other Program Expenses properly attributable to qualified entities;

7. To the extent permitted by the indenture or other agreements with the owners of bonds or notes of the Bond Bank, consent to modification of the rate of interest, time and payment of installments of principal or interest, security or any other term of a bond, note, contract or agreement of any kind to which the Bond Bank is a party;

8. Appoint and employ general or special counsel, accountants, financial advisors or experts, and all such other or different officers, agents and employees as it requires;

9. In connection with the purchase of any qualified obligations, consider the need 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; (iv) bonds, notes, or other obligations if funds and investments, and the anticipated earned interest on those funds and investments, are irrevocably set aside in amounts sufficient to pay the principal, interest, and premium on the bonds, notes, or obligations at their respective maturities or on the date or dates fixed for redemption; and (v) obligations of certain types of qualified entities that have separate limits.

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

1. Lend money other than to a qualified entity;

2. Purchase a security other than a qualified obligation to which a qualified entity is a party as issuer, borrower or lessee, or make investments other than as permitted by the Act;

3. Deal in securities within the meaning of or subject to any securities law, securities exchange law or securities dealers law of the United States, the State or any other state or jurisdiction, domestic or foreign, except as authorized by the Act;

4. Emit bills of credit or accept deposits of money for time or demand deposit, administer trusts or engage in any form or manner, or in the conduct of, any private or commercial banking business or act as a savings bank, savings association or any other kind of financial institution; or

5. Engage in any form of private or commercial banking business.

Organization and Membership of the Bond Bank

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

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

Directors

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

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

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

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

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

Russell Breeden, III, Director; term expired July 1, 2003. Residence: Indianapolis, Indiana. Chairman of the Board and CEO, Community First Financial Group, Inc., 1993 to 2002. Chairman, CEO, and President, Blue River Bancshares, Inc., 2002 – present; Investment Council Member, Eiteljorg Museum.

Marni McKinney, Director, term expired July 1, 2004. Residence: Indianapolis, Indiana. Vice President, 1984 to 1999, and Chairman of the Board, 1999 to present, First Indiana Bank; President and CEO, The Somerset Group, 1995 to 2000; Vice Chairman and Chief Executive Officer, First Indiana Corporation, 1999 to present; Board of Directors, The Children's Museum and Community Hospitals of Indiana, Inc.; Investment Committee Member, The Indianapolis Foundation.

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

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

The Directors are authorized to appoint and fix the duties and compensation of an Executive Director, who serves as both secretary and treasurer of the Board of Directors. Dan Huge was appointed Executive Director of the Bond Bank on October 9, 2001. Mr. Huge previously served as the Deputy Director of The Indianapolis Local Public Improvement Bond Bank for over three years. Mr. Huge has over 20 years of corporate accounting and managerial experience. He is a Certified Public Accountant and holds a B.S. from Purdue University.

REVENUES, FUNDS AND ACCOUNTS

The Indenture creates certain Funds and Accounts identified in more detail below. Pursuant to the Indenture, the Trustee will deposit the net proceeds of the Series 2008 D Bonds, together with other moneys into these Funds and Accounts as described below. Appendix D sets forth a summary of certain provisions of the Indenture.

Creation of Funds and Accounts

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

1. General Fund - comprised of the following:
   (a) General Account
   (b) Bond Issuance Expense Account
   (c) Redemption Account

2. Debt Service Reserve Fund

3. Rebate Fund

Deposit of Net Proceeds of the Series 2008 D Bonds, Revenues and Other Receipts

On the date of delivery of the Series 2008 D Bonds, the Trustee will deposit the proceeds (net of underwriters' discount) from the sale of the Series 2008 D Bonds, together with other moneys made available by the Bond Bank, as follows:

(a) Into the Bond Issuance Expense Account of the General Fund, the amount of $200,000.00 in order to pay the Costs of Issuance (other than the underwriters' discount retained by the Underwriters and the respective premiums for the Series 2008 D Bond Insurance Policy and the Debt Service Reserve Fund Credit Facility paid by the Underwriters directly to the Series 2008 D Bond Insurer for and on behalf of the Bond Bank);

(b) Into the General Account of the General Fund, the sum of $5,747,625.00, which will be used to purchase the Series 2008 D Qualified Obligations; and

(c) Into the General Account of the General Fund, the sum of $11,353.95, which will be used to pay a portion of the interest due on the Series 2008 D Bonds on August 1, 2009.

The Trustee will deposit all Revenues and all other receipts (except the proceeds of the Series 2008 D Bonds, and moneys received by the Bond Bank from the sale or redemption prior to maturity of the Series 2008 D Qualified Obligations) into the General Account of the General Fund and will deposit any moneys received from the sale or redemption prior to maturity of the Series 2008 D Qualified Obligations into the Redemption Account of the General Fund. Thereafter, the Trustee will deposit the proceeds of any Refunding Bonds as provided under the Supplemental Indenture authorizing the issuance of such Refunding Bonds.

OPERATION OF FUNDS AND ACCOUNTS

General Fund

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

(a) On the date of initial delivery of the Series 2008 D Bonds and upon the submission of requisitions of the Bond Bank signed by an Authorized Officer, stating that all of the requirements with respect to such financing set forth in the Indenture have been or will be complied with, an amount sufficient to acquire the Series 2008 D Qualified Obligations;

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

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

(d) At such times as shall be necessary, amounts to pay the Program Expenses, but only to the extent contemplated in the most recent Cash Flow Certificate;

(e) On or before thirty (30) days after each anniversary of the issuance of the Series 2008 D Bonds, any amount necessary to comply with any Rebate Fund requirements; and

(f) After making such deposits and disbursements and after the Trustee will make a determination of the amounts reasonably expected to be received in the form of Qualified Obligation Payments under the Indenture in the succeeding twelve months, to any other fund or account maintained by the Bond Bank, regardless of whether such fund or account is subject to the lien of the Indenture, all moneys in the General Fund which, together with such expected receipts for the succeeding twelve months are in excess of the amounts needed to pay principal and interest on the Bonds within the immediately succeeding twelve month period. No moneys shall be so transferred unless the Bond Bank provides the Trustee with a Cash Flow Certificate to the effect that after such transfer, Revenues expected to be received, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds together with Program Expenses, if any.

Bond Issuance Expense Account. The Trustee will disburse the amounts held in the Bond Issuance Expense Account upon receipt of invoices or requisitions certified by the Executive Director of the Bond Bank to pay the Costs of Issuance of the Series 2008 D Bonds or to reimburse the Bond Bank for amounts previously advanced for such costs. On June 1, 2009, any amounts remaining in the Bond Issuance Expense Account will be transferred to the General Account.

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

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

(2) On the second business day next preceding each Interest Payment Date if moneys in the General Account are not sufficient to make the payments of principal and interest required to be made on such date, the Trustee shall transfer to the General Account moneys in the Redemption Account not already committed to the redemption of Bonds for which notice of redemption has been given.

(3) After making provisions for the required transfers to the General Account as described in subparagraphs (1) and (2) above, (i) to redeem Bonds of such maturity or maturities as directed by an Authorized Officer of the Bond Bank, if such Bonds are then subject to redemption, (ii) to the extent there are any excess moneys in the Redemption Account, to the General Account, (iii) to purchase Bonds of such maturity or maturities as directed by an Authorized Officer at the most advantageous price obtainable with reasonable diligence, whether or not such Bonds are then subject to redemption, or (iv) to make investments of such moneys until the payment of Bonds at their maturity or maturities as directed by an Authorized Officer in accordance with the Indenture. Such purchase price may not, however, exceed the Redemption Price which would be payable on the next ensuing date on which the Bonds so purchased are redeemable according to their terms unless the Bond Bank provides the Trustee with a Cash Flow Certificate to the effect that the purchase at a price in excess of the Redemption Price will not result in Revenues, together with moneys expected to be held in the Funds and Accounts, being less than an amount equal to debt service on all Outstanding Bonds together with Program Expenses, if any. The Trustee will pay the interest accrued on the Bonds so purchased to the date of delivery thereof from the General Account and the balance of the purchase price from the Redemption Account, but no such purchase shall be made by the Trustee within the period of sixty (60) days next preceding an Interest Payment Date or a date on which such Bonds are subject to redemption under the provisions of the Indenture or the Supplemental Indenture authorizing the issuance of such Bonds. The Trustee will deliver the Bonds so purchased to the Trustee within five (5) days from the date of delivery to the Trustee.

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

(b) The Trustee may, upon written direction from the Bond Bank, transfer any moneys in the Redemption Account to the General Account if the Bond Bank provides the Trustee with a Cash Flow Certificate to the effect that after such transfer and after any transfer from the General Account to the Bond Bank, Revenues, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds along with Program Expenses, if any.

Debt Service Reserve Fund

The Trustee will deposit in the Debt Service Reserve Fund all moneys required to be deposited therein pursuant to the Indenture, will invest such funds, and, except as provided in the Indenture, will disburse the funds held in the Debt Service Reserve Fund solely to the General Account for the payment of interest on and principal of the Bonds and only in the event that moneys in the General Account are insufficient to pay principal of and interest on the Bonds after all of the transfers thereto required to be made under the Indenture from the Redemption Fund have been made. Amounts in the Debt Service Reserve Fund in excess of the Reserve Requirement will be transferred to the General Account or the Redemption Account, as directed by the Bond Bank.

The Bond Bank may cause to be deposited into the Debt Service Reserve Fund for the benefit of the holders of the Series 2008 D 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 the Debt Service Reserve Fund in excess of that needed for the Debt Service Reserve Fund to be equal to the Reserve Requirement will be moved in accordance with the Indenture, subject to the satisfaction of any Debt Service Reserve Fund Reimbursement Obligations from such excess as described below. If a disbursement is made pursuant to a Debt Service Reserve Fund Credit Facility, the Bond Bank will be obligated (but solely from the appropriations, if any, made and available pursuant to the Indenture or if otherwise available from the Trust Estate) within twelve (12) months from the date on which such disbursement was made, to cure such deficiency, either (i) to reinstate the maximum limits of such Debt Service Reserve Fund Credit Facility or (ii) to deposit cash into the Debt Service Reserve Fund, or a combination of such alternatives, so that the Debt Service Reserve Fund is equal to the Reserve Requirement. The Trustee will include in the total amount held in the Debt Service Reserve Fund an amount equal to the maximum principal amount which could be drawn by the Trustee under any such Debt Service Reserve Fund Credit Facility on deposit with the Trustee. Amounts required to be deposited in the Debt Service Reserve Fund will include any amount required to satisfy a Debt Service Reserve Fund Reimbursement Obligation for any Debt Service Reserve Fund Credit Facility. The Trustee is authorized to move the amounts to satisfy the Debt Service Reserve Fund Reimbursement Obligations to the provider of the Debt Service Reserve Fund Credit Facility. See "DEBT SERVICE RESERVE FUND CREDIT FACILITY" herein.

Rebate Fund

The Trustee will establish and maintain, so long as any Series 2008 D-1 Bonds are outstanding and are subject to a requirement that arbitrage profits be rebated to the United States, a separate fund to be known as "Rebate Fund." The Trustee will make information regarding the Series 2008 D-1 Bonds and investments hereunder available to the Bond Bank and will make deposits in and disbursements from the Rebate Fund in accordance with the written instructions received from the Bond Bank and pursuant to the Indenture, will invest the Rebate Fund pursuant to written investment instructions received from the Bond Bank and will deposit income from such investments immediately upon receipt thereof in the Rebate Fund.

If a deposit to the Rebate Fund is required as a result of the computations made by the Bond Bank, the Trustee will upon receipt of written directions from the Bond Bank accept such payment for the benefit of the Bond Bank and make transfers of moneys from the General Account to the Rebate Fund to comply with such direction. If amounts in excess of that required to be rebated to the United States of America accumulate in the Rebate Fund, the Trustee will upon written direction from the Bond Bank transfer such amount to the General Account. Records of the determinations required by the Indenture and the investment instructions must be retained by the Trustee until six (6) years after the Bonds are no longer Outstanding.

Not later than sixty (60) days after the fifth anniversary date of the date of issuance of the Series 2008 D Bonds, and every five (5) years thereafter, the Bond Bank will pay to the United States the amount required to be paid to the United States pursuant to the Code as of such payment date and not later than sixty (60) days after the final retirement of the Series 2008 D Bonds and any subsequently issued tax-exempt Bonds, the Bond Bank will pay to the United States the amount required to be paid to the United States pursuant to the Code as of such retirement date. Each payment required to be paid to the United States pursuant to the Indenture will be, together with a properly completed Internal Revenue Service Form 8038-T, filed with the Internal Revenue Service Center, Ogden, Utah 84201.

Amounts Remaining in Funds

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

LITIGATION

There is not now pending or, to the Bond Bank's knowledge, threatened any litigation restraining or enjoining the issuance, sale, execution or delivery of the Series 2008 D Bonds; seeking to prohibit any transactions contemplated by the Indenture; in any way contesting or affecting the validity of the Series 2008 D Bonds or the Series 2008 D Qualified Obligations or any proceedings of the Bond Bank taken with respect to the issuance or sale of the Series 2008 D Bonds, or the Pledges (as hereinafter defined under "ENFORCEABILITY OF REMEDIES") or application of any moneys or security provided for payment of the Series 2008 D Bonds or the Series 2008 D Qualified Obligations. Neither the creation, organization or existence of the Bond Bank nor the title of any of the present directors or other officers of the Bond Bank to their respective offices is being contested.

TAX MATTERS

In the opinion of Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel, under existing law, interest on the Series 2008 D-1 Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2008 D-1 Bonds (the "Code"). The opinion of Barnes & Thornburg LLP, is based on certain certifications, covenants and representations of the Bond Bank and the Series 2008 D Qualified Entity issuing the Tax-Exempt Series 2008 D Qualified Obligations and is conditioned on continuing compliance therewith. In the opinion of Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel, under existing law, interest on the Series 2008 D Bonds is exempt from income taxation in the State of Indiana for all purposes except the State financial institutions tax. See Appendix C for the form of Bond Counsel opinion.

The Code imposes certain requirements which must be met subsequent to the issuance of the Series 2008 D Bonds as a condition to the exclusion from gross income of interest on the Series 2008 D-1 Bonds for federal tax purposes. Noncompliance with such requirements may cause interest on the Series 2008 D-1 Bonds to be included in gross income for federal tax purposes retroactive to the date of issue, regardless of the date on which noncompliance occurs. Should the Series 2008 D-1 Bonds bear interest that is not excluded from gross income for federal income tax purposes, the market value of the Series 2008 D-1 Bonds would be materially and adversely affected. It is not an event of default if interest on the Series 2008 D-1 Bonds is not excludable from gross income for federal tax purposes pursuant to any provision of the Code which is not in effect on the date of issuance of the Series 2008 D Bonds.

The interest on the Series 2008 D-1 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, interest on the Series 2008 D-1 Bonds is includable in adjusted current earnings in calculating corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Series 2008 D-1 Bonds are not "qualified tax-exempt" obligations for purposes of Section 265(b)(3) of the Code.

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

Although Bond Counsel will render an opinion that interest on the Series 2008 D-1 Bonds is excluded from gross income for federal tax purposes and exempt from certain State income tax, the accrual or receipt of interest on the Series 2008 D-1 Bonds may otherwise affect an owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the owner's particular tax status and the owner's other items of

income or deduction. Except as expressly set forth above, Bond Counsel expresses no opinion regarding any other such tax consequences.

The foregoing does not purport to be a comprehensive description of all of the tax consequences of owning the Series 2008 D Bonds. Prospective purchasers of the Series 2008 D Bonds should consult their own tax advisors with respect to the foregoing and other tax consequences of owning the Series 2008 D Bonds.

AMORTIZABLE BOND PREMIUM

The Series 2008 D-1 Bond maturity schedule shown on the inside cover page of this Official Statement sets forth the interest rates and yield to maturity (or yield to the par call date) for each maturity (or portions thereof) of the Series 2008 D-1 Bonds. Certain of the Series 2008 D-1 Bonds have a yield to maturity (or yield to par call date) that is less than the stated interest rate (collectively, the "Premium Bonds"). 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 will be required to adjust the owner's basis in the Premium Bond downward as a result of the amortization of the Bond Premium, pursuant to Section 1016(a)(5) of the Code. Such adjusted tax basis will be used to determine taxable gain or loss upon the disposition of the Premium Bonds (including sale, redemption or payment at maturity). 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 the Premium Bonds. Owners of the Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of such Premium Bonds and with respect to the state and local tax consequences of owning and disposing of the Premium Bonds.

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

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee or the holders of the Series 2008 D Bonds upon a default under the Indenture, to the Trustee or the Bond Bank under the Series 2008 D Qualified Obligations, under the terms of the Purchase Agreement, or to any party seeking to enforce the pledges securing the Series 2008 D Bonds or the Series 2008 D Qualified Obligations described herein (collectively the "Pledges"), are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the United States Bankruptcy Code), the remedies provided (or which may be provided) in the Indenture, the Purchase Agreement, the Series 2008 D Qualified Obligations and the Authorizing Instrument, or to any party seeking to enforce the Pledges, may not be readily available or may be limited. Under Federal and State environmental laws certain liens may be imposed on property of the Bond Bank or the Series 2008 D Qualified Entity from time to time, but the Bond Bank has no reason to believe, under existing law, that any such lien would have priority over the lien on the Qualified Obligation Payments pledged to owners of the Series 2008 D Bonds under the Indenture or over the liens pledged to the owner of the Series 2008 D Qualified Obligations under the Authorizing Instrument.

The various legal opinions to be delivered concurrently with the delivery of the Series 2008 D Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, by general principles of equity (regardless of whether such enforceability is considered to a proceeding in equity or at law) and by public policy. These exceptions would encompass any exercise of the Federal, State or local police powers in a manner consistent with the public health and welfare. Enforceability of the Indenture, the Purchase Agreement, the Authorizing Instrument and the Pledges in a situation where such enforcement may adversely affect public health and welfare may be subject to these police powers.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization, issuance, sale and delivery of the Series 2008 D Bonds are subject to the approval of Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel, whose approving legal opinion will be delivered with the Series 2008 D Bonds, substantially in the form attached hereto as Appendix C. Certain legal matters will be passed upon for the Bond Bank by its general counsel, Graham & Hurley PC, Indianapolis, Indiana, and for the Underwriters, by their counsel, Bose McKinney & Evans LLP, Indianapolis, Indiana.

RATINGS

Standard & Poor's Rating Services ("S&P) has assigned a rating of "AAA" to the Series 2008 D Bonds. Such rating is conditional upon the issuance of the Series 2008 D Bond Insurance Policy. S&P has assigned a long term rating, without consideration of the Series 2008 D Insurance Policy or other credit enhancement, of "AA" to the Series 2008 D Bonds. These ratings reflect only the view of S&P and an explanation thereof may be obtained from S&P at 55 Water Street, New York, New York 10041. Such ratings are not a recommendation to buy, sell or hold the Series 2008 D Bonds. There is no assurance that such ratings will remain in effect for any given period of time or that such ratings will not be lowered or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. The Underwriters have undertaken no responsibility either to bring to the attention of the owners of the Series 2008 D Bonds any proposed revision or withdrawal of any rating of the Series 2008 D Bonds or to oppose any such proposed revision or withdrawal. Any such downward revision or withdrawal of rating may have an adverse effect on the market price or marketability of the Series 2008 D Bonds.

UNDERWRITING

Under a bond purchase contract entered into between the Underwriters listed on the cover page of this Official Statement and the Bond Bank, the Underwriters have agreed to purchase the Series 2008 D Bonds at an aggregate purchase price of $6,046,493.95, which represents the $6,060,000.00 aggregate par amount of the Series 2008 D Bonds, plus original issue premium of $25,883.95 and less an underwriting fee of $39,390.00. Such purchase contract provides that the Underwriters will purchase all of the Series 2008 D Bonds if they are purchased. The initial offering price may be changed from time to time by the Underwriters.

The Underwriters have agreed to make a bona fide public offering of all of the Series 2008 D Bonds at prices not in excess of the initial public offering prices set forth or reflected inside the front cover page of this Official Statement. The Underwriters may sell the Series 2008 D Bonds to certain dealers (including dealers depositing Series 2008 D Bonds into investment trusts) and others at prices lower than the offering prices set forth inside the cover page hereof.

VERIFICATION OF MATHEMATICAL CALCULATIONS

The accuracy of certain mathematical computations showing that payments on the Series 2008 D Qualified Obligations, together with other available revenues, have been structured to be sufficient to pay principal of and interest on the Series 2008 D Bonds when due will be verified by Crowe Horwath LLP, independent certified public accountants. Such verifications shall be based upon certain information and assumptions supplied by the Bond Bank and the Underwriters.

SERIES 2008 D BONDS AS LEGAL INVESTMENTS

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

AVAILABILITY OF DOCUMENTS AND FINANCIAL INFORMATION

Separate audited financial reports of the State and the Bond Bank, respectively, (collectively, the "Financial Reports") are prepared annually and are presently available for the year ended June 30, 2008, and prior years. No financial reports related to the foregoing entities are prepared on an interim basis and there can be no assurance that there have not been material changes in the financial position of the foregoing entities since the date of the most recent available Financial Statements. Upon request and receipt of payment for reasonable copying, mailing and handling charges, the Bond Bank will make available copies of the most recent Financial Reports, any authorizing or governing instruments defining the rights of owners of the Series 2008 D Bonds or the owners of the Qualified Obligations and available financial and statistical information regarding the Bond Bank and the Series 2008 D Qualified Entity. Requests for documents and payments therefor should be directed and payable to the Indiana Bond Bank, 2980 Market Tower, 10 West Market Street, Indianapolis, Indiana 46204.

CONTINUING DISCLOSURE

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

1. Audited Financial Statements. To each nationally recognized municipal securities information repository ("NRMSIR") and to the Indiana state information depository, if any (the "State Depository"), within 60 days of receipt from the Board of Accounts of the State, the audited financial statements of the State for each fiscal year of the State, beginning with the fiscal year ended June 30, 2008, together with all notes thereto; if audited financial statements are not available within 220 days following the close of the fiscal year of the State, beginning with the fiscal year ended June 30, 2008, the State Annual Information (as defined below) shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the State Annual Information when they become available; and

2. Financial Information in this Official Statement. To each NRMSIR and to the State Depository, if any, within 220 days of the close of the fiscal year of the State, beginning with the fiscal year ended June 30, 2008, annual financial information, other than the audited or unaudited financial statements described above, including operating data of the type provided in Appendix A - "FINANCIAL AND ECONOMIC STATEMENT FOR THE STATE OF INDIANA."

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

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

- principal and interest payment delinquencies;
- non-payment related defaults;
- unscheduled draws on debt service reserves reflecting financial difficulties;
- unscheduled draws on credit enhancements reflecting financial difficulties;
- substitution of credit or liquidity providers, or their failure to perform;
- adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- modifications to the rights of Bondholders;
- bond calls (other than scheduled mandatory sinking fund redemptions for which notice is given in accordance with the Indenture and as described in the Final Official Statement);
- defeasances;

- release, substitution or sale of property securing repayment of the Series 2008 D Bonds; and
- rating changes.

The State or the Bond Bank may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above.

In accordance with the disclosure requirements in the Rule and the terms of the Continuing Disclosure Agreement of the Series 2008 D Qualified Entity (the "Series 2008 D Qualified Entity Undertaking", together with the Undertaking, the "Undertakings"), while the Series 2008 D Bonds are outstanding, the Series 2008 D Qualified Entity has agreed to provide to the Bond Bank the preceding event notices with regard to the Series 2008 D Qualified Obligations, with respect to which it is an obligated person, if material, and in a timely manner, and has agreed to provide the following information while any Series 2008 D Qualified Obligations, with regard to which it is an obligated person, are outstanding:

1. Financial Information. An update of the financial information and operating data relating to such entity of the same nature as that contained in Appendix B to each NRMSIR, to the State Depository, if any, and to the Bond Bank, within 180 days after each December 31, commencing with the calendar year ending December 31, 2008.

2. Audited Financial Statements. To each NRMSIR, to the State Depository, if any, and to the Bond Bank, when and if available, the audited financial statements of such entity as prepared and examined by the State Board of Accounts for each twelve (12) month period ending December 31, commencing with the year ending December 31, 2008, together with the opinion of such accountants and all notes thereto, within sixty (60) days of receipt of such statements from the State Board of Accounts.

(The information described in items 1 and 2 above is referred to as the Series 2008 D Qualified Entity Annual Information).

Notwithstanding the foregoing, any information required to be provided by the State, the Bond Bank or the Series 2008 D Qualified Entity to each NRMSIR and the State Depository as described above may, instead, be provided to DisclosureUSA, but only for so long as the conditions for the interpretation made by the SEC in the Response continue to be met. "DisclosureUSA" means the Internet-based electronic filing system created by the Municipal Advisory Council of Texas for the purpose of facilitating compliance by issuers and obligated persons (both as defined in the Rule) with continuing disclosure agreements entered into to satisfy the obligations of underwriters (as defined in the Rule). "Response" means the interpretive letter, dated September 7, 2004, released by the Division of Market Regulation of the SEC regarding DisclosureUSA.

Failure to Disclose

In a timely manner, the State shall notify each NRMSIR or the MSRB, and the State Depository, if any, of any failure on the part of the State to provide the State Annual Information. If any information relating to the State can no longer be provided because the operations to which they related have been materially changed or discontinued, a statement to that effect, provided by the State to each NRMSIR and to the State Depository, if any, along with the State Annual Information required as specified above and containing such information as is still available, will satisfy the State's undertaking to provide the State Annual Information.

In a timely manner, the Series 2008 D Qualified Entity shall notify each NRMSIR or the MSRB, and the State Depository, if any, of any failure on the part of the Series 2008 D Qualified Entity to provide the Series 2008 D Qualified Entity Annual Information. If any information relating to the Series 2008 D Qualified Entity can no longer be provided because the operations to which it relates have been materially changed or discontinued, a statement to that effect, provided by the Series 2008 D Qualified Entity to each NRMSIR and to the State Depository, if any, along with the Series 2008 D Qualified Entity Annual Information required as specified above, will satisfy the Series 2008 D Qualified Entity's undertaking to provide the Series 2008 D Qualified Entity's Annual Information.

Accounting Principles

The accounting principles pursuant to which the financial statements of the State will be prepared will be generally accepted accounting principles, as in effect from time to time or those mandated by State law from time to time. The audited financial statements of the Series 2008 D Qualified Entity (i) will be audited and prepared pursuant to accounting and reporting policies conforming in all material respects to generally accepted accounting principles as applicable to governments with such changes as may be required from time to time in accordance with State law, or (ii) will be audited (only if required by State law) and prepared in accordance with State law.

Remedies

The sole remedy against the State, the Bond Bank or the Series 2008 D Qualified Entity for any failure to carry out any provision of their respective Undertakings shall be for specific performance of their respective obligations thereunder. Failure on the part of the State or the Bond Bank to honor their respective covenants under the Undertaking shall not constitute a breach or default of the Bonds, the Indenture or any other agreement to which the State or the Bond Bank is a party. Failure on the part of the Series 2008 D Qualified Entity to honor its covenants under its Series 2008 D Qualified Entity Undertaking shall not constitute a breach or default of the Series 2008 D Qualified Obligations or any other agreement to which the Series 2008 D Qualified Entity is a party. This remedy may be exercised by any holder or beneficial owner of the Bonds who may seek specific performance by court order to cause the State, the Bond Bank or the Series 2008 D Qualified Entity to comply with their respective obligations thereunder.

Modification of Continuing Disclosure Agreement

The Bond Bank and the State may, from time to time, amend or modify any provision of the Undertaking without the consent of the holders or the beneficial owners of the Series 2008 D Bonds if either: (a) (i) such amendment or modification is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Bond Bank, the State or the Series 2008 D Qualified Entity, or type of business conducted by any such parties, (ii) the Undertaking, as so amended or modified, would have complied with the requirements of the Rule on the date of the Undertaking, as the case may be, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (iii) such amendment or modification does not materially impair the interest of the holders or beneficial owners of the Bonds, as determined either by (A) any person selected by the State or the Bond Bank that is unaffiliated with the State, the Bond Bank or the Series 2008 D Qualified Entity (including the Trustee), with regard to the Undertaking, or (B) an approving vote of the holders of the requisite percentage of Outstanding Bonds as required under the Indenture at the time of such amendment or modification; or (b) such amendment or waiver (including an amendment which rescinds the Undertaking) is permitted by the Rule.

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

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

Modification of Series 2008 D Qualified Entity Continuing Disclosure Agreement

The Series 2008 D Qualified Entity may, from time to time, amend any provision of the Series 2008 D Qualified Entity Continuing Disclosure Agreement without the consent of the holders or the beneficial owners of the Bonds if either: (a) (i) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Series 2008 D Qualified Entity, or type of business conducted, (ii) the Series 2008 D Qualified Entity Continuing Disclosure Agreement, as so amended, would have complied with the requirements of the Rule on the date of the Series 2008 D Qualified Entity Continuing Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (iii) such amendment does not materially impair the interest of the holders or beneficial owners of the Bonds, as determined either by (A) any person selected by the Series 2008 D Qualified Entity that is unaffiliated with the Series 2008 D Qualified Entity, the Bond Bank or the State (such as the Trustee)

or (B) an approving vote of the holders of the requisite percentage of outstanding Bonds as required under the Indenture at the time of such amendment; or (b) such amendment is otherwise permitted by the Rule.

Copies of the Series 2008 D Qualified Entity Continuing Disclosure Agreement are available from the Bond Bank upon request.

Compliance with Previous Undertakings

In the previous five (5) years, the Bond Bank, the State, and the Series 2008 D Qualified Entity have never failed to comply in all material respects with any previous undertakings in a written contract or agreement that any of them entered into pursuant to subsection (b)(5) of the Rule.

MISCELLANEOUS

The references, excerpts, and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is made to all such documents for full and complete statements of all matters of fact relating to the Series 2008 D Bonds, the security for the payment of the Series 2008 D Bonds and the rights of the owners thereof. During the period of the offering, copies of drafts of such documents may be examined at the Offices of the Underwriters; following delivery of the Series 2008 D Bonds, copies of such documents may be examined at the offices of the Bond Bank.

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

Any statements made in this Official Statement involving matters of opinions or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information presented herein since the date hereof. This Official Statement is submitted in connection with the issuance and sale of the Series 2008 D Bonds and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract or agreement between the Bond Bank, the Series 2008 D Qualified Entity, the State, the Trustee, or the Underwriter and the purchasers or owners of any Series 2008 D Bonds. The delivery of this Official Statement has been duly authorized by the Board of Directors of the Bond Bank.

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

INDIANA BOND BANK

By: /s/ Richard E. Mourdock
Richard E. Mourdock, Chairman, Ex Officio

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APPENDIX A

FINANCIAL AND ECONOMIC STATEMENT FOR THE STATE OF INDIANA

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APPENDIX A

FINANCIAL AND ECONOMIC STATEMENT
FOR
STATE OF INDIANA

Table of Contents

Page

INTRODUCTION 5
STRUCTURE OF STATE GOVERNMENT 5
Division of Powers 5
Executive Department 5
Legislative Department 6
Judicial Department 6
FISCAL POLICIES 7
Fiscal Years 7
Accounting System 7
Fund Structure 7
Budget Process 8
State Board of Finance 10
Office of Management and Budget 10
Cash Management and Investments 11
Audits 11
2007 Financial Report 11
STATE BUDGET PROFILE AND FINANCIAL RESULTS OF OPERATIONS 12
Operating Revenue 12
General Fund and PTR Fund Revenue Sources 12
Lottery and Gaming Revenue 14
Revenue History 16
Operating Expenditures 17
Fund Balances 20
Financial Results of Operations 21
Revenue Forecast for Fiscal Years 2008 and 2009 21
Combined Balance Statements 21
Toll Road Lease 23
STATE INDEBTEDNESS 24
Constitutional Limitations on State Debt 24
Other Debt, Obligations 24
Obligations Payable from Possible State Appropriations 24
Contingent Obligations 30
Other Entities Issuing Debt 33
STATE RETIREMENT SYSTEMS 35
Public Employees' Retirement Fund 35
Other PERF Plans 36
State Teachers' Retirement Fund 37
State Police Pension Trust 38
ECONOMIC AND DEMOGRAPHIC INFORMATION 39
Summary 39
Population 39
Employment 41
Income 42
Exports 43
LITIGATION 45
Contract Litigation 45
Employment Litigation 45

Civil Rights Litigation 46
Property Litigation 46
Class Action Litigation 47

Schedule of Tables

Table 1 State Operating Revenue…….. 16

Table 2 Expenditures……. 17

Table 3 Schedule of Fee Replacement Debt…….. 19

Table 4 General Fund and Property Tax Replacement Fund
Combined Statement of Actual and Estimated Unappropriated Reserve……. 22

Table 5 Schedule of Long Term Debt
Obligations Payable from Possible State Appropriations…… 26

Table 6 Scheduled Principal and Interest Payments
Obligations Payable from Possible State Appropriations…… 28

Table 7 Ratios of Outstanding Debt Subject to Possible Appropriation
to Population and Personal Income…….. 30

Table 8 Schedule of Long Term Debt
Contingent Obligations……. 32

Table 9 Public Employees' Retirement Fund (State-Related Portion Only)……. 36

Table 10 Other State Plans Pension Funds
Summary of Results of Actuarial Valuation…… 37

Table 11 State Teachers' Retirement Fund
Summary of Results of Actuarial Valuation…… 38

Table 12 Educational Attainment, Indiana Population 25 Years & Over……... 40

Table 13 Population, including Selected Indiana MSAs……. 40

Table 14 Indiana High-Growth Manufacturing Sub-sectors…..... 41

Table 15 Indiana Non-Farm Employment by Sector; December 1996 to December 2006…… 41

Table 16 Unemployment Rate……. 42

Table 17 Growth in Per Capita Personal Income…… 42

Table 18 Indiana Gross Domestic Product by Sector; 1997 to 2006…… 43

Table 19 Exports…….. 43

Table 20 Indiana's Leading Export Industries and Destinations……. 44

INTRODUCTION

This Financial and Economic Statement (this "Appendix A") for the State of Indiana (the "State") includes a description of the State's economic and fiscal condition, the results of operations for the past two fiscal years and revenue and expenditure projections through the end of the biennium ending June 30, 2009. The information is compiled on behalf of the State by the State Budget Agency and the Indiana Finance Authority and includes information and data taken from the Budget Agency's unaudited reports. It also includes information obtained from other sources the State believes to be reliable.

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

STRUCTURE OF STATE GOVERNMENT

Division of Powers

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

Executive Department

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

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

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

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

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

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

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

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

Legislative Department

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

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

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

Judicial Department

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

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

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

FISCAL POLICIES

Fiscal Years

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

Accounting System

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

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

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

Fund Structure

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

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

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

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

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

The Property Tax Replacement Fund ("PTR Fund") is also reported as a Special Revenue Fund by the Auditor of State. Prior to the enactment of P.L. 146-2008, the PTR Fund had been funded from 50% of State sales and use tax revenue, a portion of individual income tax receipts and a portion of Gaming Revenue described below. The PTR Fund is currently used to provide (i) property tax relief and (ii) local school aid. With the enactment of

P.L. 146-2008, the PTR Fund will cease to exist on December 31, 2008, and any remaining funds will be transferred to the General Fund. See "State Budget Profile and Financial Results of Operations – The Governor's Property Tax Reform Legislation, P.L. 146-2008" for a summary of P.L. 146-2008.

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

Capital Projects Funds. Capital Projects Funds are used to account for financial resources to be used by the State for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Capital Projects Funds include the Post War Construction Fund, Build Indiana Fund ("BIF"), Soldiers and Sailors Children's Home Fund, Veterans Home Fund, State Police Building Commission Fund, Law Enforcement Academy Building Fund, Interstate Bridge Fund and Major Construction-Indiana Army National Guard Fund.

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

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

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

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

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

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

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

Budget Process

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

State Budget Committee. The Budget Committee consists of the State Budget Director and four State legislators. The Budget Committee oversees the preparation of the budget and administration of capital budgets after enactment. The legislative members of the Budget Committee consist of two members of the Senate, appointed by the President pro tempore of the Senate, and two members of the House of Representatives, appointed by the Speaker of the House of Representatives. One of the two appointees from each chamber must be nominated

by the minority floor leader. Four alternate members of the Budget Committee must be legislators selected in the same manner as regular members. An alternate member participates and has the same privileges as a regular member, except that an alternate member votes only if the regular member from the alternate member's respective chamber and political party is not present. The legislators serve as liaisons between the executive and legislative departments and provide fiscal information to their respective caucuses.

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

Revenue Projections. Revenue projections are prepared by the State's Technical Forecast Committee. Historically, the Economic Forecast Committee was responsible for forecasting independent variables that were employed by the Technical Forecast Committee in deriving the State's revenue projections. Starting with the December 2008 forecast, Global Insight, Inc. will provide the forecasted independent variables. Global Insight, Inc. was chosen following a thorough evaluation of submitted proposals based on forecasting capabilities and detailed knowledge of the State, national, and international economies.

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

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

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

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

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

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

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

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

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

State Board of Finance

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

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

Office of Management and Budget

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

The Director ("Director") of the OMB is the chief financial officer of the State, and reports directly to the Governor. The Director is responsible for and has authority over all functions performed by the Budget Agency, the Department of State Revenue, the Department of Administration and the Department of Local Government Finance, as well as all budgeting, accounting and spending functions within the various agencies, departments and programs of State government. The Director may also serve as the State Budget Director. By statutory designation, the State Budget Director also serves as the Chairman of the Indiana Finance Authority. Pursuant to Executive Order 05-02, the OMB oversees and coordinates the functions, responsibilities and duties of the Public Employees' Retirement

Fund (PERF), the Teachers' Retirement Fund (TRF) and the State Board of Accounts to the fullest extent permitted by law.

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

Cash Management and Investments

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

Audits

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

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

2007 Financial Report

The Indiana Comprehensive Annual Financial Report For Fiscal Year Ended June 30, 2007 (the "2007 Financial Report"), contains certain financial information about the State, including the financial statements of the State as of and for the Fiscal Year ended June 30, 2007 as set forth therein. The 2007 Financial Report was previously provided to each then nationally recognized municipal securities information repository (each then nationally recognized municipal securities information repository, a "NRMSIR"), and is included in this Appendix A by reference.

A copy of the 2007 Financial Report may be obtained from any NRMSIR. In addition, the 2007 Financial Report may be found at: http://www.in.gov/auditor/.

The 2007 Financial Report speaks only as of its date. The inclusion of the 2007 Financial Report in this Appendix A does not imply that there has been no change in the information therein since the date thereof.

STATE BUDGET PROFILE AND FINANCIAL RESULTS OF OPERATIONS

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

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

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

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

Operating Revenue

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

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

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

General Fund and PTR Fund Revenue Sources

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

Sales and Use Taxes. As part of the property tax reform legislation enacted in P.L. 146-2008, the sales and use tax rate was increased from 6.0% to 7.0%, effective April 1, 2008. This tax is imposed on the sale and rental of tangible personal property and the sale of certain services, including the furnishing of public utility services and the rental or furnishing of public accommodations such as hotel and motel room rentals. In general, the complementary 7.0% use tax is imposed upon the storage, use or consumption of tangible personal property in the State. Some of the major exemptions from the sales and use taxes are sales of certain property to be used in manufacturing, research and development equipment after July 1, 2007, agricultural production, public transportation or governmental functions, sales for resale, food sold in grocery stores and prescription drugs.

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

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

Financial Institution Tax. This tax is applicable to a financial institution for the privilege of exercising its franchise or the corporate privilege of transacting the business of a financial institution in Indiana. It applies to any business which is primarily engaged in extending credit, or engaged in leasing. The tax base is a taxpayer's apportioned adjusted gross income with statutory deductions and additions. Insurance companies, international banking facilities, federally chartered credit unions, and S corporations are exempt. The tax rate is 8.5%. Local Units of government are guaranteed revenue based on the former Financial Institution Taxes in 1989. Any remaining revenue collected is deposited in the state General Fund.

Utilities Receipts Tax. The utilities receipts tax is based on gross receipts from retail utility sales. It is imposed at a rate of 1.4% and was effective January 1, 2003. All revenue is deposited in the state General Fund. Utilities must also pay the corporate adjusted gross income tax. Effective July 1, 2007, a use tax was imposed on consumers of utilities if the Utilities Receipts Tax was not paid by the seller. The use tax is imposed at the rate of 1.4% on the gross purchase price of the utilities.

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

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

Riverboat Wagering Tax. The wagering tax is applied to the adjusted gross receipts of riverboat gambling operations in Indiana. Prior to Fiscal Year 2003, all wagering taxes earned by the State were deposited into the BIF. Legislation passed in 2002 changed the collection and distribution of wagering taxes and allowed riverboats to implement flexible scheduling, enabling patrons to gamble while a riverboat is docked. The legislation imposed a graduated wagering tax on riverboats that adopt flexible scheduling. As amended by P.L 233-2007, the graduated tax is set at 15% of the first $25 million of adjusted gross receipts in a fiscal year, 20% of receipts between $25 million and $50 million, 25% of receipts between $50 million and $75 million, 30% of receipts between $75 million and $150 million, 35% of receipts between $150 million and $600 million, and 40% of all adjusted gross receipts exceeding $600 million.

The legislation also changed the distribution of wagering taxes. The first $33 million of wagering taxes collected in the State's fiscal year must be set aside for revenue sharing among local units of government that do not have riverboats. Of the remaining revenue, 25% is distributed to the cities and counties with riverboat operations, and 75% is deposited in the PTR Fund. The legislation capped the amounts that may be distributed to the cities and towns with riverboat operations at the amounts distributed in FY 2002. All revenue in excess of the capped amounts is deposited in the PTR Fund. The PTR Fund receives 37.5% of wagering tax from the Orange County Casino. The remaining wagering tax revenue from Orange County Casino is deposited in the local funds. From the revenue distributed to the PTR Fund, an amount is distributed annually to the BIF. The transfer amount is such that the total lottery and gaming revenue deposited in the BIF equals $250.0 million in a fiscal year. Interest revenue deposited in the fund does not count against the $250.0 million cap.

With the enactment of P.L. 146-2008, the PTR Fund will cease to exist on December 31, 2008, and any remaining funds will be transferred to the General Fund. All revenues previously deposited in the PTR Fund will be deposited in the General Fund after December 31, 2008, including riverboat wagering taxes. See "Fiscal Policies - Fund Structure — Governmental Funds – Special Revenue Funds" and "State Budget Profile and Financial Results of Operations – The Governor's Property Tax Relief Legislation, P.L. 146-2008" for a summary of P.L. 146-2008.

In 2007, the General Assembly enacted legislation authorizing the two existing licensed horse racing facilities in Indiana to install up to 2,000 slot machines on their premises. P.L. 233-2007 imposes a one-time license fee of $250 million per track and graduated wagering taxes in the amount of 25% of the first $100 million of adjusted gross receipts in a fiscal year, 30% of receipts between $100 million and $200 million, and 35% of receipts exceeding $200 million. The license fee receipts are deposited in the Property Tax Reduction Trust Fund to fund homestead credits for calendar years 2007 and 2008. Until December 31, 2008, wagering taxes from the two licensed horse racing facilities will also be deposited in the Property Tax Reduction Trust Fund. Any remaining funds in the Property Tax Reduction Trust Fund will be transferred to the General Fund.

Other Operating Revenue. Other revenue ("Other Revenue") is derived from cigarette taxes, alcoholic beverage taxes, inheritance taxes, insurance taxes, interest earnings and miscellaneous revenue. In 2002, the General Assembly increased the cigarette tax by $0.40 per pack, to $0.555 per pack, and increased the tax on other tobacco products by 3 percentage points. In 2007, the cigarette tax was further increased by $0.44 per pack to $0.995 per pack effective July 1, 2007. In FY 2008, total revenue from other operating revenues deposited in the state General Fund amounted to $1,066.3 million.

Lottery and Gaming Revenue

By statute, certain revenue from the Hoosier Lottery, horse racing pari-mutuel wagering tax and charity gaming taxes and license fees (collectively, "Gaming Revenue") must be deposited in the BIF. In 2002, the General Assembly enacted annual distributions of wagering tax revenue to the BIF in the amount of $250 million per year less the annual amounts distributed to the BIF from Hoosier Lottery profits, charitable gaming taxes and license fees and pari-mutuel wagering taxes. Any revenue in excess of $250 million is to remain in the PTR Fund. For a description of wagering taxes, *see* "General Fund and PTR Fund Revenue Sources—Wagering Tax."

Before Hoosier Lottery profits are transferred to the BIF, $60 million annually is used to fund pension liabilities—$30 million goes to the Teachers' Retirement Fund and $30 million goes to the local Police and Firefighter Pension Fund. All lottery and gaming revenue deposited to BIF is appropriated by the General Assembly, and the statute that governs deposits of that revenue also governs priority of distribution in the event that revenue falls short of appropriations. At present, the highest distribution priority (after pension account transfers) is to the State's counties for motor vehicle excise tax replacement, providing a substantial cut in the excise tax charged on motor vehicles; $236.2 million was appropriated for Fiscal Year 2008.

As shown below, Gaming Revenue totaling $968.4 million was collected by the State for Fiscal Year 2008. These numbers include revenue deposited in the state and local funds (including $5 million in slot machine wagering tax deposited in the State Property Tax Reduction Trust Fund) but does not include riverboat admissions tax revenue distributed in Fiscal Year 2008 to state and local units in the amount of $81.2 million and $300 million in slot machines license tax deposited in State Property Tax Reduction Trust Fund.

Type of Tax	FY 2008
Wagering Taxes	$734.8
Lottery	$224.0
Charity Gaming	$5.9
Horse Racing	$3.7
Total	$968.4

Source: State Budget Agency

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

Revenue History

Annual percentage changes for each component of Operating Revenue is reflected in Table 1. The table also includes actual revenue for prior Fiscal Years as well as projected revenue for FY 2009.

Table 1
State Operating Revenue
(Millions of Dollars)

	FY 2003[1]	FY 2004[1]	FY 2005[1]	FY 2006[1]	FY 2007[1]	FY 2008[1]	FY 2009[2]
6% Sales Tax	4,172.4	4,721.0	4,960.4	5,226.3	5,379.1	5,534.4	5,737.7
Change from Prior Year	10.9%	13.1%	5.1%	5.4%	2.9%	2.9%	3.7%
Individual Income	3,644.2	3,807.9	4,213.2	4,322.4	4,615.6	4,837.5	4,781.0
Change from Prior Year	2.9%	4.5%	10.6%	2.6%	6.8%	4.8%	-1.2%
Corporate Income	729.2	644.7	824.8	925.4	987.1	909.5	969.8
Change from Prior Year	2.8%	-11.6%	27.9%	12.2%	6.7%	-7.9%	6.6%
Wagering Tax[3]	430.79	601.5	584.7	589.9	625.3	582.9	634.7
Change from Prior Year	N/A	39.7%	-2.8%	0.9%	6.0%	-6.8%	8.9%
Other[4]	903.6	844.8	853.4	996.36	1,019.1	1,066.3	1,040.1
Change from Prior Year	29.6%	-6.5%	1.0%	16.7%	2.3%	4.6%	-2.5%
Total	9,880.1	10,619.9	11,436.5	12,060.3	12,626.2	12,930.6	13,163.2
Change from Prior Year	13.4%	7.5%	7.7%	5.5%	4.7%	2.4%	1.8%
Property Tax Relief (P.L. 146-2008)[5]	-	-	-	-	-	151.6	1,127.5
Total (with P.L. 146-2008)	-	-	-	-	-	13,082.2	14,290.7
Change from Prior Year	N/A	N/A	N/A	N/A	N/A	N/A	9.2%

(1) Actual, but unaudited, Operating Revenue. FY 2006 figures are net of Tax Amnesty collections.
(2) Revenues are as projected by the Technical Forecast Committee on December 13, 2007. Revenues exclude Disproportionate Share Hospital (DSH), Quality Assessment Fee (QAF), and other miscellaneous revenues excluded from the forecast such as Marion County Juvenile Arrearage payments.
(3) Prior to Fiscal Year 2003, the Wagering Tax revenues were deposited in the BIF.
(4) See "General Fund and PTR Fund Revenue Sources – Other Operating Revenue"
(5) P.L. 146-2008, the Governor's property tax reform legislation, included the following revenue changes in Fiscal Year 2009: an increase in sales tax from 6% to 7% effective April 1, 2008 ($899.2 million); individual income impacted by state-captured miscellaneous revenues ($141.7 million) and increase in renter's deduction (-$10.2 million) resulting in a total increase of $131.5 million; wagering tax from slots at the race tracks ($108.2 million); and loss of reimbursement for juvenile incarceration costs (-$11.4 million). P.L. 146-2008 also included $151. million of sales tax revenues for Fiscal Year 2008.

Source: State Budget Agency

Operating Expenditures

Actual expenditures may differ from estimated levels as a result of a number of factors, including unforeseen expenses and executive and legislative action. The State's five largest expenditure categories include local school aid, higher education, property tax relief, Medicaid and correction. Table 2 sets forth operating expenditures and estimates for all major expenditure categories for Fiscal Years 2003 through 2009.

Table 2
Expenditures
(Millions of Dollars)

	FY 2003[1]	FY 2004[1]	FY 2005[1]	FY 2006[1]	FY 2007[1]	FY 2008[1]	FY 2009[2]
Local School Aid	4,141.1	4,356.3	4,447.5	4,517.0	4,628.8	4,795.6	5,036.4
Change from Prior Year	6.50%	5.20%	2.09%	1.56%	2.48%	3.60%	5.02%
Property Tax Relief	1,222.9	2,096.8	2,142.5	2,169.5	2,211.6	2,196.7	2,196.8
Change from Prior Year	3.70%	71.50%	2.18%	1.26%	1.94%	-0.67%	0.00%
Higher Education	1,404.1	1,470.5	1,523.5	1,568.7	1,589.8	1,704.8	1,816.6
Change from Prior Year	8.40%	4.70%	3.60%	2.97%	1.35%	7.23%	6.56%
Medicaid	1,167.2	1,243.7	1,393.4	1,455.1	1,514.6	1,583.2	1,663.7
Change from Prior Year	2.60%	6.60%	12.04%	4.43%	4.09%	4.53%	5.08%
Correction	594.0	619.4	620.9	584.0	589.2	615.7	635.5
Change from Prior Year	2.00%	4.30%	0.25%	-5.94%	0.89%	4.50%	3.22%
Other	1,634.2	1,613.0	1,528.0	1,600.2	1,712.8	1,834.0	1,871.4
Change from Prior Year	2.60%	1.30%	-5.27%	4.73%	7.04%	7.08%	2.04%
Total	10,163.5	11,399.7	11,655.8	11,894.5	12,246.8	12,730.0	13,220.3
Change from Prior Year	5.00%	12.20%	2.25%	2.05%	2.96%	3.95%	3.85%
Property Tax Relief (P.L. 146-2008)[3]	-	-	-	-	-	149.7	1,122.4
Total (with P.L. 146-2008)	-	-	-	-	-	12,879.7	14,342.8
Change from Prior Year	-	-	-	-	-	-	11.36%

[1] Actual, but unaudited, expenditures.

[2] Appropriations.

[3] Appropriations, as made in HEA 1001-2007 and HEA 1001-2008 (P.L. 146-2008). P.L. 146-2008, the Governor's property tax reform legislation, requires the State to assume a number of local levies, including 100% of the Tuition Support Levy ($1,194.7 million), the Family and Children Levy ($240.0 million), the Child Psychiatric Services Fund Levy ($10.2 million), the Medical Assistance to Wards Levy ($12.2 million), the Children with Special Health Care Needs Levy ($5.2 million), the Hospital Care for the Indigent Levy ($33.6 million), the Pre-School Special Education Levy ($3 million), the State Fair Levy ($1.3 million), and the State Forestry Levy ($2.5 million). It also replaces a portion of the Property Tax Replacement Credits with Homestead Credits ($690 million), School Circuit Breaker Replacement Credits ($25 million), and Increased Tuition Support for New Facilities Appeals ($10 million). P.L. 146-2008 also provides $48.6 million for Public Safety Pension costs and $10 million for Marion County Health and Hospital, costs previously borne by local government. These expenditures will be allocated across the appropriate categories in future reporting periods.

Source: State Budget Agency

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

Local school aid includes distributions for programs such as assessment and performance, as well as tuition support. The General Assembly established the State's calendar year 1972 funding level as the base for local school aid.

Prior to January 1, 2003, the State provided approximately 66% of school corporations' general fund budgets. As a result of the tax restructuring legislation enacted in 2002, the State now provides approximately 85% of the school corporations' general fund budgets. As part of the property tax reform legislation enacted by P.L. 146-2008, the State will assume responsibility for the local share of tuition support and will provide 100% of the tuition support for school corporation general funds beginning in January 2009. Also included in P.L. 146-2008 are appropriations for new facilities appeals ($10 million), a preschool special education levy ($3 million), and circuit breaker replacement credits ($25 million), each of which were formerly paid by local property taxes.

Partly due to the assumption of the local share of tuition support by the state, local school aid formula funding for tuition support will increase 30.2% for Fiscal Year 2009 on a statewide basis. Local school aid expenditures for Fiscal Year 2009 are expected to total $6.313 million. *See* "Financial Results of Operations."

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

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

Higher Education. Through the General Fund, the State supports seven higher education institutions, Ball State University, Indiana University, Indiana State University, Ivy Tech Community College of Indiana, Purdue University, University of Southern Indiana and Vincennes University. Higher education expenditures for Fiscal Year 2008 are $1,704.8 million, an increase of 7.2% from Fiscal Year 2007. Higher education appropriations for Fiscal Year 2009 are $1,816.6 million, an increase of 6.6%. Appropriations for higher education include university operating appropriations, university fee-replaced debt service appropriations, university line item appropriations, other higher education line item appropriations, university repair and rehabilitation appropriations, university capital project appropriations, and appropriations for state student aid. The General Assembly appropriated $40.0 million in Fiscal Year 2007 and $31.0 million in both Fiscal Year 2008 and Fiscal Year 2009 to reduce and eliminate by June 30, 2009 the repair and rehabilitation payment delay to State colleges and universities. The State Fiscal Years 2007 and 2008 funds have been paid to the Universities. *See* "Financial Results of Operations."

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

The aggregate principal amount of bonds and notes outstanding as of June 30, 2008, for each State university and college eligible for Fee Replacement Appropriations and the amount of Fee Replacement Expenditures or Appropriations for Fiscal Year 2008, and 2009 are shown below.

Table 3
Schedule of Fee Replacement Debt

	Amount of Debt Outstanding June 30, 2008	Fiscal Year 2008 Fee Replacement Expenditures	Fiscal Year 2009 Fee Replacement Appropriations
Ball State University	$116,325,000	$8,308,663	$14,064,079
Indiana University [1]	463,264,514	69,779,674	73,525,792
Indiana State University	69,474,679	9,110,369	10,224,769
Ivy Tech Community College	199,358,000	20,737,163	27,967,850
Purdue University[2]	257,889,988	21,361,216	33,100,762
University of Southern Indiana	75,792,432	9,484,540	10,996,853
Vincennes University	47,224,297	5,364,213	6,700,593
Total	$1,229,328,910	$144,145,838	$176,580,698

[1] Includes its regional campuses other than Indiana University-Purdue University at Fort Wayne.
[2] Includes its regional campuses other than Indiana University-Purdue University at Indianapolis.

Source: State Budget Agency

Medicaid. The fourth largest expenditure from the General Fund is Medicaid. Medicaid is a state/federal shared fiscal responsibility with the state supporting 35.74% of the total program through a combination of State General Fund and dedicated funds. Federal funding accounts for the remaining 64.26%. For Fiscal Year 2008, state Medicaid expenditures totaled $1,583.2 million. In Fiscal Year 2009, state Medicaid appropriations total $1,663.7 million. The Medicaid forecast presented to the Budget Committee on December 13, 2007, projects expenditures to come in below the appropriated level. The increases in cost are due to projected reimbursement for physicians and continued increases in enrollment. Enrollment was 821,156 at the end of Fiscal Year 2008 and expected to reach 837,285 by the end of Fiscal Year 2009 (these figures exclude the Children's Health Insurance Program). In addition, Indiana is expected to have the federal reimbursement rate increased from 62.7% to 65.93% in Fiscal Year 2010. This increase is forecasted to enable the State to use the currently appropriated general fund dollars to help cover increased costs of the program while remaining within the appropriation.

Correction. The fifth largest operating expenditure, payable almost entirely from the General Fund, is for the Department of Correction. Appropriations for the Department of Correction include funds for incarceration, rehabilitation and parole programs. Correction expenditures for Fiscal Year 2008 were $615.7 million. Fiscal Year 2009 appropriations equal $635.5 million, an increase of 3.2% over Fiscal Year 2008 expenditures.

Correctional population is the most significant driver of Correction expenditures. Correctional population steadily increased from 21,540 in Fiscal Year 2001 to a projected 28,768 in Fiscal Year 2008 and is projected to reach approximately 29,315 by the end of Fiscal Year 2009.

Other. The balance of State expenditures is composed of spending for a combination of other purposes, the principal ones being the costs of institutional care and community programs for persons with mental illnesses and developmental disabilities, the State's administrative operations, the State's share of public assistance payments, the General Fund share of State Police costs, economic development programs and General Fund expenditures for capital improvements. Other categories estimated expenditures for Fiscal Year 2008 from the General Fund total $1,834 million. For Fiscal Year 2009, Other categories of General Fund expenditures are expected to be $1,871 million based on appropriations and current projections.

Expenditure Limits. In 2002, the General Assembly enacted a law establishing a state spending cap. The law provides that the maximum annual percentage growth in state's spending cap from the General Fund and the Property Tax Replacement Fund must be the lesser of the average percentage change in Indiana non-farm personal income during the past six calendar years or 6%. At present, state expenditures are below the spending cap. The law excludes expenditures from revenue derived from gifts, federal funds, dedicated funds, intergovernmental transfers, damage awards and property sales. Expenditures from the transfer of funds between the General Fund, the PTR Fund and the Rainy Day Fund, reserve fund deposits, refunds of intergovernmental transfers, state capital projects, judgments and settlements, distributions of specified State tax revenue to local governments and Motor Vehicle Excise Tax replacement payments are also exempt from the expenditure limit. The expenditure limit is applied to appropriations from the General Fund, the PTR Fund and the Rainy Day Fund.

The law directs the Budget Agency to compute a new State spending growth quotient before December 31 in each even-numbered year. The State spending growth quotient is equal to the lesser of the six-year average increase in Indiana non-farm personal income or 6%. The legislation allows the state spending cap to be increased or decreased to account for new or reduced taxes, fees, exemptions, deductions or credits adopted after June 30, 2002. The Budget Agency computed the spending growth quotient for Fiscal Years 2008 and 2009 to be 3.7% and 4.0%, respectively.

Fund Balances

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

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

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

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

All earnings from the investment of the Rainy Day Fund balance remain in the Rainy Day Fund. Money in the Rainy Day Fund at the end of a Fiscal Year does not revert to the General Fund. If the balance in the Rainy Day Fund at the end of a Fiscal Year exceeds 7.0% of total General Fund revenue for the Fiscal Year, the excess is transferred from the Rainy Day Fund to the PTR Fund. The excess will be transferred to the General Fund after December 31, 2008. *See* Table 4 for Rainy Day Fund balances.

State Tuition Reserve. The Tuition Reserve was a cash flow device intended to assure that the State had sufficient cash to make local school aid payments on time. Prior to each June 1, the Budget Agency estimated and established the Tuition Reserve for the ensuing Fiscal Year. *See* Table 4 for Tuition Reserve Fund balances. P.L. 146-2008 formally created the State Tuition Reserve Fund to which the balance of the Tuition Reserve was transferred and can only be used to make local school aid payments. An additional $50 million was deposited in the Tuition Reserve Fund on June 30, 2008, two-and-a-half years before the legislative deadline of December 31, 2010.

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

Combined General and PTR Fund. The PTR Fund was created by statute in Fiscal Year 1973. It is funded from revenue from the State sales and use tax, a portion of individual income tax receipts and wagering taxes. The PTR Fund is used to (a) replace local property tax levies ("PTR Credits"), which were reduced through PTR Credits under the same statute that created the PTR Fund, and (b) fund local school aid. To the extent the PTR Fund does not have sufficient revenue to make authorized payments, General Fund transfers must be made to the PTR Fund.

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

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

Financial Results of Operations

The State closed Fiscal Year 2008 with combined balances of $1,413.1 million in the General and PTR funds, which was 10.7% of that Fiscal Year's operating revenue. This combined balance includes a General Fund balance of $592.5 million, a Tuition Reserve balance of $400.0 million, and a Rainy Day Fund balance of $363.0 million. It also includes $57.6 million in the Medicaid Reserve.

Fiscal Year 2008 was highlighted by a third consecutive balanced budget. Revenues exceeded expenditures in Fiscal Year 2008 by $321.4 million. The Indiana General Assembly authorized and the Governor approved the repayment of $240.8 million to higher education and municipalities in Fiscal Year 2008 and $31.1 million to higher education in Fiscal Year 2009.

Revenue Forecast for Fiscal Years 2008 and 2009

The Technical Forecast Committee (the "Forecast Committee") presented an updated forecast of State revenue for Fiscal Years 2008 and 2009 to the State Budget Committee on December 13, 2007. Fiscal Year 2008 revenue increased by $304.4 million (or 2.4%) over Fiscal Year 2007 revenue. Under the forecast, Fiscal Year 2009 State revenue is projected to increase by $232.6 million (or 1.8%) over Fiscal Year 2008.

P.L. 146-2008 increased the sales tax from 6.0% to 7.0% effective April 1, 2008, as part of the property tax reform legislation. The increase generated $151.6 million in FY 2008, and is projected to generate $899.2 million in FY 2009. P.L. 146-2008 also increased projected individual income tax collections for Fiscal Year 2009 by $131.5 million due to state-captured miscellaneous revenues ($141.7 million) and the loss of $10.2 million due to an increase in the renter's deduction. P.L. 146-2008 increased projected wagering tax collections for Fiscal Year 2009 to the General Fund by $108.2 million, caused by the elimination of the Property Tax Reduction Trust Fund on December 31, 2008. P.L. 146-2008 decreased projected "Other" collections for Fiscal Year 2009 by $11.4 million due to the loss of reimbursement for juvenile incarceration costs previously borne by local units.

Combined Balance Statements

Table 4 sets forth the Budget Agency's unaudited end-of-year combined balance statements and estimates and projections, including revenue and other resources, expenditures and balances at the end of each Fiscal Year.

For past Fiscal Years, the balances reflect actual revenue and other resources and expenses before adjustments to the modified accrual basis of accounting. As a result, the Budget Agency's "working" statements may differ from the results included in the 2007 Financial Report or the Auditor of State's comprehensive annual financial reports for other Fiscal Years. Forecasted revenue is developed by the Technical Forecast Committee, and actual revenue may be higher or lower than forecasted. Actual revenue growth for the first four months of this fiscal year has been flat. The next forecast is expected on December 11, 2008. Estimates of other resources and uses were developed by the Budget Agency taking into account historical resources and appropriations as well as other variables, including the budget for Fiscal Years 2008 and 2009.

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

	Actual FY2005	Actual FY2006	Actual FY2007	Actual FY2008	Estimated FY2009[1]
Resources:					
Working Balance on July 1	$0.2	$118.8	$410.7	$537.2	$592.5
Current Year Resources:					
Forecast Revenue	11,436.4	12,060.6	12,626.2	12,930.6	13,163.2
Miscellaneous Revenue	-	-	-	35.9	15.0
P.L. 146-2008 Revenue	-	-	-	151.6	1,127.5
DSH Revenue	52.0	82.0	65.1	65.2	67.0
Tax Amnesty[2]	-	228.8	-	-	-
Quality Assessment Fee	-	62.7	21.7	19.7	18.0
Rainy Day Fund Interest and Repayment of Loans	-	11.6	14.6	18.8	12.8
Jobs & Growth Tax Relief Reconciliation Act of 2003 (including Medicaid)	-	-	-	-	-
2007 Outside Acts	-	-	9.8	-	-12.8
2008 Outside Acts	-	-	-	-	-5.6
Transfer from Medicaid Reserve to General Fund	-	-	-	30.0	-
Transfer from Dedicated Fund Balances	245.4	-	1.2	-	-
Transfer from Tuition Reserve	-	-	-	-	-
Transfer From (To) Rainy Day Fund	-87.2	-	-	-	-
Total Current Year Resources	11,646.6	12,445.7	12,738.6	13,251.8	14,385.1
Total Resources	11,646.8	12,564.5	13,149.3	13,789.0	14,977.6
Uses: Appropriations, Expenditures and Reversions:					
Appropriations					
Budgeted Appropriations	11,522.0	12,076.4	12,246.0	13,001.9	13,427.1
Adjustments to Appropriations[3]	-4.1	-29.3	-32.5	-0.6	-
Enrolled Acts 2006	-	25.2	69.6	-	-
Enrolled Acts 2008 (excluding P.L. 146-2008)	-	-	-	-	12.8
P.L. 146-20008 Net Appropriations	-	-	-	149.7	1,122.4
Medicaid Shortfall	117.0	-	-	-	-
Teachers' Retirement Fund	190.0	-	-	-	-
Tuition Support Deficiency	20.0	20.1	56.1	-	-
Total Appropriations	11,844.9	12,092.4	12,339.2	13,151.0	14,562.3

Other Expenditures and Transfers					
Transfer to Tuition Reserve	-	26.1	-	83.4	-
Transfer to Medicaid Contingency	-	10.0	-	-	-
Local Option Income Tax Distributions	-	37.5	35.2	11.8	-
PTRC and Homestead Credit Adjustments	-101.0	-61.9	-25.9	-38.0	78.7
Judgments and Settlements[4]	6.1	5.9	11.4	6.6	8.0
Total Appropriations and Expenditures	11,750.0	12,110.0	12,359.9	13,214.8	14,649.0
Payment Delays			-		
Higher Education Allotment	-3.9	-	40.0	-	-
Tuition Support Distribution	-	156.4	160.1	-	-
Property Tax Replacement Credit	-	-	136.5	95.7	-105.5
Reversions[5]	-218.1	-124.9	-118.9	-132.8	-91.0
Total Net Uses	11,528.0	12,141.5	12,577.9	13,177.7	14,452.5
Auditor's Adjustment	-	0.8	-	-	-
General Fund Reserve Balance at June 30	118.8	410.6	537.2	592.5	512.3
Reserved Balances					
Medicaid Reserve	24.0	34.0	87.6	57.6	57.6
Tuition Reserve	290.5	316.6	316.6	400.0	400.0
Rainy Day Fund	316.5[7]	328.1[7]	344.3[7]	363.0[7]	375.8[7]
Total Combined Balances	749.8	1,089.3	1,285.7	1,413.1	1,345.7
Payment Delay Liability	-726.8	-622.1	-285.5	-31.1	0.0
Combined Balance as a Percent of Operating Revenue	6.5%	9.0%	10.1%	10.7%	9.4%

*Totals may not add as a result of rounding.

(1) Revenues are those projected by the Technical Forecast Committee on December 13, 2007; appropriations are those authorized by the 2007 General Assembly for Fiscal Years 2008 and 2009.
(2) Net of $15.8 million expenses.
(3) Adjustments to appropriations by augmentation, transfer and open-ended appropriations and other reconciling adjustments made as part of the end-of-Fiscal Year closing process are shown in total.
(4) Represents the estimated cost to the State of judgments and other legal and equitable claims. No reserve fund is established for judgments or other legal or equitable claims against the State. Judgments and other such claims must be paid from appropriations or balances. *See* "LITIGATION."
(5) $55.3 million of reversions in FY2007 represent capital reversions, previously reported as reverting in FY2005.
(6) Includes loans to local governments authorized by the General Assembly. The loans are illiquid.
(7) Net of outstanding loans to local governments.

Source: State Budget Agency

Toll Road Lease

In 2006, the General Assembly enacted legislation authorizing the Indiana Finance Authority to lease the Indiana Toll Road to a private entity to operate for a term not to exceed 75 years. A lease agreement with ITR Concession Company LLC was signed in April 2006 and the transaction was closed on June 29, 2006. Shortly after the closing, the revenues from the lease, $3.8 billion (net of expenses and the bond repayments), were transferred to a trust fund or are being used to fund nearly 200 statewide transportation and economic growth projects throughout the State.

STATE INDEBTEDNESS

Constitutional Limitations on State Debt

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

Other Debt, Obligations

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

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

Obligations Payable from Possible State Appropriations

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

Indiana Finance Authority. Before 2005, there had been numerous bodies corporate and politic of the State, with separate decision making and borrowing authority, that issued bonds and otherwise accessed the financial markets. On May 15, 2005, to provide economic efficiencies and management synergies and to enable the State to communicate, with a single voice, with the various participants in the financial markets, the Indiana Development Finance Authority, the State Office Building Commission, the Indiana Transportation Finance Authority, the Recreational Development Commission, the State Revolving Fund Programs, and the Indiana Brownfields Program were consolidated into the Indiana Finance Authority. Effective July 1, 2007, the Indiana Health and Educational Facility Financing Authority was also merged into the Indiana Finance Authority. As the successor entity, the Indiana Finance Authority has assumed responsibility for the financing of certain buildings, highways, aviation facilities and recreation facilities.

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

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

The Indiana Finance Authority also provides (and its predecessor, the State Office Building Commission, had provided) short-term, or construction, financing for authorized projects through the issuance of commercial paper, in an aggregate amount not to exceed $75 million, payable from proceeds of its revenue bonds.

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

In 2005, legislation was enacted that authorizes the Indiana Finance Authority to issue grant anticipation revenue bonds to finance highway projects eligible for federal highway revenues. However, none have been issued to date.

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

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

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

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

Bond Bank. The Indiana Bond Bank issued its revenue bonds, payable from possible State appropriations, to finance or refinance certain State interests or initiatives, including the State's Animal Disease and Diagnostic Laboratory ("ADDL") at Purdue University, West Lafayette, and the Columbus Learning Center ("CLC"), an educational facility to be used by a number of State post-secondary educational institutions to provide services in South Central Indiana. *See* "Table 5—Schedule of Long Term Debt—Obligations Payable from Possible State Appropriations—Bond Bank" and "Table 8—Schedule of Long Term Debt—Contingent Obligations—Bond Bank." For a description of other powers and responsibilities of the Bond Bank, including its authority to issue other debt, *see* "Contingent Obligations—Indiana Bond Bank" and Table 8.

Schedule of Long Term Debt. Table 5 lists, by type of financing, long-term debt that is subject to possible State appropriations as of June 30, 2008. *See* "Authorized but Unissued Debt."

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

Type/Series	Original Par Amount	Ending Balance 6/30/2007	(Redeemed)/ Issued	Ending Balance 6/30/2008
STATE BUILDINGS				
Forensic & Health Sciences Lab				
Series 2006A	$62,900,000	$62,900,000	$0	$62,900,000
Subtotal	$62,900,000	$62,900,000	$0	$62,900,000
Government Center Parking Facilities				
Series 1990A	$26,669,824	$7,135,256	($420,039)	$6,715,217
Series 2003A	26,735,000	20,370,000	(2,980,000)	17,390,000
Subtotal	$53,404,824	$27,505,256	($3,400,039)	$24,105,217
Government Center North				
Series 1990B	$77,123,542	$22,132,887	($1,302,688)	$20,830,199
Series 2003B	73,205,000	62,240,000	(5,700,000)	56,540,000
Subtotal	$150,328,542	$84,372,887	($7,002,688)	$77,370,199
Government Center South				
Series 1990C	$18,063,800	$4,832,470	($283,810)	$4,548,660
Series 1990D	110,675,000	46,180,000	(8,045,000)	38,135,000
Series 2000B	43,400,000	14,600,000	(200,000)	14,400,000
Series 2003C	7,835,000	6,565,000	(630,000)	5,935,000
Subtotal	$179,973,800	$72,177,470	($9,158,810)	$63,018,660
Other Facilities				
Series 1995B	47,975,000	19,310,000	0	19,310,000
Series 1998A	93,020,000	67,260,000	(5,365,000)	61,895,000
Series 1999A	96,785,000	27,560,000	(4,075,000)	23,485,000
Series 2000A	44,800,000	34,500,000	(1,900,000)	32,600,000
Series 2001A	66,600,000	58,800,000	(2,300,000)	56,500,000
Series 2002A	128,110,000	55,970,000	(4,955,000)	51,015,000
Series 2003A	83,530,000	44,035,000	(3,050,000)	40,985,000
Series 2003B	31,930,000	30,745,000	(1,215,000)	29,530,000
Series 2003C	55,075,000	55,075,000	0	55,075,000

Series 2003D	20,475,000	20,250,000	(2,000,000)	18,250,000
Series 2004A	46,180,000	46,125,000	(65,000)	46,060,000
Series 2004B	61,890,000	61,890,000	0	61,890,000
Series 2004C	33,950,000	33,950,000	0	33,950,000
Series 2004D	33,995,000	33,995,000	0	33,995,000
Series 2004E	57,005,000	57,005,000	0	57,005,000
Subtotal	$901,320,000	$646,470,000	($24,925,000)	$621,545,000
TOTAL STATE BUILDINGS	$1,347,927,166	$893,425,613	($44,486,537)	$848,939,076
HIGHWAY REVENUE BONDS				
Series 1990A	$72,498,391	$28,455,477	($520,478)	$27,935,000
Series 1992A	74,035,000	35,285,000	0	35,285,000
Series 1993A	193,531,298	101,326,298	(8,040,000)	93,286,298
Series 1996B	27,110,000	3,485,000	(3,485,000)	0
Series 1998A	175,360,000	70,500,000	(11,670,000)	58,830,000
Series 2000	269,535,000	16,235,000	0	16,235,000
Series 2003A	431,585,000	126,475,000	(11,465,000)	115,010,000
Series 2004A	320,550,000	11,645,000	0	11,645,000
Series 2004B	147,345,000	147,345,000	0	147,345,000
Series 2004C	146,080,000	146,080,000	0	146,080,000
Series 2007A	642,300,000	642,300,000	0	642,300,000
TOTAL HIGHWAYS	$2,499,929,689	$1,329,131,775	($35,180,478)	$1,293,951,298
AVIATION FACILITIES				
Airport Facilities Bonds				
Series 2004A	$56,025,000	$56,025,000	($56,025,000)	$0
Series 2004B	79,825,000	79,825,000	(79,825,000)	0
Series 2004C	68,700,000	64,700,000	(64,700,000)	0
Series 2008A	127,655,000	0	127,655,000	127,655,000
Series 2008B	51,485,000	0	51,485,000	51,485,000
Subtotal	383,690,000	$200,550,000	($21,410,000)	$179,140,000
Aviation Technology Bonds				
Series 2002	$10,095,000	$8,150,000	($595,000)	$7,555,000
Subtotal	$10,095,000	$8,150,000	($595,000)	$7,555,000
TOTAL AVIATION FACILITIES	$393,785,000	$208,700,000	($22,005,000)	$186,695,000
RECREATIONAL FACILITIES				
Series 1997	$6,600,000	$4,550,000	($280,000)	$4,270,000
Series 2002	14,400,000	13,385,000	(820,000)	12,565,000
Series 2004	12,780,000	12,780,000	(365,000)	12,415,000
TOTAL RECREATIONAL FACILITIES	$33,780,000	$30,715,000	($1,465,000)	$29,250,000

BOND BANK				
Series 1998A (ADDL)	$10,830,000	$4,195,000	($860,000)	$3,335,000
TOTAL BOND BANK	$10,830,000	$4,195,000	($860,000)	$3,335,000
TOTAL ALL BONDS	**$4,286,251,855**	**$2,466,167,388**	**($103,997,015)**	**$2,362,170,374**

Source: Indiana Finance Authority (as of June 30, 2008). Excludes accreted value of capital appreciation bonds.

Scheduled Principal and Interest Payments. Table 6 lists principal and interest payments payable from possible State appropriations (not including debt that has been defeased) as of June 30, 2008. *See* "Authorized but Unissued Debt."

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

Type/Series	FY 2009	FY2010	FY2011	FY2012	Thereafter
STATE BUILDINGS					
Forensic & Health Sciences Lab					
Series 2006A	$4,814,965	$4,812,165	$4,811,065	$4,811,465	$76,465,680
Subtotal	$4,814,965	$4,812,165	$4,811,065	$4,811,465	$76,465,680
Government Center Parking Facilities					
Series 1990A	$1,948,050	$468,050	$468,050	$468,050	$7,517,325
Series 2003A	3,696,013	3,676,763	3,672,863	3,668,863	4,845,306
Subtotal	$5,644,063	$4,144,813	$4,140,913	$4,136,913	$12,362,631
Government Center North					
Series 1990B	$6,041,880	$1,451,880	$1,451,880	$1,451,880	$23,318,520
Series 2003B	8,567,178	8,547,803	8,538,803	8,528,928	34,073,256
Subtotal	$14,609,058	$9,999,683	$9,990,683	$9,980,808	$57,391,776
Government Center South					
Series 1990C	$1,317,090	$317,090	$317,090	$317,090	$5,092,525
Series 1990D	10,934,615	10,920,515	10,893,980	10,867,423	0
Series 2000B[(1)]	1,053,000	1,041,000	1,029,000	1,017,000	13,668,000
Series 2003C	876,288	873,138	870,838	867,538	3,476,394
Subtotal	$14,180,993	$13,151,743	$13,110,908	$13,069,050	$22,236,919
Other Facilities					
Series 1995B	$1,206,875	$3,081,406	$3,067,719	$3,069,375	$15,292,188
Series 1998A	8,524,424	8,524,231	8,529,831	8,518,671	42,426,131
Series 1999A	5,392,457	5,379,500	772,538	772,538	20,132,606
Series 2000A[(1)]	3,846,000	3,820,500	3,789,000	3,657,000	30,334,500
Series 2001A[(1)]	5,650,670	5,701,540	5,639,984	5,671,922	61,459,835
Series 2002A	7,601,597	7,591,828	7,591,813	7,576,794	39,776,175
Series 2003A	5,064,090	5,070,903	5,056,965	5,062,963	37,557,028
Series 2003B	2,551,260	2,553,310	2,546,925	2,545,245	32,854,615
Series 2003C[(1)]	3,304,500	3,304,500	3,983,500	4,766,000	72,853,750

Series 2003D[1]	3,017,750	1,164,500	1,176,750	1,163,250	21,752,250
Series 2004A	2,478,375	2,481,894	7,080,194	7,062,156	42,062,544
Series 2004B	3,249,225	3,249,225	3,249,225	3,249,225	78,864,825
Series 2004C	1,779,285	1,779,285	1,779,285	1,789,141	44,133,811
Series 2004D	2,665,338	2,660,963	2,662,425	2,657,188	42,195,008
Series 2004E	4,501,620	4,491,295	4,492,306	4,489,638	71,241,084
Subtotal	$60,923,466	$60,854,880	$61,427,458	$62,051,104	$652,936,349
TOTAL STATE BUILDINGS	$100,172,545	$92,963,284	$93,481,025	$94,049,339	$821,393,355
HIGHWAY REVENUE BONDS					
Series 1990A	$3,490,288	$2,694,075	$3,880,388	$6,708,863	$20,136,300
Series 1992A	2,399,380	2,399,380	6,364,810	6,351,320	31,596,720
Series 1993A	12,573,200	12,621,413	12,268,900	14,435,250	113,256,350
Series 1998A	15,277,573	14,145,244	1,896,950	1,896,950	51,689,325
Series 2000	901,575	901,575	901,575	901,575	18,574,418
Series 2003A	17,328,946	17,295,396	17,297,726	17,311,558	87,183,148
Series 2004A	603,315	603,315	603,315	603,315	15,766,990
Series 2004B	8,192,175	8,192,175	8,192,175	8,192,175	199,516,363
Series 2004C	7,858,988	9,111,863	9,188,988	16,581,113	190,748,031
Series 2007A	33,228,283	33,210,383	41,533,170	28,574,845	978,206,806
TOTAL HIGHWAYS	$101,853,722	$102,174,819	$102,127,996	$101,556,963	$1,706,764,450
AVIATION FACILITIES					
Airport Facilities Bonds					
Series 2008A	7,003,295	6,382,750	6,382,750	14,689,750	140,499,875
Series 2008B	15,903,107	16,282,910	15,917,804	7,185,549	0
Subtotal	$22,906,402	$22,665,660	$22,300,554	$21,875,299	$140,499,875
Aviation Technology Bonds					
Series 2002	$954,728	$950,033	$953,398	$954,769	$5,726,758
Subtotal	$954,728	$950,033	$953,398	$954,769	$5,726,758
TOTAL AVIATION FACILITIES	$23,861,130	$23,615,693	$23,253,951	$22,830,068	$146,226,633
RECREATIONAL FACILITIES					
Series 1997	$520,430	$520,111	$518,636	$520,963	$3,618,250
Series 2002	1,454,545	1,488,361	1,522,793	1,562,493	10,177,341
Series 2004	1,116,808	1,129,858	1,115,208	1,162,873	12,233,056
TOTAL RECREATIONAL FACILITIES	$3,091,783	$3,138,330	$3,196,636	$3,246,328	$26,028,648
BOND BANK					
Series 1998A (ADDL)	$1,043,548	$1,042,598	$1,044,130	$522,113	$0
TOTAL BOND BANK	$1,043,548	$1,042,598	$1,044,130	$522,113	$0
TOTAL ALL BONDS	**$230,022,728**	**$222,934,723**	**$223,103,739**	**$222,204,810**	**$2,700,323,085**

[1]Debt service on variable rate debt is estimated by assuming an interest rate of 6%.

Source: Indiana Finance Authority (as of June 30, 2008)

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

Fiscal Year	Population[1]	Personal Income[1][2]	Outstanding Debt Subject to Appropriation[2]	Debt/Capita	Debt/Income
1999	5,942,901	$154,842	$1,228	$207	0.8%
2000	6,091,735	165,285	1,569	258	0.9%
2001	6,125,525	167,881	1,624	265	1.0%
2002	6,151,102	172,474	1,713	278	1.0%
2003	6,184,519	178,675	1,774	287	1.0%
2004	6,218,863	186,210	2,494	401	1.3%
2005	6,257,121	193,348	2,518	402	1.3%
2006	6,302,646	203,502	2,460	390	1.2%
2007	6,345,289	213,302	2,466	389	1.2%
2008	6,345,289	213,302	2,362	372	1.1%

(1) Estimated.
(2) In millions.

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

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

(a) Two additional regional mental health facilities;

(b) State-wide wireless public safety communications network; and

(c) Parking facilities in the area of the state capitol complex.

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

The Indiana Finance Authority may initially provide short-term, or construction, financing for these facilities through its commercial paper program. At June 30, 2008, $75,000,000 principal amount of commercial paper was authorized and $9,852,000 principal amount of commercial paper was outstanding.

See "State Indebtedness – Contingent Obligations – Economic Development" for a description of the revenue bonds the Indiana Finance Authority expects to issue for the Stadium and Convention Center expansion projects.

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

Contingent Obligations

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

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

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

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

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

The total amount of bonds and notes which the Bond Bank may have outstanding at any one time (except bonds or notes issued to fund or refund bonds or notes) is limited to $1.0 billion plus (a) up to $200 million for certain qualified entities that operate as rural electric membership corporations or as corporations engaged in the generation and transmission of electric energy and (b) up to $30 million for certain qualified entities that operate as telephone cooperative corporations. However, these limits do not apply to bonds or notes not secured by a reserve fund eligible for State appropriations.

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

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

Pursuant to this authority, the Indiana Transportation Finance Authority and its predecessors issued their revenue bonds (the "Toll Road Bonds") to finance and refinance the construction and improvement of the 157-mile Indiana East-West Toll Road (the "Toll Road") in northern Indiana, which links the Chicago Skyway and the Ohio Turnpike. These bonds were redeemed on June 29, 2006 and are no longer outstanding.

In 2006, the General Assembly enacted legislation authorizing the Indiana Finance Authority to lease the Toll Road to a private entity to operate for a term not to exceed 75 years. A lease agreement with ITR Concession Company, LLC was signed in April 2006, and the transaction was closed on June 29, 2006. On June 29, 2006 a portion of the $3.8 billion in revenues from the lease was applied to pay off all of the Toll Road Bonds. See "STATE BUDGET PROFILE AND FINANCIAL RESULTS OF OPERATIONS—Toll Road Lease."

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

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

In 2005, legislation was enacted that authorizes the Indiana Finance Authority to issue revenue bonds and loan the proceeds thereof to the Indiana Stadium and Convention Building Authority for the purpose of financing the acquisition and construction of a stadium and the expansion of a convention center in Indianapolis. The legislation authorizes the Indiana Stadium and Convention Building Authority to lease such capital improvements to a State agency pursuant to a lease, which requires the State agency: (1) to seek biennial appropriations from the General Assembly in an amount sufficient to pay rent equal to the debt service due on such bonds, only if: (a) the amount of such rent is fair and reasonable; and (b) such capital improvements are available for use and occupancy; and (2) to pay, from such appropriated amounts, rent sufficient to pay such debt service, only if certain local tax revenues expected to satisfy debt service are insufficient. In addition, the Indiana Finance Authority, in connection with the issuance of such revenue bonds, may establish a debt service reserve fund and a procedure for requesting appropriations from the General Assembly to restore the debt service reserve fund to required levels. The Indiana Finance Authority has previously issued $611,525,000 of such revenue bonds and issued the Series 2008 A Bonds (Stadium Project) in the principal amount of $55,000,000 on July 24, 2008, for the stadium project. The Indiana Finance Authority issued $40,000,000 of bond anticipation notes for the convention center expansion project. The Indiana Finance Authority issued the Series 2008 A Bonds (Convention Center Expansion Project) on August 20, 2008, in the amount of $120,000,000, the proceeds of which will be used to finance the cost of the convention center expansion project and to refund the bond anticipation notes. The Indiana Finance Authority is expected to issue additional revenue bonds during the next two years in an additional principal amount of approximately $180,000,000, the proceeds of which will be used, together with other available funds, for the purpose of financing the cost of the convention center expansion projects.

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

Schedule of Long Term Debt. Table 8 lists the long term debt classified as contingent obligations that was outstanding on June 30, 2008. Debt classified as a contingent obligation is debt for which the issuing entity has agreed to, under certain circumstances, request an appropriation from the General Assembly to replenish a debt service reserve fund.

Table 8
Schedule of Long Term Debt
Contingent Obligations

Type/Series	Original Par Amount	Ending Balance 6/30/2007	(Redeemed)/ Issued	Ending Balance 6/30/2008
BOND BANK Special Program Pool				
Series 1997C	$5,010,000	$4,025,000	($4,025,000)	0
Series 1998A	6,485,000	5,130,000	(225,000)	4,905,000
Series 2000A (Refunding)	32,860,000	5,585,000	(985,000)	4,600,000
Series 2001A (Refunding)	20,840,000	12,905,000	(1,510,000)	11,395,000
Series 2001A	7,055,000	4,575,000	(315,000)	4,260,000
Series 2001B	9,500,000	7,010,000	(565,000)	6,445,000
Series 2002A	42,910,000	38,040,000	(1,325,000)	36,715,000
Series 2002C	3,940,000	2,100,000	(475,000)	1,625,000
Series 2002D	60,000,000	7,075,000	(1,295,000)	5,780,000
Series 2002E	10,155,000	9,155,000	(280,000)	8,875,000

Series 2003A	40,385,000	39,555,000	(850,000)	38,705,000
Series 2003B	8,885,000	7,270,000	(360,000)	6,910,000
Series 2003C	10,425,000	7,130,000	(835,000)	6,295,000
Series 2003D[1] (CLC)	27,515,000	27,515,000	0	27,515,000
Series 2003E	36,530,000	35,000,000	(555,000)	34,445,000
Series 2003F-1	17,155,000	12,440,000	(1,345,000)	11,095,000
Series 2004A	17,210,000	15,870,000	(680,000)	15,190,000
Series 2004B	17,590,000	15,675,000	(835,000)	14,840,000
Series 2004C	35,010,000	34,610,000	(815,000)	33,795,000
Series 2004D	29,275,000	27,630,000	(1,400,000)	26,230,000
Series 2005A	14,790,000	13,775,000	(645,000)	13,130,000
Series 2005C	11,160,000	10,780,000	(395,000)	10,385,000
Series 2005D	4,505,000	4,505,000	(130,000)	4,375,000
Series 2006B-1	12,400,000	12,400,000	(230,000)	12,170,000
Series 2006B-2	2,890,000	2,890,000	(15,000)	2,875,000
Series 2006A (Ref)	26,485,000	25,130,000	(1,030,000)	24,100,000
Series 2006C[1]	20,660,000	20,660,000	0	20,660,000
Series 2006D	13,985,000	13,110,000	(1,065,000)	12,045,000
Series 2007A (Ref)	44,915,000	44,915,000	0	44,915,000
TOTAL BOND BANK	$590,525,000	$466,460,000	($22,185,000)	$444,275,000
INDIANA FINANCE AUTHORITY				
Stadium Project Series 2005A	$400,000,000	$400,000,000	$0	$400,000,000
Stadium Project Series 2007A	211,525,000	211,525,000	0	211,525,000
TOTAL STADIUM PROJECT	$611,525,000	$611,525,000	$0	$611,525,000
TOTAL ALL BONDS	$1,202,050,000	$1,077,985,000	($22,185,000)	$1,055,800,000

[1] Qualified obligation revenues are expected to be sufficient to pay debt service. However, a portion of qualified obligation revenues are payable solely from General Assembly appropriations to the qualified entity.

Source: Indiana Finance Authority (as of June 30, 2008)

Other Entities Issuing Debt

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

Entity	Purpose of Debt Issuance
Board for Depositories	Provide guarantees for industrial development or credit enhancement for Indiana enterprises.
Indiana Housing and Community Development Authority [1]	Provide funds for construction or mortgage loans for federally assisted multi-family housing or for low and moderate income residential housing.
Ports of Indiana	Provide funds for ports and other projects.

Indiana Secondary Market for Education Loans, Inc. [2]	Provide funds for secondary market for higher education loans.
Indiana State Fair Commission	Provide funds for State fairgrounds.
State Revolving Fund Loan Program	Provide funds to assist local municipalities in financing drinking water and waste water infrastructure projects.

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

[2] A not-for-profit corporation authorized by the General Assembly.

STATE RETIREMENT SYSTEMS

There are three major State retirement systems: the Public Employees' Retirement Fund, the Indiana State Teachers' Retirement Fund and the State Police Fund. In addition, the State maintains and appropriates moneys to several other retirement plans. Each year, the boards administering the retirement systems make an actuarial investigation into the mortality, service, and compensation or salary experience of the members of the system and their beneficiaries and make a valuation of the assets and liabilities of the retirement benefits.

Public Employees' Retirement Fund

The Public Employees' Retirement Fund ("PERF") has been in existence since 1945 to provide retirement, disability and survivor benefits for most State and local government employees. PERF had been administered by a five-member Board of Trustees appointed by the Governor. On July 1, 2005, the Board of Trustees was expanded to include the State Budget Director or his designee. PERF is the State's largest pension fund and has management responsibility for pension assets of State employees, local government units, judges, legislators, prosecutors, municipal police and fire units and State conservation, gaming agent, gaming control officer and excise officials. On July 1, 2007, the State portion of PERF, the 1977 Police Officers' and Firefighters' Pension and Disability Fund ("1977 Fund"), the Judges' Retirement System, the Legislators' Retirement System, the State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan and the Prosecuting Attorneys' Retirement Fund had 68,612 active and retired members and a total actuarial value of assets equal to approximately $5.5 billion.

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

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

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

	July 1, 2003[1]	July 1, 2004[2]	July 1,2005[3]	July 1, 2006[4]	July 1, 2007
Funded Status					
Actuarial Value of Assets	$2,078,952,509	$2,138,655,367	$2,145,805,051	$2,169,619,411	$2,350,652,206
Actuarial Accrued Liability (AAL)	1,860,101,326	2,019,492,456	2,189,336,721	2,210,376,679	2,335,081,836
Unfunded/(Overfunded) AAL	(218,851,183)	(119,162,911)	43,531,670	40,757,268	(15,570,370)
Funded Ratio	111.8%	105.9%	98.0%	98.2%	100.7%
Contribution History					
Annual Required Contribution	$79,641,040	$54,579,389	$69,647,405	87,947,466	96,430,158
Actual Employer Contribution	80,795,703	90,708,898	62,759,547	72,890,131	89,800,510
Contribution Rate[5]	3.8%	4.5%	5.5%	6.3%	6.3%

(1) Second year of four year phase-in to adapt the actuarial valuation to a new census database system. Also, the 2% cost of living adjustment actuarial assumption was changed from a lifetime assumption to a 5-year assumption only.
(2) Third year of four year phase-in of a new census database system. Also, the 2% cost of living adjustment assumption for 5-years was changed to 0.5% lifetime cost of living adjustment assumption. The intention is to phase-in to a recommended 1.5% lifetime cost of living adjustment assumption in 3 years.
(3) Final year of four year phase-in of new census database system. Also, the 0.5% lifetime cost of living adjustment assumption was changed to a 1.0% lifetime cost of living adjustment assumption as part of the 3-year plan to raise the assumption to 1.5%.
(4) The 1.0% lifetime cost of living adjustment assumption was changed to a 1.5% lifetime cost of living adjustment assumption as the final step in phasing in this assumption. Also, the actuarial assumptions were revised based on the recommendations of an actuarial experience study prepared for the period 2000-2005.
(5) Contribution rate is set using the most recently completed actuarial valuation to go into effect the next fiscal year.

Source: Actuarial Valuation Report, Public Employees' Retirement Fund of Indiana, July 1, 2007.

Other PERF Plans

PERF also administers five other plans. These include the 1977 Fund, the Judges' Retirement System, the Legislators' Retirement System, the State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan and the Prosecuting Attorneys' Retirement Fund. Table 10 highlights the actuarial valuation findings for these plans as of July 1, 2007.

Table 10
Other State Plans Pension Funds
Summary of Results of Actuarial Valuation
(as of July 1, 2007)

	Judges' Retirement System	Legislators' Defined Benefit Plan	Excise Police, Gaming Agent, Gaming Control Officer & Conservation Officers' Retirement Plan	Prosecuting Attorneys' Retirement Fund	1977 Police and Firefighter Fund[2]
Funded Status					
Actuarial Value of Assets	$211,746,513	$5,035,122	$57,414,295	$23,815,045	$2,860,512,434
Actuarial Accrued Liability	283,995,165	5,169,152	74,451,094	32,052,040	2,649,525,233
Unfunded/(Overfunded) AAL	72,248,652	134,030	17,036,799	8,236,995	(210,987,201)
Funded Ratio	74.6%	97.4%	77.1%	74.3%	108.0%
Contribution History[(1)]					
Annual Required Contribution	$12,249,490	$120,006	$3,127,500	$1,043,546	$102,964,243
Actual Employer Contribution	14,661,552	100,000	3,358,672	190,000	143,271,720

[(1)] Contribution History is for Plan Year 2007
[(2)] As of January 1, 2007

Source: Actuarial Valuation Reports, July 1, 2007

The 1977 Fund provides pension and disability benefits for local police officers and firefighters hired after April 30, 1977. Benefits for the members of this plan have been funded on an actuarial basis through contributions from cities and towns and from plan members.

In addition, the PERF Board of Trustees administers a pension relief fund for those local police officers and firefighters hired before May 1, 1977. Benefits for the members of this plan have been funded on a "pay-as-you-go" basis, under which benefits are paid from current revenue provided by cities and towns and by plan members' contributions. Currently, cities and towns receive pension relief funds from the State to reimburse them for a portion of benefit expenditures. Beginning in 2009, cities and towns will be reimbursed their entire pension benefit expenditure. To provide such pension relief, the State has dedicated a portion of the State's cigarette tax revenue, liquor tax revenue, Hoosier Lottery profits, and investment earnings on the Public Deposit Insurance Fund. From time to time, the General Assembly has also appropriated general and dedicated funds to pension relief. During Fiscal Year 2008, $138 million was expended from the pension relief fund, and on June 30, 2008, the total net assets of the pension relief fund were $172.4 million.

State Teachers' Retirement Fund

The Indiana State Teachers' Retirement Fund ("TRF") administers a multiple-employer retirement fund established to provide pension benefits for teachers and their supervisors in the State's public schools. Membership in TRF is required for all legally qualified and regularly employed public school teachers. TRF provides retirement benefits, as well as death and disability benefits. TRF is administered by a six member Board of Trustees ("TRF Board"), which includes the State Budget Director and five members appointed by the Governor. The State Budget Director was added to the TRF Board on July 1, 2005 due to the fiscal importance of monitoring the TRF appropriation. On June 30, 2007, TRF had over 160,000 total members with assets totaling $8.477 billion.

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

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

For the Closed Plan, moneys to pay the related TRF benefits are provided from State appropriations as the liabilities come due each year, or on a "pay as you go" basis. This structure provides General Fund appropriations as the liabilities come due each year. To minimize the amount of future state appropriations in the Closed Plan, the State and the TRF Board established the Pension Stabilization Fund in July 1, 1995 to partially pre-fund liabilities in the Closed Plan. The Pension Stabilization Fund was funded from the General Fund, Hoosier Lottery, and gaming revenue as well as investment income and has the result of limiting the peak required annual appropriations to the Closed Plan at a 3.12% increase over the prior year based on an assumed annual investment return of 7.5%. As of June 30, 2008, the Pension Stabilization Fund balance was $2.084 billion.

For the New Plan, the State capped its pension benefit obligation by (i) shifting the obligation for all teachers hired after July 1, 1995, to local school districts and (ii) implementing a level percent of payroll current funding approach. The TRF Board sets the contribution rate for the New Plan based on an actuarial valuation of the New Plan. The New Plan was intended to be responsible not only for newly hired teachers into the schools, but also for the cost of teachers who began service before 1995 but subsequently transferred to other school corporations after 1995. The liability for these transferred teachers, which shifted from the Closed Plan to the New Plan, began to cause an unfunded liability in the New Plan. The General Assembly in 2005 addressed this growing unfunded liability in the New Plan by stopping the transfer of liabilities—therefore transferred teachers remain part of the Closed Plan which is "pay as you go". In addition, the actuarial assumptions used for calculating the contributions rate into the New Plan now include an assumption for a cost of living adjustment, thereby making the contribution rate for which local schools are liable more realistic. The TRF Board has set the current contribution rate for the New Plan96 account at 7.25%, changing to 7.0% effective January 1, 2009.

Table 11
State Teachers' Retirement Fund – New Plan
Summary of Results of Actuarial Valuation
(as of June 30, 2007)

	2002	2003	2004	2005	2006	2007
Funded Status of New Plan						
Actuarial Value of Assets	$ 621,222,272	$825,811,772	$1,038,726,916	$1,268,575,809	$2,209,267,754	$2,713,051,576
Actuarial Accrued Liability	1,166,883,205	1,392,472,616	1,649,400,668	2,010,746,868	2,363,101,528	2,827,553,780
Unfunded AAL	545,660,933	566,660,844	610,673,752	742,171,059	153,633,774	114,502,204
Funded Ratio	53.2%	59.3%	63.0%	63.1%	93.5%	95.9%

Source: Indiana State Teachers' Retirement Fund, The Report of the Annual Actuarial Valuation, June 30, 2007.

State Police Pension Trust

The State Police Pension Trust consists of two structures that provide retirement benefits to State police officers. The State makes contributions to the State Police Pension Trust from appropriations of General Fund and Motor Vehicle Highway Fund moneys. At present, members contribute and may borrow funds in an amount up to their contribution, subject to State Police Pension Advisory Board policies. Retirement benefits may not exceed one-half of either the member's highest salary in 36 consecutive months or a third year trooper's pay (depending upon the structure in which the member belongs), plus additions tied to years of service. Survivor and disability benefits may not exceed the basic pension amount. The State Police Pension Trust is funded on an actuarial basis. The Treasurer of State is custodian for the trust. Certain financial information about the State Police Pension Trust is also included in the 2007 Financial Report. *See* "FISCAL POLICIES—2007 Financial Report."

ECONOMIC AND DEMOGRAPHIC INFORMATION

Summary

Indiana's economy is growing in diversity, even as it strengthens its manufacturing roots. With an estimated 2007 Gross Domestic Product (GDP) by State of approximately $246 billion (current dollars), Indiana's economy ranks eighteenth largest in the country in terms of the value of goods and services produced. From 1997 to 2007, Indiana witnessed a significant shift in the distribution of employment between sectors. Employment in the Professional and Business Services sector increased by 27.1%, followed by a 26.7% gain in Education and Health Services and a 12.9% increase in Leisure & Hospitality Services. The Manufacturing sector is 18.1% of total employment in Indiana, a decrease from 22.5% in 1997. Manufacturing has been surpassed by Trade, Transportation and Utilities as the largest single sector of employment in Indiana.

Indiana is rich in assets with a low cost of living, a business-friendly regulatory environment and an efficient transportation system. Well-located for goods production and distribution, Indiana is within a day's drive of nearly two-thirds of the United States' population. With 10,023 miles of State highways and 1,172 miles of interstate highways, Indiana has more interstate highways passing through it than any other state. The Governor's 2006 Major Moves transportation initiative, calling for $10.6 billion invested over 10 years, will fund both maintenance and new construction for Indiana's roadways. Coupled with the elimination of the state's inventory tax and the adoption of Daylight Savings Time in 2006, Indiana becomes even more attractive as a site for production, warehousing and distribution and transportation activities.

The cost of living index for Indiana's major cities has been consistently below the national average. Indiana ranks favorably among the states in housing affordability and percent of home ownership. Electricity costs are comparatively low in Indiana due to the ready availability of ample coal reserves. According to the U.S. Energy Information Administration, year to date average retail electric utility rates through December 2007 were 22% lower than the national average for all industrial consumers; while residential retail electric bills were 23.7% lower than the national average.

The Indiana Economic Development Corporation (IEDC) is Indiana's lead economic development agency. Officially established in February 2005 to replace the state's former department of commerce, the IEDC is a public private partnership governed by a 12-member board of directors chaired by the Governor. Since its inception, the IEDC has worked with more than 575 companies from across Indiana and around the globe who have collectively committed to create more than 71,000 new jobs and invest more than $16.9 billion of private capital in their Indiana operations. In 2007 alone, the IEDC worked with 153 companies who committed to create more than 22,200 new jobs and invest more than $3.3 billion in new or expanded operations in industries ranging from advanced manufacturing, life sciences, insurance and financial services, food/agriculture, biofuels/energy and information technology.

Population

Indiana is the 15th most populous state in the United States. The capital and largest city is Indianapolis. From 2000 to 2007, the Indianapolis Metropolitan Statistical Areas ("MSA") has grown by 11.1%. While Indiana's educational attainment rate for bachelors' degrees has lagged the nation and several neighboring states, estimates from Census 2000 and the 2001-2007 American Community Survey indicate that between 2000 and 2007, the number of individuals with "some college", associates' degrees and bachelors' degrees were increasing at a substantially higher rate than the population 25 years and older. In addition, of those Hoosiers who have completed a bachelors' degree or above, 35.9% have attained masters', doctoral or professional degrees, closely matching the national average of 36.7%.

Table 12
Educational Attainment, Indiana Population 25 Years & Over

Year	Some college, no degree	Assoc Degree	BA/BS or Above	Population 25 Yrs & Over
2000	727,387	210,265	749,872	3,893,278
2001	739,281	244,714	789,776	3,882,504
2002	725,926	219,712	794,098	3,845,706
2003	747,449	253,224	811,771	3,863,200
2004	768,437	250,762	838,435	3,889,833
2005	789,952	276,886	840,876	3,956,723
2006	793,376	295,974	887,923	4,110,754
2007	803,293	293,297	914,471	4,143,159
2000-2007	10.44%	39.48%	21.95%	6.42%

Sources: Census 2000, 2001-2007, American Community Survey, September 2008

Indiana's excellent state colleges and universities attract students from around the county (the state ranks 5th nationally in terms of net in-migration of college freshman, according to the National Center for Education Studies)[1]. These schools also serve as the focus of research and development efforts, assist in the formation of small business "incubators," and award advanced degrees in fields as varied as engineering, economics and pharmacy. In 2006, based on a National Science Foundation (NSF) survey, among the nation's public universities, Indiana ranked 12th in the nation in Academic Research & Development from Institutional funding (including grants and endowments) and 11th in terms of both Industry (for-profit entities) funding and 15th in funding from "All Other" sources[2]. In the National Science Foundation 2003-2005 Science and Engineering State Profiles report, Indiana ranks in the top 20 for numbers of Doctoral Scientists, Science and Engineering (S&E) doctorates awarded, S&E and health post doctorates and graduate students in doctorate granting institutions.[3] Purdue University, Indiana University and the University of Notre Dame have all been included in the Financial Times rankings of the world's top business schools.[4]

Table 13
Population, including Selected Indiana MSAs

	2000*	2007	Percentage Change 2000-2007
Indiana	6,080,485	6,345,289	4.4%
Indianapolis MSA	1,525,104	1,695,037	11.1%
Fort Wayne MSA	390,158	410,070	5.1%
Gary PMSA	675,971	698,971	3.4%
Evansville-Henderson MSA	342,815	349,717	2.0%
South Bend MSA	316,663	316,639	0.0%
United States	281,421,906	301,621,527	7.2%

*These Indiana Metropolitan Statistical Areas were reconfigured in 2005. The above population estimates are based on the areas as defined by the Office of Management and Budget as of December 2005. Consistent aggregate historical data are not yet readily available. Source: U.S. Census Bureau, March 2008.

Section Footnotes:
[1]http://nces.ed.gov/programs/digest/d05/tables/dt05_204.asp
[2]http://www.nsf.gov/statistics/nsf07322
[3]FinancialTimes Report: Business Education http://search.ft.com/ftArticle?queryTest=Purdue+University&aje=true&id+070129000926

Employment

During this past decade, employment in Indiana has shifted significantly between sectors, reflecting the fundamental changes taking place in the state's economy and following larger trends at the national level. Although manufacturing is still the second largest sector of employment at 18% of total employment, it was the slowest growing sector from 1997 to 2007 and has undergone significant diversification and acquired an international presence in recent years. The latter is especially key for the automotive and auto parts manufacturing industries where the contributions of Toyota, Subaru and the Honda plant announced in 2006 should serve to buffer that sector from some of the current vicissitudes of the domestic auto industry. Within the Manufacturing sector, some well-paying industry components experienced significant growth over the last 5 years, either in contradiction to the national trend or surpassing the U.S. rate of growth.

Table 14
Indiana High-Growth Manufacturing Sub-sectors

NAICS	Sector Description	2002-2007 Employment Change	Indiana % Change	Indiana 2007 Annual Average Wage	U.S. % Change
3361	Motor Vehicle Manufacturing	1,470	12%	$74,497	-16%
3362	Motor Vehicle Body & Trailer Manufacturing	6,812	22%	$45,898	9%
3391	Medical Equipment & Supplies Manufacturing	3,563	24%	$60,739	-2%

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment & Wages-2002 & 2007 Annual Averages, June 2008

The fastest growing sectors overall during the last decade were Professional and Business Services, which grew by 27.1% from 1997 to 2007, followed closely by Education and Health Services (26.7% growth).

Table 15
Indiana Non-Farm Employment by Sector; December 1997 to December 2007
(Not Seasonally Adjusted)

NAICS Super Sectors	1997	Percentage of Total	2007	Percentage of Total	Growth 1997-2007
Total Non Farm	2,913,200	100%	3,020,800	100%	3.7%
Professional & Business Services	228,200	8%	290,100	10%	27.1%
Education & Health Services	322,400	12%	408,600	13%	26.7%
Leisure and Hospitality	246,800	8%	278,600	9%	12.9%
Government	403,600	14%	445,900	15%	10.5%
Other Services	105,900	4%	111,900	4%	5.7%
Construction	141,000	5%	148,300	5%	5.2%
Trade, Transportation & Utilities	611,500	21%	604,100	20%	-1.2%
Financial Activities	146,100	5%	138,400	5%	-5.2%
Information	43,700	1%	41,000	1%	-6.2%
Natural Resources & Mining	7,600	0%	7,000	0%	-7.9%
Manufacturing	655,900	23%	546,900	18%	-16.6%
Services Providing	2,108,700	72%	2,318,600	77%	10.0%
Goods Producing	804,500	28%	702,200	23%	-12.7%

Source: U.S. Bureau of Labor Statistics, Current Employment Survey, March 2008

Table 16
Unemployment Rate
(Annual Averages of Monthly Data)

Year	Indiana	U.S.	Indiana as Percentage of U.S.
1997	3.3	4.9	71.4%
1998	2.9	4.5	68.9%
1999	2.9	4.2	71.4%
2000	2.9	4.0	80.0%
2001	4.2	4.7	93.6%
2002	5.2	5.8	87.9%
2003	5.3	6.0	85.0%
2004	5.3	5.5	96.4%
2005	5.4	5.1	105.9%
2006	4.9	4.6	106.5%
2007	4.5	4.6	97.8%

Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, April 2008

Income

In 2007, Indiana's preliminary per capita personal income reached $33,616, increasing 4.1% from 2006. During the past ten years, Indiana's personal income grew at an average annual rate of 3.8%. Indiana's personal income has grown more rapidly than the nation's in the early years of a recovery and more slowly during the later stages.

Table 17
Growth in Per Capita Personal Income
(Current Dollars)

Year	Indiana	U.S.	Indiana	U.S.
1997	23,306	25,334	4.2%	4.8%
1998	24,894	26,883	6.8%	6.1%
1999	25,615	27,939	2.9%	3.9%
2000	27,133	29,845	5.9%	6.8%
2001	27,407	30,574	1.0%	2.4%
2002	28,040	30,821	2.3%	0.8%
2003	28,891	31,504	3.0%	2.2%
2004	29,943	33,123	3.6%	5.1%
2005	30,900	34,757	3.2%	4.9%
2006	32,288	36,714	4.5%	5.6%
2007(p)	33,616	38,611	4.1%	5.2%
Average Annual Growth Rate (1997-2007):			3.8%	4.4%
Total Growth Rate (1997-2007):			41.5%	47.9%

Source: U.S. Department of Commerce, Bureau of Economic Analysis, March 2008

Gross Domestic Product by State

With an estimated 2007 Gross Domestic Product by State of approximately $246.4 billion, Indiana's economy ranks eighteenth largest in the country in terms of the value of goods and services produced. Since 2002, Indiana's Gross Domestic Product by State has grown at an average annual rate of 4.0% (current dollars).

Table 18
Indiana Gross Domestic Product by Sector; 1998 to 2007
(Millions of Current Dollars)

NAICS Industry Sectors	1998	Percentage of Total	2007	Percentage of Total	Percentage Growth 1998-2007
Arts, entertainment, and recreation	$ 2,020	1.13%	$ 3,537	1.44%	75.10%
Educational services	1,075	0.60%	2,018	0.82%	87.72%
Administrative and waste services	4,065	2.27%	6,735	2.73%	65.68%
Health care and social assistance	10,965	6.13%	18,839	7.64%	71.81%
Professional and technical services	6,306	3.52%	10,321	4.19%	63.67%
Transportation and warehousing	6,153	3.44%	9,456	3.84%	53.68%
Finance and insurance	10,619	5.94%	13,192	5.35%	24.23%
Other services, except government	4,197	2.35%	6,042	2.45%	43.96%
Government	17,111	9.56%	24,343	9.88%	42.27%
Accommodation and food services	3,891	2.17%	5,639	2.29%	44.92%
Real estate, rental, and leasing	16,575	9.26%	23,999	9.74%	44.79%
Mining	700	0.39%	1,083	0.44%	54.71%
Manufacturing	52,979	29.61%	62,697	25.44%	18.34%
Wholesale trade	9,571	5.53%	14,029	5.66%	46.58%
Information	4,090	2.29%	6,018	2.44%	47.14%
Construction	8,506	4.75%	9,790	3.97%	15.09%
Retail trade	11,837	6.61%	15,803	6.41%	33.50%
Utilities	4,105	2.29%	6,257	2.54%	52.42%
Management of companies and enterprises	2,480	1.39%	2,919	1.18%	17.70%
Agriculture, forestry, fishing, and hunting	1,666	0.93%	3,722	1.51%	123.40%
Total Gross Domestic Product by State	$178,909	100.00%	$246,439	100.00%	37.75%

Note: Individual sectors may not sum to totals due to rounding. NAICS Industry detail is based on the 1997 North American Industry Classification System (NAICS).
Source: U.S. Department of Commerce, Bureau of Economic Analysis, June 2008

Exports

Since 2002, Indiana businesses have significantly increased exported output. The value of exports in calendar year 2003 jumped to $16,402 million, a 9.91% increase over 2002, in 2004 the total value increased to $19,109 million, a 16.50% growth rate, in 2005 the total value increased to $21,476 million, a 12.39% increase, in 2006 increased to $22,620 million, a 5.33% increase and in 2007 improved to $25,877 million, a 14.4% increase. Since 1998, Indiana's exports have grown at an average annual rate of 8.20% as compared to 5.67% for the United States as a whole.

Table 19
Exports
(Millions)

Year	Exports Indiana	Exports U.S.	Annual Percentage Change Indiana	Annual Percentage Change U.S.	Indiana as a Percentage of U.S. Exports
1998	12,318	680,474	2.40%	-1.04%	1.81%
1999	12,910	692,821	4.81%	1.81%	1.86%
2000	15,386	780,419	19.18%	12.64%	1.97%
2001	14,365	731,026	-6.64%	-6.33%	1.97%
2002	14,923	693,257	3.88%	-5.17%	2.15%
2003	16,402	723,743	9.91%	4.40%	2.27%
2004	19,109	817,936	16.50%	13.01%	2.34%
2005	21,476	904,380	12.39%	10.57%	2.37%
2006	22,620	1,037,143	5.33%	14.68%	2.18%
2007	25,878	1,162,708	14.40%	12.11%	2.23%
Average Annual Growth Rate (1998-2007):			8.20%	5.67%	
Total Growth (1998-2007):			82.16%	56.68%	

Source: Office of Trade and Industry Information (OTII), Manufacturing and Services, International Trade Administration, U.S. Department of Commerce, June 2008

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

Top Export Industries: Industry	2007 Exports	Export Destinations: Country	2007 Exports
Transportation Equipment Mfg	$ 7,757.4	Canada	$ 10,727
Chemical Manufacturing	4,868.7	Mexico	2,606
Machinery Manufacturing	3,914.7	United Kingdom	1,900
Computer & Electronic Products	1,778.1	France	1,501
Primary Metal Manufacturing	1,579.5	Germany	1,100
Misc. Manufacturing	1,250.1	China	758
Elect Equip, Appl. & Component	1,081.3	Japan	737
Fabricated Metal Products	693.1	Brazil	512
Rubber & Plastics Products	689.3	Australia	470
Food Manufacturing	380.3	Netherlands	462
Other	1,885.3	Other	5,104
Total	$25,877.8		$25,878

Source: Office of Trade and Industry Information (OTII), Manufacturing and Services, International Trade Administration, U.S. Department of Commerce, June 2008 and Foreign Trade Division. U.S. Census Bureau, June 2008

LITIGATION

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

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

Contract Litigation

In June 2000, in *Linet Alexander Chanell, et al v. Marion County Sheriff and Commissioner of Indiana Department of Administration*, plaintiffs filed a class action lawsuit, that alleged the Sheriff and the Department of Administration entered into illegal telecommunication contracts that allowed the Sheriff and the Department of Administration to collect commissions from the collect call telephone service which is provided to inmates, and that the Sheriff and the Department of Administration caused the telecommunication providers to charge unreasonable telephone rates. Plaintiffs' allegations against the Department of Administration specifically claim that the Department of Administration breached its common law duty of reasonableness, levied unauthorized taxes, was unjustly enriched and violated Indiana's antitrust statute. The Department of Administration's motion for summary judgment was filed in March 2006. The plaintiffs filed a response to the motion for summary judgment, and also a cross motion for summary judgment, which raised new factual issues. The Department of Administration and the Sheriff are in the process of taking depositions in order to prepare a reply to the plaintiffs' response and to respond to the cross motion for summary judgment. Deadlines in the summary judgment process, as well as the summary judgment hearing date, have all been extended due to these developments. Summary judgment briefs are complete. Defendants filed a motion to strike concerning some of the statements of fact in plaintiffs' summary judgment brief. Plaintiffs responded and defendants' filed a reply brief and are awaiting the court's ruling. If plaintiffs are successful, the damages could be in excess of $12.0 million. Summary judgment was found in favor of defendants. The plaintiffs appealed. All parties have briefed the matter before the Appellate Court. On July 29, 2008, the Court of Appeals upheld the Trial Court's grant of summary judgment in favor of defendants. On September 22, 2008, the Court of Appeals denied plaintiff's petition for rehearing. Plaintiff filed a petition to transfer on October 22, 2008. The defendants opposition to the petition for transfer was filed on November 10, 2008. No decision has been received yet as to whether transfer will be granted.

In July 2002, in *Raybestos vs. Indiana Department of Environmental Management,* plaintiff filed a breach of contract action against the State alleging that the Indiana Department of Environmental Management failed to abide by the terms of an agreed order relating to the clean-up of Shelly Ditch in Crawfordsville, Indiana. The plaintiff is seeking $18 million in damages. On a motion for summary judgment, the plaintiff prevailed on the breach of contract issue. Closing arguments were heard in January 2007 and the judge issued a judgment against the defendant. The defendant filed a notice of appeal and the appellant brief was filed on May 23, 2007. During this time period Raybestos has made written settlement overtures to the Attorney General's Office. In November 2007, the Court of Appeals reversed the trial court and found the contract void on public policy grounds, thereby eliminating the State's multi-million dollar liability. In December 2007, Raybestos filed a petition to transfer the case to the Supreme Court. The Court accepted transfer and heard oral arguments from the parties. No decision has been received yet from the Court.

Employment Litigation

In July 1993, in *Paula Brattain, et al vs. Richmond State Hospital,* plaintiffs filed a breach of employment contract lawsuit in a state trial court alleging that the State has failed to pay certain similarly classified State employees at an equal rate of pay from September 19, 1973, to September 19, 1993. The court certified plaintiffs' class, and class notification is complete. The bench trial had been set for August 19, 2008. Plaintiffs seek to recover damages as well as attorneys' fees and costs. Mediation was unsuccessful. A claims-made basis class action settlement was preliminarily approved on August 18, 2008 with an $8.5 million settlement cap (inclusive of fees and costs). If the State's total liability for claims, attorneys' fees and expenses exceeds $8.5 million, the State may

exercise its option to terminate the Settlement Agreement and proceed to trial. The Court approved the settlement on October 30, 2008, subject to the State's option to terminate the settlement agreement. On November 10, 2008, the State filed a notice regarding settlement agreement in which they gave notice that the conditions for terminating the settlement agreement have been met in that the State's total liability for claims, fees and expenses under the settlement agreement exceeds $8.5 million and the State elects to exercise its option to terminate the settlement pursuant to the settlement agreement. A four day trial has been set for March 10-13, 2009.

Civil Rights Litigation

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

Property Litigation

In December 2000, in *NJK Farms and George W. Pendygraft vs. Indiana Department of Environmental Management,* property owners filed an action against the State, including the Office of Environmental Adjudication, claiming that denial of a permit for certain land use was an unconstitutional taking of property and a denial of due process under the United States Constitution, as well as a violation of the Indiana Constitution. Plaintiffs are seeking in excess of $30.0 million in damages plus costs and attorney fees. Federal claims against the Office of Environmental Adjudication were dismissed by the federal court. Remaining federal claims are expected to be taken up after the state court acts. Pendygraft is attempting to negotiate a settlement that would grant him a landfill permit. The State is monitoring the permit process as a component of the settlement. The enactment of SB 43 now requires NJK Farms to submit a new application with the approval of the county executive. On June 18, 2008, the Indiana Department of Environmental Management ("IDEM") sent a letter to NJK Farms asking for the re-submission of the permit with evidence of approval by the county executive. On August 1, 2008, NJK Farms filed a motion for judgment finding total breach of the settlement agreement, alleging that the IDEM and/or the State Legislature are liable for damages. A hearing was held on October 21, 2008 and the matter is currently under advisement.

In May 2000, *Greenfield Mills v. Indiana Department of Natural Resources* was filed against the State by property owners along the Fawn River in Northeastern Indiana, alleging violations of the Clean Water Act, unconstitutional takings of property and federal civil rights violations. Plaintiffs are seeking in excess of $38.0 million in damages, costs and attorney fees. The federal trial court granted summary judgment in favor of the State, but the property owners appealed. A federal appeals court remanded the case to the trial court on one issue under the federal Clean Water Act. The parties have completed discovery on that issue and prepared briefs in support of new motions for summary judgment for consideration of the trial court. An order denying the State's motion for summary judgment and entering summary judgment in favor of the plaintiffs (on liability) was issued. The parties have to file a joint status report, following a teleconference with the court, as to how this case will proceed. Currently an independent surveyor is assessing the Fawn River. This assessment may take a year to conduct. In the interim, plaintiffs filed a motion for attorney's fees, which was denied. This matter has been reassigned to outside counsel. The plaintiffs renewed their request for attorney's fees. In a July 2008 order, the District Court ruled in favor of the plaintiffs and awarded nearly $1M interim fees and costs. The defendants filed a motion to alter or amend the order, which motion the Court denied. The plaintiffs also filed a motion for order to pay judgment, which the Court granted. Payments shall be made as follows: (1) Defendants shall pay the interim award of $887,738.00 in attorney fees and $70,206.09 in costs directly to plaintiffs' counsel of record and the other parties according to their relative interest in the proceeds; (2) Defendants shall pay the first installment of $387,500.00 within 14 days from the date of the order; the second installment of $387,500.00 shall be paid on or before January 31, 2009 and the remaining amount owed shall be paid on or before April 30, 2009.

Class Action Litigation

Koehlinger, et al. v. The State Lottery Commission of Indiana d/b/a Hoosier Lottery is a class action claim for, among other allegations, negligence and violation of the Deceptive Sales Act by the Hoosier Lottery. The claimant is seeking class certification on behalf of all consumers allegedly damaged by the lottery's actions. The basis for the claim is the lottery's overstatement of remaining prizes available for Instant Ticket game #743. The overstatement was due to an unintentional error with the lottery's computer system that only affected this game for a period of nearly 14 months. The claimant is seeking a yet undetermined amount based on statutory damages outlined in the Deceptive Consumer Sales Act and the negligence claim. The lottery has completed the first wave of discovery and a 1/7/08 hearing on lottery's motion to dismiss was denied on February 1, 2008. The Lottery Commission filed an Answer to Plaintiffs' Class Action Complaint and Motion for Certification of Interlocutory Appeal for several of the motion to dismiss issues and a Motion for Stay of Trial Court Proceedings on March 5, 2008. The Court issued an Order certifying the class on March 13, 2008. Class certification was granted on July 3, 2008. Although a damages amount has not been discussed or requested in writing, Plaintiffs' counsel has verbally mentioned an amount between $20 million and $1 billion dollars based on the Deceptive Consumer Sales Act damages theory. The Lottery Commission sought an interlocutory appeal of the order certifying the class which was denied by the Court of Appeals on September 15, 2008. The trial court approved an amended class notice on October 2, 2008. Class notification has commenced and parties are in the process of coordinating a case management plan in anticipation of motions for summary judgment. This case has been transferred to outside counsel for representation.

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APPENDIX B

SERIES 2008 D QUALIFIED OBLIGATIONS

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APPENDIX B

SERIES 2008 D QUALIFIED OBLIGATIONS

Qualified Entity	Par Amount	Source of Payment	Final Maturity	Percentage of Total Debt
Anderson Municipal Light and Power Taxable Issue	$ 1,705,000	Revenue	1/1/2011	28.92 %
Anderson Municipal Light and Power Tax-Exempt Issue	4,190,000	Revenue	1/1/2013	71.08
	$ 5,895,000			100.00 %

ANDERSON MUNICIPAL LIGHT AND POWER

A. Certain General Economic and Demographic Information

The City of Anderson (the "City") is located in Madison County in central Indiana, 39 miles north of Indianapolis, Indiana. It is easily accessible to Interstate 69, State Roads 9, 32, and 67. The City's population in the 2000 census was 59,734. The City is in the early stages of a redevelopment boom including a new food processing plant, expansion of the City's industrial park, expansion of the existing casino, and several retail additions.

The Anderson Municipal Light and Power (the "Electric Utility") has approximately 37,087 customers.

B. Description of Project

Proceeds of the Series 2008 D Qualified Obligations will be used for two purposes. The taxable portion of this issue will provide working capital to the Electric Utility and pay the expenses associated with such bond issuance. The tax-exempt portion of this issue will be used to repay the City of Anderson Redevelopment District ("District") and the expenses associated with such bond issuance. The District had issued a bond anticipation note in 2006 in which the proceeds were used by the Electric Utility to construct an electrical substation in the Consolidated Southwest/East Central/Downtown Redevelopment Area.

C. Description of the Series 2008 D Qualified Obligations

Total Principal	-	$5,895,000
Security and Lien	-	Net Revenues of the Electric Utility ("Net Revenues" is defined as gross revenues of the Electric Utility after deduction only for the payment of the reasonable expenses of operation, repair and maintenance.)
Repayment Schedule	-	Taxable – Annual principal payments commencing January 1, 2010 and terminating January 1, 2011.
	-	Tax-Exempt - Annual principal payments commencing January 1, 2011 and terminating January 1, 2013.
Interest Payments	-	Semiannual interest payments commencing July 1, 2009 and each January 1 and July 1 thereafter.
Debt Service Reserve	-	Maximum annual debt service to be funded by Net Revenues during the time period of the bonds.

D. Largest Electric Utility Customers for the twelve months ended December 31, 2007.

Name	Consumption (Kwh)	Annual Billings
Anderson Community Schools	25,472,491	$ 1,817,331
St. John's Health Systems	17,954,930	963,009
HCP, Resin Partners	19,261,200	909,179
Community Hospital of Anderson	15,504,953	806,379
Advanced Magnesium Alloys Corporation	15,304,800	772,317
Anderson University	10,821,330	680,115
Kroger	9,582,100	521,379
Anderson Water Pollution Control	9,616,700	506,727
Prairie Farms	9,201,000	496,108
Meijer	6,920,120	356,340

E. Customer Base – Number of Users

Year	Total Number of Customers
2007	37,087
2006	37,115
2005	37,146
2004	37,073

F. Financial Data

Electric Utility Rates - Present monthly bill for 1,000 kwh of consumption is $68.28. This is an 8.8% increase over the previous rate and became effective September 1, 2008. Rates are determined by the Common Council of the City and approved by the Indiana Utility Regulatory Commission.

Parity Debt Presently Outstanding Of the Electric Utility -

$ 630,000 - Electric Utility Revenue Bonds of 1999
$9,440,000 - Electric Utility Revenue Bonds of 2003
$2,035,000 - Electric Utility Refunding Revenue Bonds of 2007

Pro Forma Coverage - 1.74 times – Pro forma Net Revenues divided by estimated maximum annual debt service. The Indiana Bond Bank requires a pro forma coverage at the time of issuance of the Qualified Obligations to be equal to or greater than 1.25 times.

ANDERSON MUNICIPAL LIGHT AND POWER
Anderson, Indiana

Balance Sheets as of December 31, 2007, 2006 and 2005

	2007	2006	2005
ASSETS AND OTHER DEBITS			
Utility Plant			
Utility Plant in Service	$ 88,637,338	$ 80,894,866	$ 72,970,527
Accumulated Depreciation	(40,546,511)	(28,756,953)	(26,444,664)
Net Utility Plant in Service	48,090,827	52,137,913	46,525,863
Add: Construction Work in Progress	7,116,771	6,153,975	9,444,674
Net Utility Plant	55,207,598	58,291,888	55,970,537
Restricted Assets			
Customer Deposit Fund	705,457	666,257	644,250
Sinking Fund	1,301,755	1,840,090	1,804,259
Reserve for Taxes	1,150,118	1,112,938	1,092,577
Depreciation Reserve Fund	202,237	1,043,904	1,749,307
Construction Fund	826,702	3,182,040	4,576,002
Meter Refund Account	8,000	8,000	8,000
United Parcel Service Deposit	152	152	152
Automatic Meter Reading	239,620	-	-
Garage Reserve Fund	3,509	79,005	69,285
Fiber Optic Cash Fund	64,044	48,984	-
Cash with Fiscal Agent	2,892,326	-	-
Mail Permit Deposits	3,000	3,000	3,000
Total Restricted Assets	7,396,920	7,984,370	9,946,832
Current and Accrued Assets			
Operating Fund	325,774	71,100	191,922
Non Sufficient Funds Account	7,000	7,000	7,000
Accounts Receivable	3,454,378	3,367,613	3,300,703
Accounts Receivable from Associated Departments	108,476	122,456	188,070
Accrued Interest	9,943	51,842	142,256
Interfund Receivable	739,770	-	-
Materials and Supplies Inventory	1,941,638	2,147,332	1,833,289
Total Current and Accrued Assets	6,586,979	5,767,343	5,663,240
Deferred Debits			
Unamortized Debt Discount and Expense	256,606	323,761	358,699
Unrecovered Plant and Regulatory Study Cost	-	22,391	36,533
Total Deferred Debits	256,606	346,152	395,232
Total Assets and Other Debits	$ 69,448,103	$ 72,389,753	$ 71,975,841

Note: These are unaudited financial statements taken from the books and records of the Utility. The most recent audit available is for fiscal year 2007. These financials do not reflect any audit adjustments that may have been given for the audited time period.

ANDERSON MUNICIPAL LIGHT AND POWER
Anderson, Indiana

Balance Sheets as of December 31, 2007, 2006 and 2005

	2007	2006	2005
LIABILITIES AND OTHER CREDITS			
Equity Capital			
Current Year Earnings	$ (3,026,088)	$ 1,246,633	$ 1,763,274
Earned Surplus	32,397,410	46,062,675	44,390,237
Total Equity Capital	29,371,322	47,309,308	46,153,511
Long Term Debt			
Electric Utility Revenue Bonds of 1995 (1)	-	2,280,000	2,470,000
Electric Utility Revenue Bonds of 1999	630,000	1,230,000	1,800,000
Electric Utility Revenue Bonds of 2003	9,440,000	9,845,000	10,240,000
Electric Utility Refunding Revenue Bonds of 2007	2,035,000	-	-
Capital Lease Payable - Trucks	115,980	-	-
Capital Lease Payable - Johnson Control	9,872,843	-	-
Total Long Term Debt	22,093,823	13,355,000	14,510,000
Current and Accrued Liabilities			
Accounts Payable	6,515,643	6,109,428	5,860,375
Software Computer Lease Payable	28,116	82,635	137,061
Capital Lease Payable - Current	374,781	-	-
Customer Meter Deposits	688,807	647,690	626,970
Accrued Expenses	212,840	204,612	202,844
Accrued Bond and Interest	100,587	-	-
Temporary Loans Payable	996,750	-	-
Total Current and Accrued Liabilities	8,917,524	7,044,365	6,827,250
Contributions in Aid of Construction	9,065,434	4,681,080	4,485,080
Total Liabilities and Other Credits	$ 69,448,103	$ 72,389,753	$ 71,975,841

(1) The Electric Utility Revenue Bonds of 1995 were refunded by the Electric Utility Refunding Revenue Bonds of 2007.

Note: These are unaudited financial statements taken from the books and records of the Utility. The most recent audit available is for fiscal year 2007. These financials do not reflect any audit adjustments that may have been given for the audited time period.

ANDERSON MUNICIPAL LIGHT AND POWER
Anderson, Indiana

Statements of Income for the
Twelve Months Ended December 31, 2007, 2006 and 2005

	2007	2006	2005
Operating Revenue			
Residential and Domestic Sales	$ 26,470,364	$ 25,577,241	$ 24,524,632
Commercial and Industrial Sales	27,519,578	26,407,235	24,430,701
Public Street and Highway Lighting	510,106	505,976	480,053
Forfeited Discounts	367,907	353,002	319,726
Miscellaneous Revenue	196,168	172,008	158,251
Total Operating Revenue	55,064,123	53,015,462	49,913,363
Operating Expenses			
Operation and Maintenance Expenses			
Purchased Power	41,015,543	38,014,978	35,395,379
Transmission Expense	8,477	5,733	3,639
Distribution Expense	4,961,055	5,002,976	4,141,502
Customer Account and Collection Expense	800,134	747,354	700,985
Administrative and General Expense	4,179,392	4,159,383	3,888,766
Total Operation and Maintenance Expenses	50,964,601	47,930,424	44,130,271
Depreciation Expense	3,332,940	2,122,742	2,103,511
Amortization Expense	155,594	49,080	48,456
Taxes Other Than Income Taxes			
FICA Tax	470,258	436,428	436,746
Unemployment Tax	8,707	3,407	4,547
Utility Receipts Tax	745,704	727,622	670,896
Contribution in Lieu of Taxes	725,118	725,118	725,118
Total Taxes Other Than Income Taxes	1,949,787	1,892,575	1,837,307
Total Operating Expenses	56,402,922	51,994,821	48,119,545
Net Operating Income	(1,338,799)	1,020,641	1,793,818

ANDERSON MUNICIPAL LIGHT AND POWER
Anderson, Indiana

Statements of Income for the
Twelve Months Ended December 31, 2007, 2006 and 2005

	2007	2006	2005
Other Income			
Rental Income	$ 109,519	$ 131,939	$ 99,281
Fiber Optic Revenue	146,644	110,893	2,400
Interest Income	80,761	121,634	90,639
Sale of Scrap	98,918	69,502	25,146
Miscellaneous Income	2,881	2,784	9,785
Total Other Income	438,723	436,752	227,251
Other Expenses			
Loss on Disposal of Assets	1,700,520	-	-
Interest on Long Term Debt	425,480	206,812	239,547
Other Interest Expense	12	3,948	18,248
Total Other Expenses	2,126,012	210,760	257,795
Net Income	$ (3,026,088)	$ 1,246,633	$ 1,763,274

ANDERSON MUNICIPAL LIGHT AND POWER
Anderson, Indiana

Estimated Combined Long-Term Debt Amortization Schedule

	1999 Bonds	2003 Bonds	2007 Refunding Bonds	Proposed 2008 Series A Bonds	Proposed 2008 Series B Bonds	Total
2008	$ 655,200	$ 781,470	$ 321,488			$ 1,758,158
2009		784,918	956,500	$ 1,358,400	$ 227,146	3,326,964
2010		791,868	959,100	471,700	1,081,606	3,304,274
2011		792,650			2,500,754	3,293,404
2012		797,376			1,066,054	1,863,430
2013		800,838				800,838
2014		808,498				808,498
2015		814,238				814,238
2016		818,236				818,236
2017		824,836				824,836
2018		825,236				825,236
2019		834,636				834,636
2020		836,624				836,624
2021		846,662				846,662
2022		850,000				850,000
2023		855,876				855,876
Totals	$ 655,200	$ 13,063,962	$ 2,237,088	$ 1,830,100	$ 4,875,560	$ 22,661,910

Estimated Combined Maximum Annual Debt Service $ 3,326,964

Revised to Reflect the Results of the Bond Sale

ANDERSON MUNICIPAL LIGHT AND POWER
Anderson, Indiana

Electric Utility Revenue Bonds of 1999
Amortization Schedule

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
7/1/08			$ 12,600	$ 12,600	
1/1/09	$ 630,000	4.0 %	12,600	642,600	$ 655,200
Totals	$ 630,000		$ 25,200	$ 655,200	

ANDERSON MUNICIPAL LIGHT AND POWER
Anderson, Indiana

Electric Utility Revenue Bonds of 2003
Amortization Schedule

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
7/1/08			$ 180,735	$ 180,735	
1/1/09	$ 420,000	2.750 %	180,735	600,735	$ 781,470
7/1/09			174,959	174,959	
1/1/10	435,000	3.000	174,959	609,959	784,918
7/1/10			168,434	168,434	
1/1/11	455,000	3.125	168,434	623,434	791,868
7/1/11			161,325	161,325	
1/1/12	470,000	3.250	161,325	631,325	792,650
7/1/12			153,688	153,688	
1/1/13	490,000	3.375	153,688	643,688	797,376
7/1/13			145,419	145,419	
1/1/14	510,000	3.400	145,419	655,419	800,838
7/1/14			136,749	136,749	
1/1/15	535,000	3.600	136,749	671,749	808,498
7/1/15			127,119	127,119	
1/1/16	560,000	3.750	127,119	687,119	814,238
7/1/16			116,618	116,618	
1/1/17	585,000	4.000	116,618	701,618	818,236
7/1/17			104,918	104,918	
1/1/18	615,000	4.000	104,918	719,918	824,836
7/1/18			92,618	92,618	
1/1/19	640,000	4.000	92,618	732,618	825,236
7/1/19			79,818	79,818	
1/1/20	675,000	4.150	79,818	754,818	834,636
7/1/20			65,812	65,812	
1/1/21	705,000	4.250	65,812	770,812	836,624
7/1/21			50,831	50,831	
1/1/22	745,000	4.250	50,831	795,831	846,662
7/1/22			35,000	35,000	
1/1/23	780,000	4.375	35,000	815,000	850,000
7/1/23			17,938	17,938	
1/1/24	820,000	4.375	17,938	837,938	855,876
Totals	$ 9,440,000		$ 3,623,962	$ 13,063,962	

ANDERSON MUNICIPAL LIGHT AND POWER
Anderson, Indiana

Electric Utility Refunding Revenue Bonds of 2007
Amortization Schedule

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
7/1/08			$ 43,244	$ 43,244	
1/1/09	$ 235,000	4.25 %	43,244	278,244	$ 321,488
7/1/09			38,250	38,250	
1/1/10	880,000	4.25	38,250	918,250	956,500
7/1/10			19,550	19,550	
1/1/11	920,000	4.25	19,550	939,550	959,100
Totals	$ 2,035,000		$ 202,088	$ 2,237,088	

ANDERSON MUNICIPAL LIGHT AND POWER
Anderson, Indiana

Estimated Amortization Schedule
Proposed Taxable Electric Utility Revenue Bonds of 2008, Series A

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
7/1/09			$ 50,400	$ 50,400	
1/1/10	$ 1,260,000	5.50 %	48,000	1,308,000	$ 1,358,400
7/1/10			13,350	13,350	
1/1/11	445,000	6.00	13,350	458,350	471,700
Totals	$ 1,705,000		$ 125,100	$ 1,830,100	

Revised to Reflect the Results of the Bond Sale

ANDERSON MUNICIPAL LIGHT AND POWER
Anderson, Indiana

Estimated Amortization Schedule
Proposed Electric Utility Refunding Revenue Bonds of 2008, Series B

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
7/1/09			$ 116,343	$ 116,343	
1/1/10			110,803	110,803	$ 227,146
7/1/10			110,803	110,803	
1/1/11	$ 860,000	4.750 %	110,803	970,803	1,081,606
7/1/11			90,377	90,377	
1/1/12	2,320,000	5.375	90,377	2,410,377	2,500,754
7/1/12			28,027	28,027	
1/1/13	1,010,000	5.550	28,027	1,038,027	1,066,054
Totals	$ 4,190,000		$ 685,560	$ 4,875,560	

Revised to Reflect the Results of the Bond Sale

ANDERSON MUNICIPAL LIGHT AND POWER
Anderson, Indiana

Estimated Debt Service Coverage Calculation

Adjusted Operating Revenues	$ 55,064,123
Estimated Revenues from Rate Increase (1)	4,796,004
Less: Operation and Maintenance Expenses	(50,964,601)
Taxes Other Than Income Taxes	(1,949,787)
Estimated Taxes Other Than Income Taxes Due to Rate Increase (1)	(67,144)
Less: Automatic Meter Reader Capital Lease	(1,174,208)
Net Operating Revenue	5,704,387
Interest Income	80,761
Net Revenues Available for Debt Service	5,785,148
Estimated Combined Maximum Annual Debt Service	3,326,964
Coverage - $	$ 2,458,184
Coverage - %	173.89%

(1) Rate Increase of 8.8% effective September 1, 2008.

Revised to Reflect the Results of the Bond Sale

APPENDIX C

FORM OF APPROVING BOND COUNSEL OPINION

Upon delivery of the Series 2008 D Bonds, Barnes & Thornburg LLP, bond counsel, will deliver an opinion substantially in the following form:

December __, 2008

Indiana Bond Bank
Indianapolis, Indiana

RE: Indiana Bond Bank
Special Program Bonds, Series 2008 D-1
Taxable Special Program Bonds, Series 2008 D-2
(Anderson Municipal Light and Power)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Indiana Bond Bank (the "Issuer") of its Special Program Bonds, Series 2008 D-1 (Anderson Municipal Light and Power), dated as of December ___, 2008 (the "Series 2008 D-1 Bonds"), in the aggregate principal amount of $4,265,000, and its Taxable Special Program Bonds, Series 2008 D-2 (Anderson Municipal Light and Power), dated as of December __, 2008 (the "Series 2008 D-2 Bonds"), in the aggregate principal amount of $1,795,000, pursuant to Indiana Code 5-1.5, as amended, and a Trust Indenture between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"), dated as of December 1, 2008 (the "Indenture"). We have examined the law and such certified proceedings for the authorization, issuance and sale of the Series 2008 D-1 Bonds and the Series 2008 D-2 Bonds (collectively, the "Bonds") and such other papers as we deem necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on representations of the Issuer contained in the Indenture, the certified proceedings and other certifications of public officials furnished to us, and certifications, representations and other information furnished to us by or on behalf of the Issuer, the Series 2008 D Qualified Entity (as defined in the Indenture) and others, including, without limitation, certifications contained in the tax and arbitrage certificate of the Issuer, dated the date hereof, and the tax and arbitrage certificate of the Series 2008 D Qualified Entity, dated the date hereof, without undertaking to verify the same by independent investigation. We have relied upon the opinion of Graham & Hurley PC, Indianapolis, Indiana, counsel to the Issuer, dated the date hereof, as to the matters stated therein and Baker & Daniels LLP, Indianapolis, Indiana, bond counsel to the 2008 D Qualified Entity, dated the date hereof, as to the matters stated therein. We have relied upon the report of Crowe Horwath LLP, Indianapolis, Indiana, independent certified public accountants, dated the date hereof, as to the matters stated therein.

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

1. The Issuer is a body corporate and politic validly existing under the laws of the State of Indiana (the "State"), with the corporate power to enter into the Indenture and perform its obligations thereunder and to issue the Bonds.

2. The Bonds have been duly authorized, executed and delivered by the Issuer, and are valid and binding limited obligations of the Issuer, enforceable in accordance with their terms. The Bonds are payable solely from the Trust Estate (as defined in the Indenture).

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

4. Under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on this date (the "Code"), the interest on the Series 2008 D-1 Bonds is excludable from gross income for federal income tax purposes. The opinion set forth in the preceding sentence is subject to the condition that the Issuer and the Series 2008 D Qualified Entity comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2008 D-1 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. Each of the Issuer and the Series 2008 D Qualified Entity has covenanted or represented that it will comply with such requirements. Failure to comply with certain of such requirements may cause the interest on the Series 2008 D-1 Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Except for the opinion expressed in paragraph 5 hereof, we express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

5. Interest on the Series 2008 D-1 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

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

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement, dated December 9, 2008, or any other offering material relating to the Bonds.

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

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

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

Very truly yours,

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain additional provisions of the Indenture not otherwise discussed in this Official Statement. This summary is qualified in its entirety by reference to the Indenture.

Accounts and Reports

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

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

Preservation of Tax Exemption for the Series 2008 D-1 Bonds

In order to assure the continuing excludability of interest on the Series 2008 D-1 Bonds from the gross income of the owners thereof for purposes of federal income taxation, the Bond Bank covenants and agrees that it will not take any action or fail to take any action with respect to the Series 2008 D-1 Bonds, that would result in the loss of the exclusion from gross income for federal tax purposes of interest on any of the Series 2008 D-1 Bonds pursuant to Section 103 of the Code, nor will the Bond Bank act in any other manner which would adversely affect such exclusion; and it will not make any investment or do any other act or thing during the period that the Series 2008 D-1 Bonds are Outstanding which would cause any of the Series 2008 D-1 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, all as in effect on the date of delivery of the Series 2008 D-1 Bonds. Pursuant to the Indenture, all of these covenants are based solely on current law as in existence and effect on the date of delivery of the Series 2008 D-1 Bonds. It will not be an Event of Default under the Indenture if the interest on the Series 2008 D-1 Bonds is not excludable from gross income for federal tax purposes or otherwise pursuant to any provision of the Code which is not currently in effect and in existence on the date of the issuance of the Series 2008 D-1 Bonds.

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

Covenants Concerning the Program

In order to provide for the payment of the principal of and interest on the Bonds and of Program Expenses, the Bond Bank will from time to time, with all practical dispatch and in a sound and economical manner in accordance with the Act, the Indenture and sound banking practices and principals (i) do all acts and things as are necessary to receive and collect Revenues (including the enforcement of the prompt collection of any arrears on all Qualified Obligation Payments), and (ii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Bond Bank to protect the rights of the Bond Bank with respect to the Series 2008 D Qualified Obligations and to enforce all terms, covenants and conditions of the Qualified Obligations. Whenever necessary in order to provide for the payment of the Bonds, the Bond Bank will commence appropriate remedies with respect to any Qualified Obligation which is in default.

Covenants with Respect to Qualified Obligations

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

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

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

(c) To enforce or authorize the enforcement of all remedies available to the Bond Bank as the owner or holder of the Qualified Obligations, unless the Bond Bank provides the Trustee with a Cash Flow Certificate to the effect that, if such remedies are not enforced, Revenues expected to be received in each Fiscal Year, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds in each such Fiscal Year; provided, however, that decisions as to the enforcement of remedies shall be within the sole discretion of the Trustee.

(d) Not to sell or dispose of the Qualified Obligations, unless the Bond Bank first provides the Trustee with a Cash Flow Certificate to the effect that, after such sale, Revenues expected to be received in each Fiscal Year, together with moneys expected to be held in the Funds and Accounts, minus any proceeds of such sale to be transferred from any Fund or Account, will at least equal debt service due on all Outstanding Bonds together with any Program Expenses in each such Fiscal Year.

Certification Covenants

In the event that a deficiency in the Debt Service Reserve Fund is projected during the next succeeding Fiscal Year, the Chairman of the Board of Directors of the Bond Bank will certify such projected deficiency to the State General Assembly on or before August 1 of the Fiscal Year in which such deficiency is projected to occur. Further, regardless of whether any such deficiency was projected as described in the preceding sentence and regardless of the time at which such deficiency occurs, the Bond Bank will take all actions required or allowed under the Act to certify any deficiency in the Debt Service Reserve Fund to the State General Assembly.

Budgets

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

Defeasance and Discharge of Lien of Indenture

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

only out of the moneys or securities held by the Trustee for the payment of the principal of and interest on the Bonds.

Any Bond will be deemed to be paid when (a) payment of the principal of that Bond, plus interest to its due date, either (i) has been made or has been caused to be made in accordance with its terms, or (ii) has been provided for by irrevocably depositing with the Trustee, in trust and exclusively for such payment, (1) moneys sufficient to make such payment, (2) Governmental Obligations maturing as to principal and interest in such amounts and at such times, without consideration of any reinvestment thereof, as will insure the availability of sufficient moneys to make such payments, or (3) a combination of such moneys and Governmental Obligations, and (b) all other sums payable under the Indenture, including the necessary and proper fees and expenses of the Trustee pertaining to the Bonds, have been paid or deposited with the Trustee.

Events of Default and Remedies

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

(a) The Bond Bank defaults in the due and punctual payment of the principal of or interest on any Bond;

(b) The Bond Bank defaults in the performance or observance of any of its other covenants, agreements or conditions contained in the Indenture or in the Bonds, and fails to remedy such Event of Default within 60 days after receipt of notice, all in accordance with the Indenture;

(c) Any warranty, representation or other statement by or on behalf of the Bond Bank contained in the Indenture, or in any instrument furnished in compliance with or in reference to the Indenture, is materially false or misleading when made, and there has been a failure to remedy such Event of Default within 60 days after receipt of notice, all in accordance with the Indenture;

(d) The Bond Bank fails to make remittances required by the Indenture to the Trustee within the time limits prescribed in the Indenture;

(e) A petition is filed against the Bond Bank under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect and is not dismissed within 60 days after such filing;

(f) The Bond Bank files a voluntary petition in bankruptcy or seeking relief under any provisions of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law;

(g) The Bond Bank is generally not paying its debts as such debts become due, or becomes insolvent, bankrupt, or makes an assignment for the benefit of creditors, or a liquidator or trustee of the Bond Bank or any of its property is appointed by court order or takes possession and such order remains in effect or such possession continues for more than 60 days;

(h) The Bond Bank fails to restore the Debt Service Reserve Fund to the applicable Debt Service Reserve Requirement within 60 days after the end of the Fiscal Year during which a deficiency occurs; or

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

Upon the occurrence of an Event of Default, the Trustee will notify the Owners of Outstanding Bonds of such Event of Default and will have the following rights and remedies:

(a) The Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of and interest on Bonds outstanding under the Indenture, including enforcement of any rights of the Bond Bank or the Trustee under the Qualified Obligations;

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

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

(d) By notice to the Bond Bank and the Attorney General of the State, the Trustee may declare the principal of and accrued interest on all Bonds to be due and payable immediately in accordance with the provisions of the Indenture and the Act. Notwithstanding the foregoing, for so long as the Series 2008 D Bond Insurance Policy remains in full force and effect, there will not be any acceleration of principal of, or interest on, the Series 2008 D Bonds unless the Trustee receives the express written consent of the Series 2008 D Bond Insurer prior to taking such action.

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

The Owners of a majority in aggregate principal amount of the Bonds Outstanding under the Indenture will have the right, at any time during the continuance of an Event of Default, by a written instrument or instruments executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture; provided, that, such direction shall not be otherwise than in accordance with the provisions of law and the Indenture.

Waivers of Events of Default

The Trustee, with the consent of the Series 2008 D Bond Insurer (so long as the Series 2008 D Bond Insurance Policy remains in full force and effect), may, at its discretion, waive any Event of Default and its consequences, and must do so upon the written request of the owners of (a) more than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of all Bonds then Outstanding in respect of which an Event of Default in the payment of principal or interest exists, or (b) a majority in aggregate principal amount of all Bonds then Outstanding in the case of any other Event of Default. However, there may not be waived (i) any Event of Default in the payment of the principal of any Bond then Outstanding under the Indenture at the specified date of maturity or (ii) any Event of Default in the payment when due of the interest on any Bond then Outstanding under the Indenture unless, prior to the waiver, all arrears of interest or principal due, as the case may be, with interest on overdue principal at the rate borne by such Bond, and all expenses of the Trustee in connection with the Event of Default have been paid or provided for. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default is discontinued, or abandoned or determined adversely, then the Bond Bank, the Trustee and the Bondholders will be restored to their former respective positions and rights under the Indenture. No waiver or rescission will extend to any subsequent or other Event of Default or impair any right consequent thereon.

Rights and Remedies of Owners of Bonds

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

Series 2008 D Bond Insurer as the Sole Bondholder

For so long as the Series 2008 D Bond Insurance Policy remains in full force and effect, the Series 2008 D Bond Insurer will be deemed by the Trustee and the Bond Bank to be the sole holder or owner of the Series 2008 D Bonds for the purpose of exercising all rights and privileges available to the holders of the Series 2008 D Bonds upon the occurrence of an Event of Default.

Supplemental Indentures

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

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

(b) To grant to or confer upon the Trustee for the benefit of the owners of Bonds then Outstanding any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee, or to make any change which, in the judgment of the Trustee, does not materially and adversely affect the interests of the Bondholders and does not otherwise require the unanimous consent of all Bondholders under the Indenture;

(c) To subject to the lien and pledge of the Indenture additional Revenues, properties or collateral;

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

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

(f) In connection with the issuance of Refunding Bonds;

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

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

With the exception of Supplemental Indentures for the purposes set forth in the preceding paragraph and subject to the terms of the Indenture, the owners of not less than a majority of the aggregate principal amount of the Bonds then Outstanding which are affected (other than Bonds held by the Bond Bank) will have the right from time to time to consent to and approve the execution by the Bond Bank and the Trustee of any supplemental indenture or indentures deemed necessary and desirable by the Bond Bank or Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture, but only with the express written consent of the Series 2008 D Bond Insurer for so long as the Series 2008 D Bond Insurance Policy remains in full force and effect. However, no supplemental indenture may permit or be construed as permitting, without the consent of the owners of all Bonds then Outstanding under the Indenture and the Series 2008 D Bond Insurer for so long as the Series 2008 D Bond Insurance Policy remains in full force and effect, (a) an extension of a Principal Payment Date, an Interest Payment Date or a redemption date for any Bond issued under the Indenture; (b) a reduction in the principal amount of any Bond or change in the rate of interest or redemption premium; (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds; (d) a reduction in the aggregate principal amount of the Bonds the owners of which are required to consent to such Supplemental Indenture; (e) the creation of any lien securing any Bonds other than a lien ratably securing all of the Bonds, at any time Outstanding; (f) a reduction in the Reserve Requirement, or (g) any amendment or modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee, which shall also require the written consent of the Trustee.

Additional Provisions Regarding the Series 2008 D Bond Insurer

For so long as the Series 2008 D Bond Insurance Policy remains in full force and effect the following provisions described below shall govern, notwithstanding anything to the contrary set forth in the Indenture:

(a) The prior written consent of the Series 2008 D Bond Insurer shall be a condition precedent to the deposit of any Debt Service Reserve Fund Credit Facility other than the FSA Credit Facility. Notwithstanding anything to the contrary set forth in the Indenture, amounts on deposit in the Debt Service Reserve Fund shall be applied solely to the payment of debt service on the Series 2008 D Bonds.

(b) The Series 2008 D Bond Insurer will be deemed by the Trustee and the Bond Bank as the sole holder of the Series 2008 D Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 2008 D Bonds are entitled to take pursuant to those provisions of the Indenture pertaining to defaults and remedies and the duties and obligations of the Trustee, if any. The Trustee shall take no action except with the consent, or at the direction, of the Series 2008 D Bond Insurer. The maturity of Bonds shall not be accelerated without the consent of the Series 2008 D Bond Insurer.

(c) No grace period for a covenant default under the Indenture will exceed thirty (30) days, nor be extended for more than sixty (60) days, without the prior express written consent of the Series 2008 D Bond Insurer. No grace period shall be permitted for payment.

(d) The Series 2008 D Bond Insurer will be included as a third party beneficiary of the covenants in the Indenture made by the Bond Bank for the benefit of the owners of the Series 2008 D Bonds.

(e) The rights granted to the Series 2008 D Bond Insurer under the Indenture to request, consent to or direct any action are rights granted to the Series 2008 D Bond Insurer in consideration of its issuance of the Series 2008 D Bond Insurance Policy. Any exercise by the Series 2008 D Bond Insurer of such rights is merely an exercise of the Series 2008 D Bond Insurer's contractual rights and should not be construed or deemed to be taken for the benefit or on behalf of the owners of the Series 2008 D Bonds nor does such action evidence any position of the Series 2008 D Bond Insurer, positive or negative, as to

whether the consent of the owners of the Series 2008 D Bonds is required in addition to the consent of the Series 2008 D Bond Insurer.

(f) To the extent the Series 2008 D Bonds are paid by the Series 2008 D Bond Insurer under the Series 2008 D Bond Insurance Policy, such Series 2008 D Bonds shall not be deemed paid for purposes of the Indenture and shall remain Outstanding and continue to be due and owing until paid by the Bond Bank in accordance with the Indenture.

(g) The Indenture will not be discharged until all amounts due or to become due to the Series 2008 D Bond Insurer have been paid in full or duly provided for.

(h) The Series 2008 D Bond Insurer shall, to the extent it makes any payment of principal of or interest on the Series 2008 D Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Series 2008 D Bond Insurance Policy.

(i) The Series 2008 D Bond Insurer will be provided with the following information:

(1) Annual audited financial statements of the Bond Bank, if any, as soon as practicable after the end of each Fiscal Year;

(2) The Bond Bank's annual budget within thirty (30) days after its adoption;

(3) Notice of any draw upon the Debt Service Reserve Fund within two (2) business days after knowledge thereof other than (i) withdrawals of amounts in excess of the Reserve Requirement, or (ii) withdrawals in connection with a refunding of the Bonds;

(4) Notice of the occurrence of any default known to the Trustee within five (5) business days after knowledge thereof by the Trustee, including any default with respect to a Series 2008 D Qualified Obligation;

(5) Prior notice of any advance refunding or redemption of any of the Series 2008 D Bonds, including the principal amount, maturities and CUSIP numbers of such Series 2008 D Bonds;

(6) Notice of any resignation or removal of the Trustee, and the appointment of, and acceptance of duties by, any successor thereto;

(7) Notice of the commencement of any proceeding by or against the Bond Bank or the Series 2008 D Qualified Entity (if known by the Bond Bank) commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(8) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Series 2008 D Bonds;

(9) A full original transcript of all proceedings related to the execution of any amendment or supplement to the Indenture or the Series 2008 D Qualified Obligations; and

(10) All reports, notices and correspondence delivered under the Indenture or the Series 2008 D Qualified Obligations.

(j) Each of the Bond Bank and the Trustee covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to tine to perfect or otherwise preserve the priority of the pledge of the Trust Estate under State law.

(k) (1) The Bond Bank shall pay or reimburse the Series 2008 D Bond Insurer any and all charges, fees, costs and expenses which the Series 2008 D Bond Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in the Indenture or any Series 2008 D Qualified Obligation; (ii) the pursuit of any remedies under the Indenture or any Series 2008 D Qualified Obligation or otherwise afforded by law or equity; (iii) any amendment, waiver or other action with respect to, or related to, the Indenture or any Series 2008 D Qualified Obligation whether or not executed or completed; (iv) the violation by the Bond Bank or the Series 2008 D Qualified Entities of any law, rule or regulation, or any judgment, order or decree applicable to it or (v) any litigation or other dispute in connection with the Indenture or any Series 2008 D Qualified Obligation or the transactions contemplated thereby, other than amounts resulting from the failure of the Series 2008 D Bond Insurer to honor its obligations under the Series 2008 D Bond Insurance Policy. The Series 2008 D Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any Series 2008 D Qualified Obligation.

(2) After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to payment of expenses of the Bond Bank or rebate only after the payment of debt service due and past due on the Series 2008 D Bonds, together with replenishment of the Debt Service Reserve Fund.

(3) The Series 2008 D Bond Insurer shall be entitled to pay principal of or interest on the Series 2008 D Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Bond Bank (as such terms are defined in the Series 2008 D Bond Insurance Policy) and any amounts due on the Series 2008 D Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the Series 2008 D Bond Insurer has received a Notice of Nonpayment (as such terms are defined in the Series 2008 D Bond Insurance Policy) or a claim upon the Series 2008 D Bond Insurance Policy.

(l) To accomplish defeasance, the Bond Bank shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Series 2008 D Bond Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Series 2008 D Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Series 2008 D Bond Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the Series 2008 D Bonds are no longer "Outstanding" under the Indenture and (iv) a certificate of discharge of the Trustee with respect to the Series 2008 D Bonds. Each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Bond Bank, the Trustee and the Series 2008 D Bond Insurer. The Series 2008 D Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow.

APPENDIX E

DEFINITIONS

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

"Accounts" means the accounts created pursuant to the Indenture.

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

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

"Bankruptcy Code" means the Bankruptcy Reform Act of 1978, as amended from time to time.

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

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

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

"Bond Issuance Expense Account" means the account by that name created by the Indenture.

"Bonds" means the Series 2008 D Bonds and any Refunding Bonds.

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

"Code" means the Internal Revenue Code of 1986 in effect on the date of issuance of the Series 2008 D Bonds, and the applicable regulations or rulings promulgated or proposed thereunder, and any successor thereto.

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

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

"Credit Facility" means any letter of credit, revolving credit agreement, surety bond, insurance policy or other agreement or instrument.

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

(i) an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in a rating category that is considered investment grade by the rating agency or agencies rating the Bonds; or

(ii) a bank or trust company which at the time of issuance of such Credit Facility has an outstanding, unsecured, uninsured and unguaranteed debt issue rated in a rating category that is considered investment grade by the rating agency or agencies rating the Bonds.

"Debt Service Reserve Fund" means the fund by that name created by the Indenture.

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

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

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

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

"Event of Default" means any occurrence of an event specified in the Indenture.

"Fees and Charges" means fees and charges established by the Bond Bank from time to time pursuant to the Act which are payable by the Series 2008 D Qualified Entity.

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

"Funds" means the funds created pursuant to the Indenture, except for the Rebate Fund.

"General Account" means the account by that name created by the Indenture.

"General Fund" means the fund by that name created by the Indenture.

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

"Indenture" means the Trust Indenture, dated as of December 1, 2008 between the Indiana Bond Bank and U.S. Bank National Association, and all supplements and amendments thereto entered into pursuant thereto.

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

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

"Investment Securities" means any of the following:

(a) Governmental Obligations;

(b) Federal Housing Administration debentures;

(c) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

(1) Federal Home Loan Mortgage Corporation (FHLMC);

(2) participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) - senior debt obligations;

(3) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes;

(4) Federal Home Loan Banks (FHL Banks) consolidated debt obligations;

(5) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

(6) Student Loan Marketing Association (SLMA) senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(7) Financing Corporation (FICO) debt obligations; and

(8) Resolution Funding Corporation (REFCORP) debt obligations;

(d) unsecured certificates of deposit, time deposits and bankers' acceptances (having maturities of not more than 30 days) of any bank, the short-term obligations of which are rated "A-1" or better by S&P;

(e) deposits, the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least $5 million;

(f) commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's;

(g) money market funds rated "AAm" or "AAm-G" by S&P, or better;

(h) "State Obligations," which means:

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

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

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

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

(1) (A) the municipal obligations are not subject to redemption prior to maturity or (B) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and

redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service on the Series 2008 D Bonds;

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

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

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

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

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

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

(6) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and

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

(A) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Bond Bank or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Bond Bank or the Trustee, as appropriate; and

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

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

"Notice Address" means, with respect to the Series 2008 D Qualified Entity, the address given in connection with the sale of the Series 2008 D Qualified Obligations to the Bond Bank, and, with respect to the Bond Bank, the Trustee and the Series 2008 D Bond Insurer:

Bond Bank:	Indiana Bond Bank Attention: Chairman 2980 Market Tower Indianapolis, IN 46204 Attention: Chairman
Trustee:	U.S. Bank National Association 10 West Market Street, Suite 1150 Mail Code: HO-IN-WM11 Indianapolis, IN 46204 Attention: Corporate Trust Department
Series 2008 D Bond Insurer:	Financial Security Assurance Inc. 31 West 52nd Street New York, New York 10019 Attention: Managing Director - Surveillance

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

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

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

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

(2) Bonds deemed paid under the Indenture; and

(3) Bonds in lieu of which other Bonds have been authenticated under the Indenture or under any Supplemental Indenture.

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

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

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

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

"Purchase Contract" means the Bond Purchase Agreement, for the Series 2008 D Bonds between the Bond Bank and the Underwriters, dated December 9, 2008, the form of which was approved at the meeting of the Board of Directors of the Bond Bank on November 13, 2008.

"Qualified Entity" means an entity defined in IC 5-1.5-1-8, as amended from time to time, including the Series 2008 D Qualified Entity.

"Qualified Obligation" means a Security (as that term is defined in the Act), including the Series 2008 D Qualified Obligations, which has been acquired by the Bond Bank pursuant to the Indenture.

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

"Rebate Fund" means the fund by that name created by the Indenture.

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

"Redemption Account" means the account by that name created by the Indenture.

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

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

"Reserve Requirement" means an amount equal to the maximum annual principal and interest requirements on the Bonds, which at the time of issuance of the Series 2008 D Bonds means an amount equal to $2,500,600.00, and thereafter, if less than such amount, shall be the maximum annual principal and interest requirements on Outstanding Bonds in the then current or any succeeding Fiscal Year.

"Revenues" means the Funds and Accounts and all income, revenues and profits of the Funds and Accounts referred to in the granting clauses of the Indenture including, without limitation, all Qualified Obligation Payments.

"S&P" means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, or any successor thereto.

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

"Series 2008 D Bond Insurance Policy" means the insurance policy issued by the Series 2008 D Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2008 D Bonds when due.

"Series 2008 D Bond Insurer" means Financial Security Assurance Inc.

"Series 2008 D Bonds" means the Indiana Bond Bank Special Program Bonds, Series 2008 D-1 (Anderson Municipal Light and Power) and the Indiana Bond Bank Taxable Special Program Bonds, Series 2008 D-2 (Anderson Municipal Light and Power), issued pursuant to the Indenture.

"Series 2008 D Qualified Entity" means the City of Anderson, Indiana.

"Series 2008 D Qualified Obligations" means the City of Anderson, Indiana Electric Utility Refunding Revenue Bonds of 2008, Series B and Taxable Electric Utility Revenue Bonds of 2008, Series A.

"State" means the State of Indiana.

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

"Trustee" means U.S. Bank National Association, or any successor thereto under the Indenture.

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

"Underwriters" means with regard to the Series 2008 D Bonds, Raymond James & Associates, Inc. and Fifth Third Securities, Inc.

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APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS:

Effective Date:

Premium: $

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

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

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

SPECIMEN

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

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

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

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

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

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

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

(212) 826-0100

Form 500NY (5/90)

SPECIMEN

APPENDIX G

SPECIMEN DEBT SERVICE RESERVE FUND CREDIT FACILITY

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FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: -R

Effective Date:

Premium: $

Termination Date:

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

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

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

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

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

SPECIMEN

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

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

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

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

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

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

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

(212) 826-0100

Form 501 NY (6/90)

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INDIANA BOND BANK • SPECIAL PROGRAM BONDS, SERIES 2008 D-1 AND SERIES 2008 D-2 (ANDERSON MUNICIPAL LIGHT AND POWER)

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