

*In the opinion of Ice Miller LLP, Indianapolis, Indiana ("Bond Counsel"), under existing federal statutes, decisions, regulations and rulings, interest on the 2017A Bonds (as hereafter defined) is excludable from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. This opinion relates only to the exclusion from gross income of interest on the 2017A Bonds for federal income tax purposes under Section 103 of the Code and is conditioned on continuing compliance by the Authority and the Department with the Tax Covenants (as hereinafter defined). Failure to comply with the Tax Covenants could cause interest on the 2017A Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue. In the opinion of Bond Counsel, under existing laws, regulations, judicial decision and rulings, interest on the 2017A Bonds is exempt from income taxation in the State. This opinion relates only to the exemption of interest on the 2017A Bonds for State income tax purposes. See "TAX MATTERS" APPENDIX G, "FORM OF BOND COUNSEL OPINION" herein.*

**\$176,240,000**

**INDIANA FINANCE AUTHORITY**  
**Highway Revenue Refunding Bonds, Series 2017A**

**Dated: Date of Delivery**

**Due: June 1, as set forth below**

The Highway Revenue Refunding Bonds, Series 2017A (the "2017A Bonds"), are being issued by the Indiana Finance Authority (the "Authority") for the purpose of refunding the Authority's 2017 Notes (as defined herein) and to pay costs of issuing the 2017A Bonds and 2017 Notes. See "PLAN OF FINANCE". The 2017A Bonds are being issued pursuant to an Amended and Restated Trust Indenture between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), dated as of March 1, 1993, as supplemented and amended to date, including as supplemented by a Series 2017A Supplemental Trust Indenture dated as of September 1, 2017 (the "2017A Supplemental Indenture" and as further supplemented or amended from time to time collectively, the "Indenture"). The Trustee also will serve as Paying Agent and Bond Registrar for the 2017A Bonds.

Interest on the 2017A Bonds is payable semiannually on each December 1 and June 1, commencing on June 1, 2018. The 2017A Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the 2017A 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 2017A Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interest in the 2017A Bonds. Principal of and interest on the 2017A Bonds will be paid directly to DTC by the Paying Agent, so long as DTC or its nominee is the registered owner of the 2017A Bonds. The final disbursements of such payments to the Beneficial Owners of the 2017A Bonds will be the responsibility of the DTC Participants and the Indirect Participants, as more fully described in APPENDIX C. See "DESCRIPTION OF 2017A BONDS."

The 2017A Bonds are being issued by the Authority on a parity with the Highway Revenue Bonds, Series 1993A, and Series 1998A and Highway Revenue Refunding Bonds, Series 2004B, Series 2004C, Series 2007A, Series 2010A and Series 2016C issued by the Authority or its predecessor, the Indiana Transportation Finance Authority (collectively, the "Prior Bonds"), except as described herein. The 2017A Bonds are payable solely from and secured exclusively by the Authority's pledge to the Trustee of the Trust Estate (hereinafter defined), including the Pledged Funds and rental payments to be received from the Indiana Department of Transportation (the "Department") of the State of Indiana (the "State"), acting on behalf of the State, for the use of the 2017 Master Lease Projects (hereinafter defined) under the 2017 Master Lease Agreement (hereinafter defined). See "SECURITY AND SOURCES OF PAYMENT FOR BONDS."

**The 2017A Bonds do not constitute an indebtedness of the State or any political subdivision thereof within the meaning or application of any constitutional provision or limitation. The 2017A Bonds do not constitute a pledge of the faith, credit or taxing power of the State or any political subdivision thereof. The Authority has no taxing power. The owners of the 2017A Bonds have no right to have taxes levied or to compel appropriations by the General Assembly of the State (the "General Assembly") for any payment of principal of or interest on the 2017A Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR BONDS."**

**Maturity Schedule**

| <u>Maturity</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>CUSIP<sup>(1)</sup></u> | <u>Maturity</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>CUSIP<sup>(1)</sup></u> |
|-----------------|---------------|----------------------|--------------|----------------------------|-----------------|---------------|----------------------|--------------|----------------------------|
| 06/01/2018      | \$3,970,000   | 4.000%               | 0.850%       | 45470RCZ7                  | 06/01/2028      | \$8,745,000   | 5.000%               | 2.160%       | 45470RDK9                  |
| 06/01/2019      | \$5,745,000   | 4.000%               | 0.840%       | 45470RDA1                  | 06/01/2029      | \$9,180,000   | 5.000%               | 2.260%       | 45470RDL7                  |
| 06/01/2020      | \$5,975,000   | 4.000%               | 0.940%       | 45470RDB9                  | 06/01/2030      | \$9,640,000   | 5.000%               | 2.370%       | 45470RDM5                  |
| 06/01/2021      | \$6,215,000   | 5.000%               | 1.040%       | 45470RDC7                  | 06/01/2031      | \$10,120,000  | 5.000%               | 2.440%       | 45470RDN3                  |
| 06/01/2022      | \$6,525,000   | 5.000%               | 1.160%       | 45470RDD5                  | 06/01/2032      | \$10,625,000  | 5.000%               | 2.510%       | 45470RDP8                  |
| 06/01/2023      | \$6,850,000   | 5.000%               | 1.340%       | 45470RDE3                  | 06/01/2033      | \$11,160,000  | 5.000%               | 2.570%       | 45470RDQ6                  |
| 06/01/2024      | \$7,195,000   | 5.000%               | 1.510%       | 45470RDF0                  | 06/01/2034      | \$11,715,000  | 5.000%               | 2.630%       | 45470RDR4                  |
| 06/01/2025      | \$7,550,000   | 5.000%               | 1.690%       | 45470RDG8                  | 06/01/2035      | \$12,300,000  | 5.000%               | 2.690%       | 45470RDS2                  |
| 06/01/2026      | \$7,930,000   | 5.000%               | 1.860%       | 45470RDH6                  | 06/01/2036      | \$12,915,000  | 5.000%               | 2.720%       | 45470RDT0                  |
| 06/01/2027      | \$8,325,000   | 5.000%               | 2.020%       | 45470RDJ2                  | 06/01/2037      | \$13,560,000  | 5.000%               | 2.740%       | 45470RDU7                  |

The 2017A Bonds are subject to optional redemption prior to maturity, as described herein. See "DESCRIPTION OF 2017A BONDS – Redemption."

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

*The 2017A Bonds are being offered when, as and if issued by the Authority and received by Goldman Sachs & Co. LLC, as representative of the Underwriters listed below (collectively, the "Underwriters"), subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Ice Miller LLP, Indianapolis, Indiana, Bond Counsel. Certain legal matters will be passed on for the Authority, the Department and the State by the Office of the Attorney General of the State, and for the Underwriters by Frost Brown Todd LLC, Indianapolis, Indiana. It is expected that the 2017A Bonds will be available for delivery at The Depository Trust Company in New York, New York, on or about September 15, 2017.*

**Goldman Sachs & Co. LLC** **BofA Merrill Lynch**  
**Mesirow Financial Inc.** **Ramirez & Co., Inc.** **Stifel**

The date of this Official Statement is August 23, 2017

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**STATE OF INDIANA**

ERIC HOLCOMB  
*Governor of the State of Indiana*

SUZANNE CROUCH  
*Lieutenant Governor of the State of Indiana*

**INDIANA FINANCE AUTHORITY**

MICAH G. VINCENT  
*Chairman, as  
Director of the Office of Management and Budget*

DAN HUGE  
*Public Finance Director of the State of Indiana*

**INDIANA DEPARTMENT OF TRANSPORTATION**

JOE McGUINNESS  
*Commissioner*

**BOND COUNSEL**

ICE MILLER LLP  
*Indianapolis, Indiana*

**UNDERWRITERS' COUNSEL**

FROST BROWN TODD LLC  
*Indianapolis, Indiana*

No dealer, broker, salesman or other person has been authorized by the Authority or by the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any offer or sale of any of the 2017A Bonds, by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from the State, the Authority and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the State since the date hereof.

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 responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2017 A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**THE SERIES 2017A 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 AUTHORITY, THE STATE AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.**

**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE 2017A BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

In order to assist the Underwriters in complying with subsection (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Authority and the State of Indiana will enter into a Continuing Disclosure Agreement. See “CONTINUING DISCLOSURE AND COMPLIANCE THEREWITH.”

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**\$176,240,000**  
**Indiana Finance Authority**  
**Highway Revenue Refunding Bonds, Series 2017A**

**INTRODUCTION**

The purpose of this Official Statement (including the cover page and appendices) is to set forth information concerning the Indiana Finance Authority (the “Authority”), the highway system of the State of Indiana (the “State”) and the Authority’s Highway Revenue Refunding Bonds, Series 2017A (the “2017A Bonds”).

**This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and all appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the 2017A Bonds to potential investors is made only by means of the entire Official Statement.**

**Authority for 2017A Bonds**

The 2017A Bonds are being issued pursuant to Indiana Code 8-14.5 (the “Transportation Finance Act”) to refund the 2017 Notes (as hereinafter defined) which were issued pursuant to the authority contained in Indiana Code 8-15.5-5-6.1 (Indiana Code 8-15.5 is referred to herein as the “PPA Act”) and the Transportation Finance Act, a resolution adopted by the Authority on June 29, 2017, and an Amended and Restated Trust Indenture between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “Trustee”), dated as of March 1, 1993, as supplemented and amended to date, including as further supplemented by a Series 2017A Supplemental Trust Indenture dated as of September 1, 2017 (the “2017A Supplemental Indenture”) (such Amended and Restated Trust Indenture, as so supplemented and amended, the “Original Indenture”), and as further supplemented or amended from time to time (the Original Indenture, as so supplemented or amended, the “Indenture”).

The Transportation Finance Act empowers the Authority to issue and sell revenue bonds, payable principally from appropriated lease rental payments constituting revenues as set forth in the Transportation Finance Act, for purposes, among other things, of refinancing certain costs related to the acquisition, construction, reconstruction, improvement, extension and financing of projects authorized pursuant to and defined in the Transportation Finance Act. Under the Transportation Finance Act, such projects include any express highway, superhighway, state highway, public highway, road, street, motorway, bridge, tunnel, overpass, underpass, interchange, entrance, approach or other public way that the Authority deems necessary or desirable for the operation of any facilities for the movement of vehicular traffic, owned, leased or operated by the State or the Authority. The Transportation Finance Act also permits the Authority to issue revenue bonds to complete a project which is the subject of a public-private agreement under the PPA Act.

**Purpose of Financing**

The 2017A Bonds are being issued to: (i) finance the refunding of the 2017 Notes; and, (ii) to pay costs of issuing the 2017A Bonds and 2017 Notes, as further described in this Official Statement. See “PLAN OF FINANCE.”

**Security and Sources of Payment**

The 2017A Bonds are limited obligations of the Authority, payable solely from and secured exclusively by the Authority’s pledge of the Trust Estate (as defined in APPENDIX F, “DEFINITIONS”) under the Indenture, including rental payments to be received from the Indiana Department of Transportation (the “Department”), acting on behalf of the State, for the use of the 2017 Master Lease Projects (as defined herein). See “SECURITY AND SOURCES OF PAYMENT FOR BONDS.”

The 2017A Bonds do not constitute an indebtedness of the State or any political subdivision thereof within the meaning or application of any constitutional provision or limitation. The 2017A Bonds do not constitute a pledge of the faith, credit or taxing power of the State or any political subdivision thereof. The Authority has no taxing power.

The owners of the 2017A Bonds have no right to have taxes levied or to compel appropriations by the General Assembly for any payment of principal of or interest on the 2017A Bonds under the 2017 Master Lease Agreement (as defined in APPENDIX F, “DEFINITIONS”). See “SECURITY AND SOURCES OF PAYMENT FOR BONDS.”

### **Prior Bonds**

The Authority or its predecessor, the Indiana Transportation Finance Authority, previously issued its Highway Revenue Bonds, Series 1993A (the “1993A Bonds”), and Series 1998A (the “1998A Bonds”), and Highway Revenue Refunding Bonds, Series 2004B (the “2004B Bonds”), Series 2004C (the “2004C Bonds”), Series 2007A (the “2007A Bonds”), Series 2010A (the “2010A Bonds”), and the Series 2016C (the “2016C Bonds”) under the Indenture (collectively, the “Prior Bonds”), to finance and refinance the acquisition, construction and reconstruction of certain Indiana highways, roads, bridges and streets (the “Prior Projects”). See “INDIANA HIGHWAY SYSTEM—Highway System Financing—Bond Proceeds.” For a summary description of the outstanding Prior Bonds as of June 30, 2017, see APPENDIX A, “FINANCIAL AND ECONOMIC STATEMENT FOR STATE OF INDIANA—STATE INDEBTEDNESS—Obligations Payable from Possible State Appropriations—*Indiana Finance Authority—Highways*” and Tables 5 and 6 therein. The 2017A Bonds are being issued on a parity with the Prior Bonds (except that the 1993A Bonds are additionally secured by the Debt Service Reserve Fund held under the Indenture). As of June 30, 2017, \$771,074,025 in aggregate principal amount of the Prior Bonds is outstanding. See “SECURITY AND SOURCES OF PAYMENT FOR BONDS — No Debt Service Reserve Fund.” The Prior Bonds and the 2017A Bonds, together with any Additional Bonds (defined herein) and any Refunding Bonds (defined herein) that may hereafter be issued on a parity therewith, are collectively referred to as the “Bonds.” The Trustee will serve as bond registrar (the “Bond Registrar”) and paying agent (the “Paying Agent”) for the Bonds (the Trustee, the Bond Registrar, the Paying Agent and any other authorized depository under the Indenture, collectively, the “Fiduciaries”).

### **Official Statement**

The summaries of and references to all documents, statutes and other instruments referred to in this Official Statement do not purport to be complete and are qualified in their entirety by reference to the full text of each such document, statute or instrument. Definitions of certain capitalized words and terms used in this Official Statement are set forth in APPENDIX F, “DEFINITIONS.” Other terms not defined in this Official Statement have the same meanings as set forth in the Indenture.

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

### **PLAN OF FINANCE**

The Authority and I-69 Development Partners LLC (the “Developer”) entered into the Public-Private Agreement I-69 Section 5 Project dated as of April 8, 2014 (including all exhibits and amendments thereto) (the “PPA”). On July 23, 2014, the Authority issued its Tax-Exempt Private Activity Bonds (I-69 Section 5 Project, Series 2014) (the “PABs”) pursuant to an Indenture of Trust dated as of July 1, 2014 (the “Indenture”) between the Authority and U.S. Bank National Association, as bond trustee (the “Bond Trustee”) and the proceeds of the PABs were loaned to the Developer pursuant to a Senior Loan Agreement dated as of July 1, 2014 (the “Loan Agreement”) between the Authority and the Developer. The I-69 Project being developed pursuant to the PPA consists generally of the upgrading of approximately 21 miles of State Road 37, which is a four-lane median divided highway between Bloomington, Indiana and Martinsville, Indiana (the “I-69 Project”).

Pursuant to a Settlement Agreement dated as of July 3, 2017 (the “Settlement Agreement”), the parties to the various documents related to the PPA and the PABs agreed to the termination of the contractual relationships relating to the PPA and the PABs. The Settlement Agreement required the Authority to pay termination compensation to the Developer (the “Termination Compensation”) to take control of the I-69 Project. To provide interim financing for a portion of the Termination Compensation, on August 14, 2017, the Authority issued its Highway Revenue Bond Anticipation Notes of 2017 (the “2017 Notes”) in a principal amount of \$210,650,000 pursuant to a Note Trust Indenture dated as of July 1, 2017 (the “Note Trust Indenture”).



The 2017A Bonds will be issued to currently refund the 2017 Notes and to pay costs of issuing the 2017A Bonds and 2017 Notes. Pursuant to the Indenture, the 2017A Bonds are being issued to refinance a Credit Note (as defined in APPENDIX F, “DEFINITIONS”) or obligations to finance projects to be leased to the Department under a Master Lease Agreement. The Authority and the Department will enter into the 2017 Master Lease Agreement to provide for lease rentals payable by the Department for use of the 2017 Master Lease Projects.

The 2017A Bonds are being issued under the Indenture, including the 2017A Supplemental Indenture. The 2017A Bonds will be issued on a parity with the Prior Bonds, together with any Additional Bonds or Refunding Bonds which may hereafter be issued on a parity therewith (except that the 1993A Bonds are additionally secured by the Debt Service Reserve Fund under the Indenture). See “SECURITY AND SOURCES OF PAYMENT FOR BONDS.”

The proceeds from the sale of the 2017A Bonds will be used to provide funds for: (i) a deposit into the 2017A Refunding Account created under the Indenture for the purpose of refunding the 2017 Notes; and (ii) a deposit into the Expense Fund under the Indenture for the purpose of paying the costs of issuance of the 2017A Bonds and 2017 Notes. See “ESTIMATED SOURCES AND USES OF FUNDS.”

## SECURITY AND SOURCES OF PAYMENT FOR BONDS

### Introduction

The Bonds do not constitute an indebtedness of the State or any political subdivision thereof within the meaning or application of any constitutional provision or limitation. The Bonds do not constitute a pledge of the faith, credit or taxing power of the State or any political subdivision thereof. The Authority has no taxing power. The owners of the Bonds have no right to have taxes levied or to compel appropriations by the General Assembly for any payment of principal of or interest or premium on the Bonds.

The Bonds are limited obligations of the Authority secured exclusively by and payable solely from the Authority’s pledge of the Trust Estate under the Indenture, including all fees, charges, rentals, revenues or receipts derived by the Authority from the operation or leasing of the Prior Projects, the 2017 Master Lease Projects and any additional projects (as defined in the Transportation Finance Act) financed from the proceeds of Bonds (the Prior Projects, the 2017 Master Lease Projects and any such additional projects, collectively, the “Projects”) or any portions thereof, which are leased by the Department pursuant to the Master Lease Agreements, or from the sale, transfer or conveyance (whether voluntary or involuntary) of the Projects or any portions thereof (such fees, charges, rentals, revenues or receipts, the “Gross Revenues”).

**All rental payments made by the Department under a Master Lease Agreement are subject to and dependent upon appropriations having been made for such purpose by the General Assembly and being available for such purpose, and are further subject to the requirement that the Projects subject to such Master Lease Agreement be available for use. The Department has covenanted in each Master Lease Agreement to seek such appropriations.**

In addition, the Trust Estate includes the proceeds of the sale of the Bonds and all Funds and Accounts created pursuant to the Indenture other than the Revenue Fund, the Rebate Fund and the Debt Service Reserve Fund (except with respect to the 1993A Bonds).

**The Trust Estate does not include, and Bondholders will not receive, any mortgage, lien or security interest on or in any Project.**

The 2017A Bonds are being issued on a parity with the Prior Bonds and any Additional Bonds or Refunding Bonds that may hereafter be issued under the Indenture (except that the 1993A Bonds are additionally secured by the Debt Service Reserve Fund, as described below). The Bonds, including the 2017A Bonds, are limited obligations of the Authority, payable solely from and secured exclusively by the Authority’s pledge to the Trustee of the Trust Estate. For a summary description of the outstanding Prior Bonds as of June 30, 2017, see APPENDIX A, “FINANCIAL AND ECONOMIC STATEMENT FOR STATE OF INDIANA—STATE INDEBTEDNESS—Obligations Payable from Possible State Appropriations—*Indiana Finance Authority—Highways*” and Tables 5 and 6 therein.

## Trust Estate

**Pledge.** The Indenture creates a continuing pledge of, and lien on, the Trust Estate to secure the payment of the Bonds. Included in the Trust Estate are the Gross Revenues, the proceeds of the sale of the Bonds pending disbursement and the Funds and Accounts created under the Indenture, other than the Revenue Fund, the Rebate Fund and the Debt Service Reserve Fund (except with respect to the 1993A Bonds). The Trust Estate does not include, and Bondholders will not receive, any mortgage, lien or security interest on or in any Project.

**Gross Revenues.** The Gross Revenues include all fees, charges, revenues or receipts derived by the Authority from the operation or leasing of the Projects or any portions thereof pursuant to the Master Lease Agreements or otherwise, or from the sale, transfer or conveyance (whether voluntary or involuntary) of the Projects or any portions thereof. The aggregate rental payments to be made by the Department pursuant to the Master Lease Agreements with respect to the Projects are to be sufficient to pay (a) the related expenses of the Authority, including without limitation, expenses incurred for (i) the maintenance of insurance, if any, on any such Projects or any portion thereof, (ii) the payment of any fees, expenses or other amounts to any Fiduciaries or (iii) the payment of any fees, expenses or other amounts to any provider of any Credit Facility or Reserve Fund Credit Facility; (b) the principal of and interest on the Bonds; and (c) any required deposits to the Debt Service Reserve Fund.

**Master Lease Agreements.** The Master Lease Agreements consist of certain Master Lease Agreements, each between the Authority, as lessor, and the Department, as lessee, dated June 1, 1993, June 15, 1998, November 1, 2000, September 1, 2003, June 1, 2004, and September 1, 2017 each as supplemented and amended from time to time.

Each Master Lease Agreement currently has a term expiring June 30, 2019. Upon expiration, the Authority and the Department have the right to extend the respective term of each Master Lease Agreement from biennium to biennium, with such extensions not to exceed a total lease term of 25 years from the effective date of the respective Master Lease Agreement. The Authority and the Department will be deemed to have exercised such right to extend, and the term of each Master Lease Agreement will be extended, for each successive biennium, unless the Authority or the Department delivers written notice of nonextension to the other party not less than six months prior to the last day of any biennium, in which event the Master Lease Agreement will terminate on the last day of such biennium.

**Each Master Lease Agreement will terminate if, among other things, (a) the Authority or the Department elects not to extend such Master Lease Agreement as described above or (b) funds have not been appropriated or are not available to the Department or the Authority to pay when due any amount payable by the Department under such Master Lease Agreement or by the Authority under the Transportation Finance Act. If any Master Lease Agreement is terminated, it is likely that the Gross Revenues will not be sufficient to pay debt service on all the Bonds, which would cause a default under the Indenture.**

The Department constructs, operates and maintains the Projects that are leased from the Authority. Such Projects are constructed on real property owned by or on behalf of the State and leased to the Authority pursuant to the Underlying Leases (as defined in APPENDIX F, "DEFINITIONS"). The terms of the Underlying Leases correspond to the terms of the Master Lease Agreements for the particular Projects subject to such agreements. Pursuant to the Underlying Leases, the State and the Authority enter into supplemental agreements to each Underlying Lease, each of which supplemental agreements describes a Project. If the Department determines that (i) a Project will not be timely completed by the date through which interest has been funded or (ii) by reason of damage, destruction or any other reason any portion of the Project becomes unavailable for the Department's use, and the proceeds of rental loss insurance, if any, maintained on such portion are projected to be insufficient to cover the loss of rental income payable to the Authority under the applicable Master Lease Agreement during the period of such unavailability, then the State and the Authority will enter into a new supplemental agreement to the Underlying Lease that substitutes a new Project, or an appropriate portion thereof, to replace the unavailable portion of the original Project. The Authority does not currently maintain rental loss insurance for the Projects.

For further information regarding the Underlying Leases and the Master Lease Agreements, see APPENDIX E, "SUMMARY OF CERTAIN PROVISIONS OF UNDERLYING LEASES AND MASTER LEASE AGREEMENTS."

**State Appropriations.** Rentals are not payable by the Department under any Master Lease Agreement with respect to any particular Project until such Project is available for use. As of the issue date of the 2017A Bonds, lease rentals will be payable by the Department on the I-69 Available Portion, which consists of the portions of the I-69 Project that are available for use on the issue date for the 2017A Bonds. Further, payment of rentals under each Master Lease Agreement is subject to and dependent upon appropriations being made and being available for such purpose by the General Assembly. Under the constitution and laws of the State, the General Assembly meets for a maximum period of 61 legislative days in every odd-numbered year and makes appropriations for the biennium commencing on July 1 of such year. The General Assembly also meets for a maximum period of 30 legislative days in intervening years and may make supplemental appropriations at such time. In addition, special sessions of the General Assembly may be convened by the Governor at any time. Moneys have been appropriated by the General Assembly to pay rentals under the Master Lease Agreements that become due during the biennium commencing July 1, 2017 through June 30, 2019. No moneys have yet been appropriated by the General Assembly to pay any rentals under any Master Lease Agreements coming due during the biennium commencing July 1, 2019, or thereafter. Under Indiana law, the General Assembly cannot be required to make any appropriations to pay any rentals under any Master Lease Agreements for any Projects. See APPENDIX E, “SUMMARY OF CERTAIN PROVISIONS OF UNDERLYING LEASES AND MASTER LEASE AGREEMENTS,” and APPENDIX A, “FINANCIAL AND ECONOMIC STATEMENT FOR STATE OF INDIANA — STRUCTURE OF STATE GOVERNMENT — Legislative Department.”

The Department has covenanted to seek appropriations for the monthly rental payments due in any biennium under each Master Lease Agreement with respect to each Project subject thereto at a time sufficiently in advance of such monthly payment so that an appropriation may be made in the normal biennial State budgetary process to the extent such Project is actually used or is available for use. Pursuant to the Indenture, if the Department fails to request the appropriation, the Authority will seek the appropriation through the normal biennial State budgetary process. Further, if the Department fails at any time to pay the lease rentals due under any Master Lease Agreement, the Chairman of the Authority will immediately report the unpaid amount in writing to the General Assembly and the Governor of the State. If the General Assembly is in session at the time of any such report, the Chairman of the Authority will request that the General Assembly make an appropriation in an amount sufficient to enable the Department to pay the shortfall. If the General Assembly is not in session at such time, then the Chairman of the Authority will request the Governor to convene a meeting of the State Board of Finance (described under “FISCAL POLICIES — State Board of Finance” in APPENDIX A, “FINANCIAL AND ECONOMIC STATEMENT FOR STATE OF INDIANA”) to reallocate an existing appropriation in an amount sufficient to enable the Department to pay the shortfall. However, neither the Department, the Authority, the Trustee nor any holder of any Bonds may legally compel the General Assembly or the State Board of Finance to make all or any of such appropriation or reallocation. See APPENDIX A, “FINANCIAL AND ECONOMIC STATEMENT FOR STATE OF INDIANA” for information concerning the constitutional and statutory prohibitions on State indebtedness and the State’s financial condition and budget and appropriations process.

To the best of the State’s knowledge after diligent research and review of available information, the State has never failed to appropriate lease rental payments related to the Prior Bonds or any other lease appropriation debt.

### **State Highway Road Construction and Improvement Fund and Crossroads 2000 Fund**

**Funds.** The General Assembly may, but is not required to, make appropriations for the payment of rentals under the Master Lease Agreements from any legally available State funds. Historically, lease rentals under the Master Lease Agreements have been paid from money deposited in the State Highway Road Construction and Improvement Fund under Indiana Code 8-14-10-2 (the “Gas Tax Fund”) and the Crossroads 2000 Fund under Indiana Code 8-14-10-9 (the “Crossroads 2000 Fund”). **However, neither the Gas Tax Fund nor the Crossroads 2000 Fund is pledged to pay any lease rentals under the Master Lease Agreements or otherwise to pay, directly or indirectly, any debt service on the Bonds.**

Prior to the 2017 session of the General Assembly (the “General Assembly Session”), the Gas Tax Fund consisted of revenue resulting from two cents of the 18 cents per gallon State tax imposed on gasoline distributors under Indiana Code 6-6-1.1. As of the passage of HEA 1002 in the 2017 General Assembly Session, the Gas Tax Fund will now be funded annually in the amount of the first seventy million dollars (\$70,000,000) of revenue resulting from the 28 cents per gallon State tax imposed on gasoline distributors under Indiana Code 6-6-1.1 (“Gas

Tax”). Beginning July 1, 2018, the Gas Tax rate will be the lesser of: 28 cents or 28 cents multiplied by an index established under Indiana Code 6-6-1.6. The Crossroads 2000 Fund consists of revenue from a portion of fees collected under Indiana Code 9, including, without limitation, fees for the issuance of certain vehicle licenses, permits, registration documents and license plates.

**Administration of Funds.** Amounts held in the Gas Tax Fund and the Crossroads 2000 Fund are administered by the Department. Moneys in the Gas Tax Fund and the Crossroads 2000 Fund may be used to pay the following costs: (i) the cost of construction or reconstruction of a State highway; (ii) the cost of acquisition of all land, rights-of-way, property, rights, easements and any other legal or equitable interests acquired by the Department for the construction or reconstruction of a State highway; (iii) the cost of demolishing or removing any buildings, structures or improvements on property acquired by the Department for the construction or reconstruction of a State highway; (iv) engineering and legal expenses, and the costs of plans, specifications, surveys, estimates and any necessary feasibility studies; and (v) payment of rentals and performance of other obligations under contracts or leases securing bonds issued under the Transportation Finance Act.

Under the Transportation Finance Act, the Department is required to pay lease rentals for leases entered into under the Transportation Finance Act and securing bonds issued under the Transportation Finance Act, such as the Master Lease Agreements, from revenues transferred to the Gas Tax Fund or the Crossroads 2000 Fund before making any other disbursements from the Gas Tax Fund and the Crossroads 2000 Fund.

**Change in Laws and Appropriation.** The General Assembly may amend the laws to eliminate the collection of gasoline taxes or the fees described above or the deposit of such gasoline taxes or fees in the Gas Tax Fund or the Crossroads 2000 Fund, or to limit the availability of amounts in the Gas Tax Fund or the Crossroads 2000 Fund.

Further, under Indiana law, neither of the Gas Tax Fund nor the Crossroads 2000 Fund is or can be pledged to pay any lease rentals under the Master Lease Agreements or otherwise to pay, directly or indirectly, any debt service on the Bonds. Any and all amounts that may be available at any time in the Gas Tax Fund or the Crossroads 2000 Fund to pay lease rentals under the Master Lease Agreements are subject to appropriation by the General Assembly.

For additional information about the Gas Tax Fund and the Crossroads 2000 Fund and the historical and projected revenues from the gasoline taxes and fees to be deposited therein, see “INDIANA HIGHWAY SYSTEM.”

### **No Debt Service Reserve Fund**

No debt service reserve fund is established for, or available to, owners of the 2017A Bonds, although the Debt Service Reserve Fund under the Indenture will continue to secure the 1993A Bonds (the “DSRF Bonds”). The debt service reserve requirement under the Indenture for the DSRF Bonds is satisfied by a Reserve Fund Credit Facility issued by Ambac Assurance Corporation. The Authority’s Reimbursement Obligations with respect to such Reserve Fund Credit Facility are subordinate to the Authority’s debt service payment obligations on the Bonds, as described below under “Subordinate Indebtedness.”

### **Additional Bonds and Refunding Bonds**

Under the Indenture, one or more series of additional Bonds (the “Additional Bonds”) may be issued under the Indenture, upon meeting certain conditions, without limitation as to amount, and at any time for the purpose of paying Construction Costs (as defined in APPENDIX F, “DEFINITIONS”) of the Projects or refinancing a Credit Note (as defined in APPENDIX F, “DEFINITIONS”), the proceeds of which were used for payment of Construction Costs. See APPENDIX D, “SUMMARY OF CERTAIN PROVISIONS OF INDENTURE—Additional Bonds.” In addition to the 2017A Bonds, one or more series of refunding Bonds (the “Refunding Bonds”) may be issued at any time to refund all or any part of any outstanding series of Bonds issued under the Indenture. See APPENDIX D, “SUMMARY OF CERTAIN PROVISIONS OF INDENTURE—Refunding Bonds.”

## **Subordinate Indebtedness**

Under the Indenture, the Authority grants a lien on the Trust Estate, subordinate to the lien of the Bonds thereon, to the providers of any Credit Facility or Reserve Fund Credit Facility (which is currently Ambac Assurance Corporation). Payment of all Reimbursement Obligations (as defined in APPENDIX F, "DEFINITIONS") owed to issuers of Credit Facilities and Reserve Fund Credit Facilities are payable from the Expense Fund under the Indenture. Under the Indenture, the Authority also may issue bonds or other obligations for any of the purposes under the Transportation Finance Act, and grant the holders of such indebtedness a lien on the Trust Estate which is junior to the lien of the Bondholders and any issuers of Credit Facilities or Reserve Fund Credit Facilities.

## **DESCRIPTION OF 2017A BONDS**

### **General Description**

The 2017A Bonds will be issued as fully registered bonds in denominations of \$5,000 and any integral multiple thereof. The 2017A Bonds will be dated as of their date of delivery and will be lettered and numbered consecutively from R-1 upwards.

Interest on the 2017A Bonds will be payable semiannually on each December 1 and June 1, commencing on June 1, 2018 (each, an "Interest Payment Date"). The 2017A Bonds will bear interest (calculated on the basis of twelve (12) thirty (30) day months and a three hundred sixty (360) day year) at the rates and will mature on the dates and in the principal amounts as set forth on the cover page of this Official Statement. Each 2017A Bond will bear interest from the Interest Payment Date next preceding the date on which it is authenticated, unless it is (a) authenticated after the fifteenth day of the month prior to an Interest Payment Date (a "Record Date") and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (b) authenticated prior to the closing of business on the Record Date preceding the first Interest Payment Date for the 2017A Bonds, in which event it will bear interest from the date of initial delivery of the 2017A Bonds. However, if, at the time of authentication of any 2017A Bond, interest is in default, such 2017A Bond will bear interest from the date to which interest has been paid.

For so long as the 2017A Bonds are registered in the name of DTC or its nominee, payments of principal of and interest on the 2017A Bonds will be paid by the Paying Agent only to DTC or its nominee. Neither the Authority, the Paying Agent nor any other Fiduciary will have any responsibility for a Beneficial Owner's receipt from DTC or its nominee, or from any DTC Participant or Indirect Participant of any payments of principal of or interest on any 2017A Bonds. See APPENDIX C, "BOOK-ENTRY-ONLY SYSTEM."

### **Transfer and Exchange**

The 2017A Bonds may be transferred or exchanged by any Bondholder or any Bondholder's duly authorized attorney at the principal trust operations office of the Bond Registrar, in East Syracuse, New York, to the extent and upon the conditions set forth in the Indenture, including the payment of a sum sufficient to cover any tax, fee or other governmental charge for any such transfer or exchange that may be imposed upon the Authority or the Bond Registrar. The Bond Registrar will not be required to transfer or exchange any 2017A Bond (a) during a period of 15 days next preceding any date on which such 2017A Bond may be selected for redemption from among any 2017A Bonds then to be redeemed or thereafter until after the mailing of any notice of redemption or (b) if called for redemption.

For so long as the 2017A Bonds are registered in the name of DTC or its nominee, the Bond Registrar will transfer and exchange 2017A Bonds only on behalf of DTC or its nominee, in accordance with the preceding paragraph. Neither the Authority, the Bond Registrar nor any other Fiduciary will have any responsibility for transferring or exchanging any Beneficial Owners' interests in the 2017A Bonds. See APPENDIX C, "BOOK-ENTRY-ONLY SYSTEM."

In the event the 2017A Bonds are no longer registered in the name of DTC or its nominee, or any other clearing agency, the principal of the 2017A Bonds will be payable at the principal trust operations office of the Paying Agent, in East Syracuse, New York. In the event the 2017A Bonds are no longer registered in the name of DTC or its

nominee, or any other clearing agency, interest on the 2017A Bonds will be paid by check or draft of the Paying Agent mailed on or before the business day prior to each Interest Payment Date to the registered owners or registered assigns appearing on the registration books maintained by the Bond Registrar as of the close of business on the most recent Record Date. However, a registered owner of at least \$1,000,000 aggregate principal amount of any 2017A Bonds may request to receive payment of interest on any Interest Payment Date by wire transfer, upon written instructions to the Trustee not less than five business days prior to the Record Date immediately preceding such Interest Payment Date, which instructions will remain in effect until revoked by such owner.

## **Redemption**

***Optional Redemption.*** The 2017A Bonds are subject to redemption prior to their maturity by the Authority at its option on any date on or after December 1, 2027, in whole or in part, in the principal amount and maturity or maturities selected by the Authority at its sole discretion (less than all of such Series 2017A Bonds of a single maturity to be selected by lot in such manner as may be designated by the Trustee) at the redemption price of one hundred percent (100%) of the principal amount of the Series 2017A Bonds to be redeemed, plus accrued interest thereon to the redemption date.

***Selection of Bonds; Partial Redemption.*** If fewer than all the 2017A Bonds of a particular maturity are called for redemption prior to maturity, the particular 2017A Bonds or portions thereof to be redeemed will be selected by the Trustee in such manner as the Trustee, in its discretion, may deem fair and appropriate. For any 2017A Bond called for redemption in a denomination of more than \$5,000, the portion of such 2017A Bond to be redeemed will be in a principal amount equal to a multiple of \$5,000. In selecting portions of 2017A Bonds for prior redemption, the Trustee will treat each 2017A Bond as representing that number of 2017A Bonds of such minimum denomination which is obtained by dividing the principal amount of such 2017A Bond to be redeemed in part by \$5,000. In the event that any portion of a 2017A Bond is redeemed pursuant to the Indenture, the owner of such 2017A Bond, upon surrender of such 2017A Bond and without charge, will receive a 2017A Bond or Bonds of like maturity and interest rate for the unredeemed balance of the principal amount of such 2017A Bond.

For so long as the 2017A Bonds are registered in the name of DTC or its nominee, the Trustee will select for redemption only 2017A Bonds or portions thereof registered in the name of DTC or its nominee, in accordance with the provisions described in the preceding paragraph. Neither the Authority, the Trustee nor any other Fiduciary will have any responsibility for selecting for redemption any Beneficial Owners' interests in the 2017A Bonds. See APPENDIX C, "BOOK-ENTRY-ONLY SYSTEM."

***Notice of Redemption.*** In the event that any 2017A Bonds are called for redemption, the Trustee will give notice not less than 30 and not more than 60 days prior to the date fixed for any such redemption to the owners of the 2017A Bonds or portions of such 2017A Bonds to be redeemed by sending a copy of the redemption notice required by the Indenture, by registered or certified mail, to such owners at their last addresses appearing on the registration books maintained by the Bond Registrar as of the close of business on the last business day of the month prior to the month during which such notice is mailed. Any defect in the giving of any notice will not affect the validity of the redemption proceedings for those 2017A Bonds for which notice was properly given under the Indenture. Notices of redemption that are conditioned on the future receipts of funds to pay the redemption price may be sent.

For so long as the 2017A Bonds are registered in the name of DTC or its nominee, the Trustee will send notices of redemption of 2017A Bonds only to DTC or its nominee, in accordance with the provisions described in the preceding paragraph. Neither the Authority, the Trustee nor any other Fiduciary will have any responsibility for any Beneficial Owners' receipt from DTC or its nominee, or from any DTC Participant or Indirect Participant, of any notices of redemption. Any failure by DTC or DTC Participants to notify the Beneficial Owners does not affect the validity of the redemption proceedings for the 2017A Bonds. See APPENDIX C, "BOOK-ENTRY-ONLY SYSTEM."

***Redemption Payments.*** On or prior to the date fixed for redemption, there must be on deposit with the Paying Agent sufficient funds to pay the redemption price of any 2017A Bonds or portions thereof called, together with accrued interest on such 2017A Bonds or portions thereof to the redemption date. After the redemption date, if proper notice of redemption by mailing has been given and sufficient funds have been deposited with the Paying Agent, interest will cease to accrue on the 2017A Bonds or portions thereof that have been called.

For so long as the 2017A Bonds are registered in the name of DTC or its nominee, redemption payments on the 2017A Bonds will be paid by the Paying Agent only to DTC or its nominee, in accordance with the provisions described in the preceding paragraph. Neither the Authority, the Paying Agent nor any other Fiduciary will have any responsibility for any Beneficial Owners' receipt from DTC or its nominee, or from any DTC Participant or Indirect Participant, of any redemption payments on any 2017A Bonds. See APPENDIX C, "BOOK-ENTRY-ONLY SYSTEM."

**Book-Entry-Only System**

The Book-Entry-Only System is described in APPENDIX C, "BOOK-ENTRY-ONLY SYSTEM."

**ESTIMATED SOURCES AND USES OF FUNDS**

As provided in the 2017A Supplemental Indenture, the proceeds of the 2017A Bonds will be deposited with the Trustee and are expected to be allocated as follows:

Sources

|   |                          |
|---|--------------------------|
| Principal amount of 2017A Bonds .....   | \$ 176,240,000.00        |
| Original issue premium .....            | 36,133,045.10            |
| Excess moneys from the 2017 Notes ..... | 4,231.38                 |
| Escrow Release .....                    | 157,001.93               |
| <b>Total Sources .....</b>              | <b>\$ 212,534,278.41</b> |

Uses

|  |                          |
|--|--------------------------|
| Deposit to 2017A Refunding Account .....     | \$ 211,012,786.11        |
| Underwriting discount.....                   | 627,479.92               |
| Other costs of issuance <sup>(1)</sup> ..... | 894,012.38               |
| <b>Total Uses</b>                            | <b>\$ 212,534,278.41</b> |

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<sup>(1)</sup> An amount which will be sufficient to pay the estimated legal, accounting and printing costs and the Fiduciary and other Authority expenses in connection with the issuance of the 2017A Bonds and the 2017 Notes.

**INDIANA HIGHWAY SYSTEM**

The Department builds and maintains more than 28,000 lane miles of highway and 5,600 bridges, and provides oversight for 117 public aviation facilities and more than 4,000 miles of active rail lines. Indiana ranked as the #1 state in the United States for infrastructure in CNBC's 2016 "Top States for Business" ranking.

In calendar year 2017, the Department will oversee more than 300 construction contracts totaling more than \$1 billion in capital investment. The Department plans to resurface 3,047 lane miles of pavement at a cost of \$866 million, start construction on 41 capital projects that improve traffic mobility and traffic safety, and modernize or improve several interchanges and intersections throughout the State. The Department plans also to rehabilitate, replace or install 486 bridges and small structures, such as culverts, at an approximate cost of \$280 million.

**Construction Program**

The Department divides its construction program into two primary components, the preservation program and the major capital program. The preservation program focuses on preserving existing highways, roads and bridges.

Typical preservation projects include road resurfacing and rehabilitation, bridge rehabilitation, intersection improvements, non-interstate resurfacing, interstate rehabilitation/resurfacing and rail/highway safety projects.

Projects under the major capital program generally add capacity and/or efficiency to the existing highway system. Typical capital projects include adding additional lanes and expanding paved shoulders to existing roads and bridges or new roads and bridges.

### **Construction Budget**

The Department develops and implements a construction budget for each Fiscal Year which, among other things, allocates funding for new construction contracts awarded throughout such Fiscal Year. The Department's first priority is scheduled preservation projects. After agency debt service and preservation needs are met, the Department provides for capital projects that are capacity related.

As described below, the construction budget is funded from a variety of sources, some of which are available only for capital projects. Such sources include the Gas Tax Fund, the Crossroads 2000 Fund and the Toll Road Lease proceeds and, in the past, included Bond proceeds. Most Federal funds are spent through the construction budget and generally require a 20% State match. For the most part, preservation projects are funded from Federal and State funds.

### **Construction Planning**

All construction projects are scheduled through the Department's Scheduling Project Management System (the "SPMS"). Schedules show the estimated starting dates and actual completion dates of various critical milestones for development and construction of each project, as well as estimated costs for development and construction. Throughout the year, and from year to year, development and construction dates and costs may change, and the SPMS is updated.

The Department authorizes new projects annually, based on highway system-wide needs and objectives, including recommendations from each of the Department's six geographic districts. The Department collects information on the condition of the State's highways and bridges based upon factors such as daily traffic, truck traffic, roadway roughness, rutting, pavement condition and surface friction. Bridges are rated by the Department. Each bridge's sufficiency rating reflects its structural condition and functional status and review is done annually.

The Department analyzes system and project level pavement conditions to identify highest priority projects for rehabilitation, including projects related to bridges. Once initial candidates are identified, a field check is done to review limits, priorities and alternatives and define the scope of work. The Department also reviews bridge, traffic improvement, interchange modification and travel lane projects already programmed or under consideration for programming to assure coordination of projects.

When a scheduled project is ready for contract, the Department places the project on an 18-month letting list. The project is then advertised and, upon successful bid, awarded to a private contractor through competitive bidding in accordance with State law.

Historically, the Department has managed a large volume of highway construction projects and incorporates the management of the Projects into its overall contract administration process. The Department believes that accurate estimates of project costs and completion dates are essential to the efficient management of the highway construction program. Accordingly, the Department continuously monitors bid prices and final contract prices. When establishing construction schedules, the Department reviews each project and makes allowances for relocation of utilities, maintenance of traffic and other factors that can extend the time needed to complete a project.

### **Major Moves**

In 2005, Governor Mitch Daniels introduced his draft Major Moves highway plan. The plan included more than 200 new construction and 200 major pavement preservation highway projects. In addition, funds would be made



available to counties for local transportation and economic growth projects. The funding would come from a combination of federal and state gas tax monies and revenues and interest from leasing the Indiana Toll Road (the “Toll Road”) to a private company.

In 2006, the General Assembly enacted legislation authorizing the Authority, which owns the Toll Road, 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. The revenues from the lease, \$3.8 billion (net of expenses and the bond repayments), are being held in a trust fund or being used to fund the Major Moves highway plan throughout the State.

In 2006, the Department introduced the final, funded 10-year Major Moves highway plan. The initiative, now also utilizing the Toll Road lease payment, will fund both preservation and new construction for Indiana's roadways. In addition to state highway projects, the counties where the Toll Road is located would receive one-time payments for local transportation and economic growth projects from the Toll Road Lease proceeds. In 2006 and 2007, all 92 Indiana counties received additional funds for their local transportation and economic growth projects from the Toll Road Lease proceeds. The legislature also directed \$500 million from the lease proceeds be dedicated to a Next Generation Fund to be used later for transportation projects. The Department is to receive the interest earnings every five years from the Next Generation Fund to fund construction of transportation projects.

Through Fiscal Year 2016, the Major Moves highway plan resulted in the completion of 87 new roadways, 480 new centerline miles and 60 new or reconstructed interchanges, and the Department has obligated more than \$3.12 billion in funds for project construction, right-of-way, and consulting/project engineering.

### **Next Level Roads**

In July 2017, Governor Eric J. Holcomb and the Department’s Commissioner Joe McGuinness launched Indiana’s Next Level Roads initiative which includes construction plans for the first five years of a new 20-year program to improve Indiana’s roads and bridges. The plan comes on the heels of the Indiana General Assembly’s passage of House Enrolled Act 1002 in the most recent legislative session. HEA 1002 provides funding for a long-term, sustainable, data-driven infrastructure plan.

The road construction plan for the first five years of Indiana’s Next Level Roads initiative outlines specific projects that will preserve existing roads and bridges, finish current projects and invest in Indiana’s overall transportation system. The plan outlines approximately \$5.1 billion in total investment over the next five years—resurfacing nearly 10,000 lane miles of pavement and repairing or replacing approximately 1,300 bridges.

Beyond this initial five-year investment in state projects, the Next Level Roads initiative provides an additional \$342 million annually to support Indiana cities, towns and counties for local road projects by 2024. Funding for the Department’s projects is anticipated to increase by an additional \$900 million annually by 2024.

With the bipartisan passage of HEA 1002, Indiana has a fully-funded plan to operate, maintain and improve every state road and bridge—a fact almost no other state can claim. The Department is also working with local communities to create similar plans for local roads and bridges through the Community Crossings matching grant fund. Community Crossings improves local road and bridge projects by providing state matching funds for shovel ready projects. In 2016, the program’s first year, the State awarded nearly \$150 million for local projects.

### **Highway System Financing**

The highway construction program is traditionally financed through a combination of Federal and State revenue and Toll Road Lease proceeds. In addition, financing has, in the past, included Bond proceeds.

**State Funding.** Notwithstanding the Toll Road lease payment, the highway construction program is funded principally from current revenue deposited in the State’s Motor Vehicle Highway Fund and Highway Road and Street Fund, including special motor fuel tax distributions, diesel fuel surtax revenue and vehicle registration fees, as well as from Federal funds and special State legislative appropriations from the General Fund (i.e., Major Moves 2020 and Excess Reserves Allocation).

State fuel taxes and other highway user fees were increased three times from 1983 through 1988. During that period, the tax on gasoline was increased from eleven and one-tenth cents to 15 cents per gallon (with revenue from one cent of the increase being deposited in the Gas Tax Fund), the tax on diesel fuel was increased from eight cents to 16 cents per gallon and a surcharge on diesel fuel of eight cents per gallon was enacted and later increased to eleven cents per gallon. In 2002, the General Assembly adopted a three cent per gallon increase in the State's gasoline tax, bringing the tax to 18 cents per gallon (with one-third of the increase being deposited in the Gas Tax Fund, one-third in the Motor Vehicle Highway Fund and one-third allocated to cities and counties for their street, road and bridge needs). During the 2017 General Assembly Session, Indiana Code 6-6-1.1 was amended so that the Gas Tax Fund will now be funded annually in the amount of the first seventy million dollars (\$70,000,000) of revenue resulting from a 28 cents per gallon State tax imposed on gasoline distributors. Beginning July 1, 2018, the gas tax rate will be the lesser of 28 cents or 28 cents multiplied by an index established under Indiana Code 6-6-1.6.

Beginning in Fiscal Year 2007, a portion of the revenues from the lease of the Toll Road has been used to fund the State highway construction program. See "Major Moves."

In 2014, the General Assembly enacted legislation which established Major Moves 2020, a program to widen and rehabilitate heavily-traveled, four-lane interstates in Indiana that are now approaching 50 years of age (the "Major Moves 2020 Program"). Since Fiscal Year 2014, \$600 million has been committed by the General Assembly to the Major Moves 2020 Program. The benefits of the Major Moves 2020 Program have included and are intended to include, in part, improved safety and reduced crash-related lane closures, the strengthening of the State's economic competitiveness and quality of life by reducing travel times and increasing reliability, and a quicker deployment of funds to support construction jobs that maximize purchasing power by advancing funding to avoid construction inflation.

Through Fiscal Year 2016, the Major Moves 2020 Program has resulted in the completion of an Interstate 65 widening project south of Indianapolis costing \$41 million and the commencement of an additional five interstate preservation/capacity projects on Interstate 65 and Interstate 69. The Department has obligated more than \$398 Million in funds from the Major Moves 2020 Program.

In 2016, the General Assembly enacted legislation, which provides for the allocation of excess General Fund reserves to provide additional road preservation funding for both State and local transportation needs. The State portion is expected to exceed \$235 million in additional preservation funding to be invested in Fiscal Years 2017 and 2018. The local portion is expected to exceed \$680 million in additional preservation funding to be invested in Fiscal Years 2017 and 2018.

In 2017, the General Assembly enacted comprehensive transportation infrastructure funding legislation to increase funding for state and local roads and bridges for the next twenty years. See "Next Level Roads."

**Federal Funding.** Beginning with the 1991 Federal Intermodal Surface Transportation Efficiency Act and continuing under the 1998 Transportation Equity Act for the 21st Century ("TEA-21"), the State received significant additional Federal highway funding. Under TEA-21, the amount of Federal funding for State and local street, road and highway projects received annually by the State constituted a 63% increase over previous levels, averaging \$490 million per year for State projects, and averaging \$667 million per year for all State and local projects through 2004. TEA-21 expired by its terms on September 30, 2003. In August 2005, a new federal highway bill, The Safe, Accountable, Flexible and Efficient Transportation Equity Act—A Legacy for Users ("SAFETEA-LU"), was signed into law. SAFETEA-LU was a five-year \$286.4 billion bill that succeeds TEA-21. The federal highway program operated under continuing resolutions during the reauthorization process. SAFETEA-LU was effective retroactive to October 1, 2004. SAFETEA-LU expired by its terms on September 30, 2009, but Congress passed a number of continuing resolutions until finally passing legislation funding for all states through December 30, 2010. Subsequently, Congress enacted MAP-21, Moving Ahead for Progress in the 21st Century Act, a two-year, \$105 billion bill which took effect October 1, 2012. That was eventually followed up with a five-year bill, the FAST Act, Fixing America's Surface Transportation Act, a \$225 billion program for highway funding covering federal fiscal years 2016-2020. For a summary of historical and projected levels of Federal funding for State projects, see APPENDIX B, "INDIANA DEPARTMENT OF TRANSPORTATION—Historical and Projected Funding Resources and Requirements."

***American Recovery and Reinvestment Act of 2009.*** In February 2009, Congress passed the American Recovery and Reinvestment Act of 2009 (the “ARRA”), that provided an additional \$26,600,000,000 (net of set-asides) for highway infrastructure investments. Indiana was allocated approximately \$657.9 million dollars for use for State construction projects and local construction projects that were ready to be let for construction. Of this amount, the Department utilized approximately \$440 million for State construction projects and made available approximately \$217.9 million to local officials to be use on local federal-aid eligible roads and bridges. Of its \$440 million, the Department utilized \$226.5 million in Fiscal Year 2009 and \$214.5 million in Fiscal Year 2010, as shown in APPENDIX B, “INDIANA DEPARTMENT OF TRANSPORTATION—Historical and Projected Funding Resources and Requirements.” The majority of the local share was utilized in Fiscal Year 2010, but is not reflected in APPENDIX B in that APPENDIX B reflects only the Department’s resources and requirements and does not include any of the local programs. Indiana led the nation in state departments of transportation for the number of projects (over 1,100) that were done. Also, Indiana, had an ARRA project in all 92 counties in the State.

***Bond Financed Highway Projects.*** The State began funding capital improvements with Bond proceeds in 1988, when the “gasoline tax” was raised and the Gas Tax Fund was created. That initial highway bond program was referred to as the “ACE Program.” In 1997, the General Assembly created the Crossroads 2000 Fund and provided for deposit of certain fees into such Fund. This phase of the highway bond program was referred to as “Crossroads 2000.” The General Assembly effectively authorized a third highway bond program in 2003 when it increased the “gasoline tax” and provided for deposit of a portion of the revenues resulting from the increase into the Gas Tax Fund. This phase of the highway bond program is sometimes referred to as “Crossroads II.”

Since 1988, the Department has funded 143 projects from Bond proceeds. All of the Projects are complete and open to traffic.

### **Summary of Department Financial Resources and Spending Requirements**

The Department’s recent historical and projected funding resources and requirements are summarized in APPENDIX B, “INDIANA DEPARTMENT OF TRANSPORTATION—Historical and Projected Funding Resources and Requirements.”

## **PROGRAM RESPONSIBILITY AND MANAGEMENT**

### **Indiana Finance Authority**

***General.*** The Authority is a body politic and corporate, not a State agency but an independent instrumentality, created under Indiana Code 4-4-10.9 and 4-4-11 (collectively, the “Authority Act”). Though separate from the State, the exercise by the Authority of its powers constitutes an essential governmental function. The Authority has no taxing power, and any indebtedness incurred by the Authority does not constitute an indebtedness of the State within the meaning or application of any constitutional provision or limitation.

In 2005, the General Assembly enacted legislation which consolidated several State issuers, including the Indiana Transportation Finance Authority, into the Authority. Pursuant to this legislation, on May 15, 2005, all powers, duties, liabilities, property and records of these issuers were transferred to the Authority, as the successor agency.

***Organization, Membership.*** The Authority consists of the State Budget Director (or the State Budget Director’s designee), who serves as Chairman of the Authority, the Treasurer of State (or the Treasurer of State’s designee), and three members appointed by the Governor. No more than two of the Governor’s appointees may be members of the same political party. In addition, the Governor’s appointees must be residents of the State, serve for terms of four years and until their successors are appointed and qualified, and may be reappointed by the Governor. The members of the Authority elect one of the members to serve as Vice Chairman and other officers as they may determine. Members are entitled to reimbursement for travel expenses and other expenses actually incurred in connection with their duties as provided by law, but are not entitled to any salary *per diem* while performing their duties.

Any three members of the Authority constitute a quorum and the affirmative votes of at least three members are necessary for action to be taken by the Authority.

The following persons comprise the Authority:

*Micah G. Vincent*, Director of the Office of Management and Budget, Chairman of Authority. Residence: Zionsville, Indiana. Principal occupation: Director of the Office of Management and Budget.

*Kelly M. Mitchell*, Treasurer of State, Vice Chair of the Authority. Residence: Indianapolis, Indiana. Principal occupation: Treasurer of State.

*Owen B. Melton, Jr.*, appointed member; term expires July 31, 2019. Residence: Carmel, Indiana. Principal occupation: Retired (former Chief Executive Officer of First Indiana Bank, N.A., n/k/a BMO Harris Bank N.A.).

*Harry F. McNaught, Jr.*, appointed member; term expires August 31, 2019. Residence: Carmel, Indiana. Principal occupation: President/CEO of Denison Properties.

*Kerry M. Stemler*, appointed member; term expires August 31, 2020. Residence: Sellersburg, Indiana. Principal occupation: President and CEO of KM Stemler Co. Inc. and KM Stemler Trucking Inc.

The financial affairs and activities of the Authority, including the issuance of bonds and employees of the Authority, are managed by the Public Finance Director of the State. Dan Huge is the Public Finance Director of the State. Mr. Huge became Public Finance Director of the State effective October 30, 2015. Mr. Huge also previously served as Chief Financial Officer of the Authority. Prior to his employment at the Authority, Mr. Huge served as Chief Financial Officer of the Capital Improvement Board of Managers of Marion County, Indiana, and Executive Director of the Indiana Bond Bank among other governmental/non-governmental financial and finance-related positions.

**Powers.** Under Indiana law, the Authority is authorized to issue revenue bonds to finance a wide variety of facilities, including buildings, highways, aviation facilities, stadiums, convention centers, recreation facilities, wastewater treatment projects, drinking water projects, toll roads, economic development projects, educational facilities and pollution control facilities.

Pursuant to this authorization, the Authority and its predecessor agencies have issued revenue bonds, including the Prior Bonds under the Indenture, to finance many such facilities, including the Prior Projects. In addition, the Authority may in the future issue additional revenue bonds, including Additional Bonds under the Indenture, to finance additional facilities, including additional Projects. See APPENDIX A, “FINANCIAL AND ECONOMIC STATEMENT FOR STATE OF INDIANA—STATE INDEBTEDNESS—Obligations Payable from Possible State Appropriations—*Indiana Finance Authority*” and “—Contingent Obligations—*Toll Road*” and “—*Economic Development*.”

**Prior Bonds.** The Authority or its predecessor, the Indiana Transportation Finance Authority, issued the Prior Bonds under the Indenture to finance or refinance the Prior Projects and the 2017 Notes under the Note Trust Indenture for the purposes described herein. By law, all powers, duties, liabilities, property and records of the Indiana Transportation Finance Authority with respect to the Prior Bonds, as applicable, have been transferred to the Authority, as the successor agency. See APPENDIX A, “FINANCIAL AND ECONOMIC STATEMENT FOR STATE OF INDIANA—STATE INDEBTEDNESS—Obligations Payable from Possible State Appropriations—*Indiana Finance Authority—Highways*” and Tables 5 and 6 therein.

**Summary of Outstanding Debt.** For a summary of certain of the Authority’s outstanding indebtedness, see APPENDIX A, “FINANCIAL AND ECONOMIC STATEMENT FOR STATE OF INDIANA—STATE INDEBTEDNESS.”

## Indiana Department of Transportation

**General.** By statute, the Department is responsible for: (i) the identification, development, coordination and implementation of the State's transportation policies; (ii) the approval of applications for federal transportation grants from funds allocated to the State; (iii) the review, revision, adoption and submission of budget proposals; (iv) the construction, reconstruction, improvement, maintenance and repair of state highways, toll road projects and toll bridges; and (v) the administration of railroad, rail preservation, airports, aviation development and other programs as required by law.

The Commissioner of the Department, Joe McGuinness, is appointed by and serves at the pleasure of the Governor. The Commissioner is responsible for organizing and administering the Department. The Department is authorized to hire qualified individuals to carry out the Department's responsibilities and to contract with outside persons to do those things which cannot be adequately or efficiently performed by Department personnel.

**Administration.** The following persons comprise the Department's senior management:

*Joe McGuinness, Commissioner.* Mr. McGuinness was appointed Commissioner in January 2017. Prior to his appointment, he served as the Mayor of Franklin, Indiana from 2011 to 2017. Mr. McGuinness holds a bachelor of arts degree from Franklin College in sociology and criminal justice and a master of business administration degree from Indiana Wesleyan University.

*Daniel L. Brassard, Chief Financial Officer and Deputy Commissioner for Finance.* Mr. Brassard was appointed Chief Financial Officer and Deputy Commissioner for Finance in December 2009. Prior thereto, he had held senior finance, accounting and management positions at MasterBrand Cabinets and its predecessor, Aristokraft Inc. Mr. Brassard holds a bachelor of science degree in accounting and a master of business administration degree from the University of Evansville.

*Michael Smith, Deputy Commissioner of Operations.* Mr. Smith was appointed Deputy Commissioner of Operations in February 2017. Prior to his appointment, he served as the District Deputy Commissioner of the Department's Greenfield District. Mr. Smith holds a bachelor of science degree in management from Indiana University.

*Chris Kiefer, Chief of Staff and Deputy Commissioner.* Mr. Kiefer was appointed Chief of Staff and Deputy Commissioner in August 2014. Prior to being named Chief of Staff, Mr. Kiefer served three years as the Department's Director of Public-Private Partnerships. He joined the Department in 2005 as Legislative Director. Before joining the Department, he worked in Washington D.C. for a member of Indiana's Congressional delegation.

*Travis Underhill, Deputy Commissioner of Capital Program Management.* Mr. Underhill was appointed Deputy Commissioner of Capital Program Management in 2017. He previously served as the City Engineer for the City of Franklin. He holds a bachelor of science degree in civil engineering from Michigan Technological University.

*James P. Stark, Deputy Commissioner of Innovative Project Delivery.* Mr. Stark was appointed Deputy Commissioner of Innovative Project Delivery in January 2013. He previously served as the Department's Deputy Commissioner for Capital Program Management from 2010 to 2012. Mr. Stark also served as Deputy Commissioner of the Department's Seymour District from January 2009 to August 2010. Prior to joining the Department, he served as a regional business analyst for American Management, and was CEO of Mastercraft Memorial Services. Mr. Stark holds a bachelor of arts degree in industrial design from Purdue University.

*Robert F. Talley, Director of Construction.* Mr. Talley was appointed Director of Construction in November 2013. He joined the Department in September 2013 as Executive Advisor to the Commissioner. Prior to joining the Department, he completed a 30-year career with the Federal Highway Administration where he served as the Division Administrator of the Texas Division and the Indiana Division. Mr. Talley holds a bachelor of science degree and a master of engineering degree from the University of Louisville Speed Scientific School. He is a licensed professional civil engineer.

*Alison Maloof, Chief Legal Counsel and Deputy Commissioner.* Ms. Maloof serves as Chief Legal Counsel and Deputy Commissioner. Prior to joining the Department, she served as Chief Financial Officer and General Counsel for TCC Software Solutions. She was previously a partner in her own California law practice. She holds a bachelor of music degree in from Vanderbilt University, and received her law degree from Thomas Jefferson School of Law.

*Trevor Mills, Deputy Commissioner of Engineering and Asset Management.* Mr. Mills was appointed Deputy Commissioner of Engineering and Asset Management in March 2017. He previously served in several positions within the Department, including Director of Project Support for the Department’s Capital Program, and the Local Public Agency Planning Manager for the Department. Mr. Mills holds a bachelor of science degree in civil engineering from the University of Toledo.

## LITIGATION

At the time of delivery of the 2017A Bonds, the Authority and the Department will certify that to the knowledge of the Authority or the Department, respectively, there is no litigation or other proceeding pending or, threatened in any court, agency or other administrative body affecting the existence of the Authority or the Department, the title of their respective officers to their respective offices, or seeking to restrain or enjoin the issuance or delivery of the 2017A Bonds, or the collection of the revenues or receipts derived from the 2017 Master Lease Agreement, pledged or to be pledged to pay the principal of and interest on the 2017A Bonds, or in any way contesting or affecting the issuance, execution, delivery, payment, security or validity of the 2017A Bonds, or in any way contesting or affecting the validity or enforceability of the Indenture or any Master Lease Agreement, or contesting the exclusion from gross income of interest on the 2017A Bonds for federal income tax purposes, or contesting the powers of the Authority or the Department, or any authority for the 2017A Bonds, the Indenture or the Master Lease Agreements, or contesting in any way the completeness, accuracy or fairness of this Official Statement or materially and adversely affecting the financial condition of the Authority or the Department. For a discussion of litigation involving the State, see APPENDIX A “FINANCIAL AND ECONOMIC STATEMENT FOR STATE OF INDIANA—Litigation.”

## TAX MATTERS

In the opinion of Ice Miller LLP, Indianapolis, Indiana (“Bond Counsel”), under existing federal statutes, decisions, regulations and rulings, interest on the 2017A Bonds is excludable from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. This opinion relates only to the exclusion from gross income of interest on the 2017A Bonds for federal income tax purposes under Section 103 of the Code and is conditioned on continuing compliance by the Authority and the Department with the Tax Covenants (as hereinafter defined). Failure to comply with the Tax Covenants could cause interest on the 2017A Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue. In the opinion of Bond Counsel, under existing laws, regulations, judicial decision and rulings, interest on the 2017A Bonds is exempt from income taxation in the State. This opinion relates only to the exemption of interest on the 2017A Bonds for State income tax purposes. See APPENDIX G hereto for the form of the approving opinion of Bond Counsel.

The Code imposes certain requirements which must be met subsequent to the issuance of the 2017A Bonds as a condition to the exclusion from gross income of interest on the 2017A Bonds for federal income tax purposes. The Authority and the Department will covenant not to take any action, nor fail to take any action within their respective power and control, with respect to the 2017A Bonds that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the 2017A Bonds pursuant to Section 103 of the Code (collectively, the “Tax Covenants”). The Indenture, the Loan Agreement and certain certificates and agreements to be delivered on the date of delivery of the 2017A Bonds establish procedures under which compliance with the requirements of the Code can be met. It is not an event of default under the Indenture if interest on the 2017A Bonds is not excludable from gross income for federal income tax purposes or otherwise pursuant to any provision of the Code which is not in effect on the issue date of the 2017A Bonds.

Indiana Code § 6-5.5 imposes a franchise tax on certain taxpayers (as defined in Indiana Code § 6-5.5) which, in general, are 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. Taxpayers should consult their own tax advisors regarding the impact of this statute on their ownership of the 2017A Bonds.

Although Bond Counsel will render an opinion on the federal and state tax matters described above, the accrual or receipt of interest on the 2017A Bonds may otherwise affect a Bondholder's federal or state income tax liability. The nature and extent of these other tax consequences will depend upon the Bondholder's particular tax status and the Bondholder's other items of income or deduction. Taxpayers who may be affected by such other tax consequences include, without limitation, financial institutions, certain insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the 2017A Bonds. Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the 2017A Bonds should consult their own tax advisors with regard to the other tax consequences of owning the 2017A Bonds.

### **AMORTIZABLE BOND PREMIUM**

The initial offering prices of the 2017A Bonds are greater than the principal amount payable at maturity or on an earlier call date. As a result, the 2017A Bonds will be considered to be issued with amortizable bond premium (the "Bond Premium"). An owner who acquires a 2017A Bond in the initial offering will be required to adjust the owner's basis in the 2017A 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 2017A Bonds (including sale, redemption or payment at maturity or call). The amount of amortizable Bond Premium will be computed on the basis of the owner's yield to maturity, with compounding at the end of each accrual period. Rules for determining (i) the amount of amortizable Bond Premium and (ii) the amount amortizable in a particular year are set forth in Section 171(b) of the Code. No income tax deduction for the amount of amortizable Bond Premium will be allowed pursuant to Section 171(a)(2) of the Code, but amortization of Bond Premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining other tax consequences of owning the 2017A Bonds. Owners of the 2017A 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 2017A Bonds and with respect to the state and local tax consequences of owning and disposing of 2017A Bonds.

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

### **LEGALITY FOR INVESTMENT**

The 2017A Bonds are legal investments for all financial institutions, investment companies, insurance companies, insurance associations, executors, administrators, guardians, trustees and other fiduciaries in the State of Indiana.

### **ENFORCEABILITY OF RIGHTS AND REMEDIES**

The enforceability of the rights and remedies of the Trustee or the holders of the 2017A Bonds under the Indenture, the enforceability of the rights and remedies of the Authority under the Master Lease Agreements and the Underlying Leases, the enforceability of the rights and remedies of any other party under any other agreement in this financing, and the availability of remedies to any party seeking to enforce the pledge of the Trust Estate, 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 the United States Bankruptcy Code, the rights and remedies provided in the Indenture, the Master Lease Agreements, the Underlying Leases and any other agreement in this financing, and the rights and remedies of any party seeking to enforce the pledge of the Trust Estate, may not be readily available or may be limited.

The various legal opinions to be delivered concurrently with the delivery of the 2017A Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the State of Indiana and the United States of America and bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, and by the exercise of judicial discretion in appropriate cases. These exceptions would encompass any exercise of federal, state or local police powers in a manner consistent with the public health and welfare. Enforceability of the Indenture, the Master Lease Agreements, the Underlying Leases or any other agreements in this financing, and enforceability of the pledge of the Trust Estate, 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 and issuance of the 2017A Bonds are subject to the unqualified approving opinion of Ice Miller LLP, Indianapolis, Indiana, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Frost Brown Todd LLC, Indianapolis, Indiana. Certain legal matters will be passed upon for the Authority, the Department and the State by the Office of the Attorney General of the State of Indiana.

### **UNDERWRITING**

The 2017A Bonds are being purchased by the Underwriters set forth on the cover page of this Official Statement, for which Goldman Sachs & Co. LLC ("Goldman Sachs") is acting as representative. The Underwriters have jointly and severally agreed to purchase the 2017A Bonds at an aggregate purchase price of \$211,745,565.18 (representing the principal amount of the 2017A Bonds less an underwriters' discount of \$627,479.92 and plus original issue premium of \$36,133,045.10), pursuant to a bond purchase agreement entered into by and between the Authority and the Underwriters. Such agreement provides that the Underwriters will purchase all the 2017A Bonds if any are purchased. The initial offering prices may be changed from time to time by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their respective affiliates may have certain creditor and/or other rights against the Authority and the Beneficial Owners and their affiliates in connection with such activities. In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Authority and the Beneficial Owners (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Authority and the Beneficial Owners. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The Authority intends to use a portion of the proceeds from this offering to refund the Authority's 2017 Notes and to pay costs of issuance for the 2017 Notes and the 2017A Bonds. Goldman Sachs, an underwriter of the 2017A Bonds, or an affiliate thereof may hold the 2017 Notes that are being refunded in connection with the offering contemplated herein and, as a result, may receive a portion of the proceeds from this offering in connection with such 2017 Notes being refunded by the Authority.

### **MUNICIPAL ADVISOR**

Public Financial Management ("PFM"), certified public accountants, served as municipal advisor to the Authority with respect to the 2017A Bonds. In its role as municipal advisor to the Authority, PFM has not undertaken either to make an independent verification of or to assume responsibility for the accuracy or completeness of the



information contained in this Official Statement and the appendices thereto. PFM is an independent municipal advisory firm and is not engaged in the business of underwriting, trading or distributing tax-exempt securities or other public securities.

## **RATINGS**

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Fitch Ratings ("Fitch") have assigned long-term ratings of "Aa1," "AA+" and "AA+", respectively, to the 2017A Bonds. These ratings reflect only the views of Moody's, S&P and Fitch. An explanation of the ratings may be obtained from Moody's at 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, from S&P at 55 Water Street, New York, New York 10004, and from Fitch at One State Street Plaza, New York, New York 10004.

The ratings are not a recommendation to buy, sell or hold any of the 2017A Bonds. There is no assurance that the ratings will remain in effect for any given period of time or that a rating will not be revised downward or withdrawn entirely by Moody's, S&P or Fitch if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price or marketability of the 2017A Bonds.

## **FINANCIAL STATEMENTS**

The financial statements of the Authority for the fiscal year ended June 30, 2016, are available upon request from the Authority.

The Authority is required under the Indenture to file its annual financial statements with the Trustee.

For information concerning the Indiana Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2016, see APPENDIX A, "FINANCIAL AND ECONOMIC STATEMENT FOR STATE OF INDIANA – FISCAL POLICIES – 2016 Financial Report."

For general financial and economic information for the State, including audited and certain unaudited information, see APPENDIX A, "FINANCIAL AND ECONOMIC STATEMENTS FOR STATE OF INDIANA."

## **CONTINUING DISCLOSURE AND COMPLIANCE THEREWITH**

In order to assist the Underwriters in complying with subsection (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC Rule"), the Authority and the State will enter into a Continuing Disclosure Agreement, dated the date of closing of the 2017A Bonds (the "Undertaking"). See APPENDIX H, "FORM OF CONTINUING DISCLOSURE AGREEMENT."

In the previous five years, the Authority and its predecessors have complied, in all material respects, with any previous undertakings in a written contract or agreement that they entered into pursuant to subsection (b)(5) of the SEC Rule, except to the extent that the following is deemed to be material.

The Authority filed its 2014 financial information with the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access ("EMMA") system, as required by applicable continuing disclosure undertakings in a timely fashion on January 23, 2015. However, a new coverage table required by the Authority's State Revolving Fund Program Bonds, Series 2014A (the "2014A Bonds") and State Revolving Fund Program Refunding Bonds, Series 2014B (the "2014B Bonds" and collectively with the 2014A Bonds, the "2014 Bonds") was inadvertently left out of the required annual filing and was not posted. On January 27, 2015, one day after the 2014 Bonds annual filing deadline, this coverage table was posted on EMMA as part of the final official statement for the Authority's State Revolving Fund Program Bonds, Series 2015A (Green Bonds). On February 5, 2015, this coverage table was incorporated by reference on the 2014A Bonds and 2014B Bonds disclosure page on EMMA and linked to the appropriate CUSIP numbers. On January 29, 2016, the Authority filed with EMMA a notice of the failure to provide such annual financial information by the deadline therefor.

In addition, the Authority filed its 2013 financial information with EMMA in a timely fashion on January 23, 2014. However, the financial information was inadvertently not posted on the EMMA system to certain CUSIP numbers associated with a single bond issue, the Authority's Tax-Exempt Private Activity Bonds (Ohio River Bridges East End Crossing Project), Series 2013 A and B. As a result, although the required financial information was generally available with respect to the Authority, it was not available on the EMMA system under the links for such CUSIP numbers. The Authority caused such financial information to be posted to those CUSIP numbers through an EMMA filing on April 15, 2014, by adding the necessary bonds and their CUSIP numbers to the prior annual disclosure filing.

The Authority has taken appropriate steps to prevent these events from occurring in the future.

Except as provided above, in the previous five years, the State has complied, in all material respects, with any previous undertakings in a written contract or agreement that it entered into pursuant to subsection (b)(5) of the SEC Rule.

Copies of the Undertaking are available from the Authority upon request. See "MISCELLANEOUS."

### MISCELLANEOUS

Information contained in this Official Statement with respect to the Authority and the Department and copies of the Original Indenture, the Master Lease Agreements, the Underlying Leases and the Undertaking may be obtained from the Indiana Finance Authority, One North Capitol, Suite 900, Indianapolis, Indiana 46204.

This Official Statement is submitted in connection with the issuance and sale of the 2017A Bonds and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement has been duly authorized and approved by the Authority and duly executed and delivered on its behalf by the officials signing below.

Any statements in this Official Statement involving matters of opinion, projections or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. The agreements of the Authority are fully set forth in the Indenture. Neither any advertisement of the 2017A Bonds nor this Official Statement is to be construed as constituting a contract or agreement between the Authority and the purchasers or owners of the 2017A Bonds.

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

INDIANA FINANCE AUTHORITY

By: /s/ Micah G. Vincent  
Micah G. Vincent  
Chairman

Attest:

By: /s/ Dan Huge  
Dan Huge  
Public Finance Director of the State of Indiana

**APPENDIX A**  
**FINANCIAL AND ECONOMIC STATEMENT**  
**FOR**  
**STATE OF INDIANA**

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## **INTRODUCTION**

This Financial and Economic Statement (this “Appendix A”) for the State of Indiana (the “State”) includes a description of the State’s economic and fiscal condition, the results of operations and revenue and expenditure projections through the end of the fiscal year ending June 30, 2017. The information is compiled on behalf of the State by the State Budget Agency (the “Budget Agency”) and the Indiana Finance Authority and includes information and data taken from the Budget Agency’s unaudited reports. It also includes information obtained from other sources the State believes to be reliable.

This Appendix A should be read in its entirety, together with any supplements.

## **STRUCTURE OF STATE GOVERNMENT**

### **Division of Powers**

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

### **Executive Department**

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

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

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

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

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

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 and the Indiana Public Retirement System.

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 or the Budget Agency.



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 motor vehicle registrations, and operator licensing fees. Revenue from this fund is distributed among the State and counties, cities, and towns to be used for the construction, reconstruction, improvement, and maintenance of highways, bridges and secondary roads.

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

**Capital Projects Funds.** Capital Projects Funds are used to account for financial resources to be used by the State for the acquisition, construction, or maintenance of major capital facilities (other than those financed by proprietary funds and trust funds). Capital Projects Funds include the Post War Construction Fund, Build Indiana Fund ("BIF"), Veterans Home Fund, State Police Building Commission Fund, Law Enforcement Academy Building Fund, and State Bicentennial Capital Account.

***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. For example, the Indiana Office of Technology and the State Personnel Department provide centralized resources to state agencies.

***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 receipt and temporary investment of fiduciary resources and their remittance 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 (the "Forecast Committee"). Starting with the December 2008 forecast, Global Insight, Inc. provided 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 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 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 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. If a gubernatorial election is held the same year as budget preparation, then the submission of the budget report and budget bill are instead due by the third Monday of January. 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 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 authorize 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. Typically, the Governor's designee on the Finance Board is the State Budget Director. 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**

The Office of Management and Budget (“OMB”) directs the fiscal management and budget policy of the State. The Director (“Director”) of the OMB is the chief financial officer of the State, and reports directly to the Governor. The Director is responsible for and has authority over all functions performed by the Budget Agency, the Department of State Revenue, and the Department of Local Government Finance, as well as all budgeting, accounting and spending functions within the various agencies, departments and programs of State government. The Director may also serve as the State Budget Director. By statutory designation, the State Budget Director also serves as the Chairman of the Indiana Finance Authority. Pursuant to Executive Order 05-02, the OMB oversees and coordinates the functions, responsibilities and duties of the Indiana Public Retirement System and the State Board of Accounts to the fullest extent permitted by law.

In 2017, the General Assembly codified the Management Performance Hub (“MPH”) within the OMB. MPH had previously existed by executive order. The purpose of MPH is to connect data and technology in order to inform decision making.

## **Cash Management and Investments**

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

## **Audits**

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

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

## **2016 Financial Report**

The Indiana Comprehensive Annual Financial Report For Fiscal Year Ended June 30, 2016 (the “2016 Financial Report”), contains certain financial information about the State, including the financial statements and is available to the public on the Auditor of State’s Internet Web site (<http://www.in.gov/auditor>). It is included in this Appendix A by specific reference.

The 2016 Financial Report speaks only as of its date. The inclusion of the 2016 Financial Report in this Appendix A does not imply that there has been no change in the information therein since the date thereof.

## STATE BUDGET PROFILE AND FINANCIAL RESULTS OF OPERATIONS

### Operating Revenue

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

The combined State receipts in the General Fund are referred to as “State Operating Revenue” or “Operating Revenue.” Operating Revenue is defined as the General Fund and other revenue forecasted by the Technical Forecast Committee. Total Operating Revenue together with “QAF revenue” and “HAF revenue” transferred to the General Fund, plus transfers from other funds when necessary and available, are used in the determination of the State’s unappropriated balance reflected on the General Fund Unappropriated Reserve Statement. “QAF” is an acronym for “Quality Assessment Fee,” and QAF revenue constitutes Medicaid reimbursements provided to the State for long-term care providers that have been assessed by the QAF. “HAF” is an acronym for “Hospital Assessment Fee,” and constitutes Medicaid reimbursements provided to the State for hospitals that have been assessed the HAF.

### General Fund Revenue Sources

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

***Sales and Use Taxes.*** The State’s sales and use tax rate is 7.0%. 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, agricultural production, public transportation or governmental functions, sales for resale, food sold in grocery stores and prescription drugs.

#### ***Corporate Income Taxes.***

**Corporate Adjusted Gross Income Tax.** The corporate adjusted gross income tax is applicable to corporations doing business in the State. The corporate adjusted gross income tax rate is 6.25% of apportioned Indiana adjusted gross income (AGI) in FY 2017. P.L. 172-2011 reduced the corporate AGI tax rate from 8.5% to 6.5% in 0.5% increments over four years beginning on July 1, 2012. P.L. 80-2014 continued reducing the corporate income tax in annual 0.25% increments except for the last scheduled reduction, which is a 0.35% increment. Beginning on July 1, 2021, the rate will be 4.9%. 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. P.L. 93-2013 reduced the tax rate from 8.5% to 6.5% in 0.5% increments over four years beginning on January 1, 2014. P.L. 80-2014 continued reducing the financial institutions tax in five incremental reductions. Upon the last of those reductions, beginning January 1, 2023, the rate will be 4.9%. Prior to Fiscal Year 2013, local units of government were guaranteed revenue based on the former Financial Institution Taxes in 1989. Beginning with Fiscal Year 2014, local units received 40%

of what they received in the previous fiscal year. 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 and is imposed at a rate of 1.4%. All revenue is deposited in the state General Fund. Utilities must also pay the corporate adjusted gross income tax. A use tax is 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 3.3%. Under P.L. 205-2013, the tax rate was reduced from 3.4% to 3.3% for tax years 2015 and 2016 and 3.23% for subsequent tax years. All revenue derived from the collection of the adjusted gross income tax imposed on persons is credited to the General Fund.

**Wagering Tax.** The wagering tax is applied to the adjusted gross receipts of riverboat gambling operations in Indiana. Riverboat gambling operations were permitted to implement flexible scheduling in fiscal 2017, enabling patrons to gamble while a riverboat is docked. However, flexible scheduling was repealed effective with fiscal year 2018 and thereafter. Riverboats are required to pay a graduated tax currently 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. P.L. 229-2013 established an additional rate schedule applicable to a riverboat with adjusted gross receipts of less than \$75 million in the previous fiscal year with the lowest rate being 5% and the highest rate being 25%. A financial penalty will apply in the event a riverboat pays based on the lower rate schedule and subsequently exceeds the \$75 million limit in that same fiscal year. P.L. 229-2013 also allowed riverboats to deduct from their adjusted gross receipts the adjusted gross receipts attributable to free promotional play provided by the riverboats up to \$2.5 million per riverboat in Fiscal Year 2013 and \$5.0 million per riverboat in Fiscal Year 2014 and Fiscal Year 2015.

In addition, the first \$33 million of wagering taxes collected in the State's fiscal year must be set aside for revenue sharing among local units of government that do not have riverboats. Of the remaining revenue, 25% is distributed to the cities and counties with riverboat operations, and 75% is deposited in the General Fund. The legislation capped the amounts that may be distributed to the cities and towns with riverboat operations at the amounts distributed in Fiscal Year 2002. All revenue in excess of the capped amounts is deposited in the General Fund. The General Fund receives 37.5% of wagering tax from the Orange County Casino. The remaining wagering tax revenue from the Orange County Casino is deposited in the local funds. From the revenue distributed to the General Fund, an amount is distributed annually to the BIF. The transfer amount is such that the total lottery and gaming revenue deposited in the BIF equals \$250 million in a Fiscal Year. Interest revenue deposited in the fund does not count against the \$250 million cap.

The two existing licensed horse racing facilities in Indiana may maintain up to 2,000 slot machines on their premises. A graduated wagering tax is levied 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 graduated slot machine wagering tax applies to 99% of the adjusted gross receipts received. The wagering taxes are deposited in 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. The current cigarette tax is \$0.995 per pack.

### **Lottery and Gaming Revenue**

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

see “STATE BUDGET PROFILE AND FINANCIAL RESULTS OF OPERATIONS - General Fund Revenue Sources -Wagering Tax.”

Before Hoosier Lottery profits are transferred to the BIF, \$60 million annually is used to fund pension liabilities—\$30 million goes to the Teachers’ Retirement Fund and \$30 million goes to the local Police and Firefighter Pension Fund. For Fiscal Year 2011, the Hoosier Lottery changed the revenue transfer schedule from quarterly to monthly, thus accelerating two months of profits transferred to state funds. As a result, \$35 million was transferred to the Teachers’ Retirement Fund and \$35 million was transferred to the local Police and Fire Pension Fund (for a total of \$70 million in Fiscal Year 2011). The Hoosier Lottery continued the monthly transfer schedule in Fiscal Year 2017 and plans to do so in future years. 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 2017.

As shown below, gaming revenue totaling \$869.8 million was collected by the State in Fiscal Year 2017. This amount includes revenue deposited in the state and local funds but does not include riverboat admissions tax revenue distributed in Fiscal Year 2017 to state and local units in the amount of \$46.7 million. The \$582.0 million for wagering taxes includes \$138.4 million in revenues from slot machine operations allowed at Indiana horse racing facilities under P.L. 233-2007.

| <u>Type of Tax (in Millions)</u> | <u>FY 2017</u> |
|----------------------------------|----------------|
| Wagering Taxes                   | \$582.0        |
| Lottery                          | \$280.0        |
| Charity Gaming                   | \$5.2          |
| Horse Racing                     | \$2.1          |
| Type II Gambling                 | <u>\$0.45</u>  |
| Total                            | \$869.8        |

Source: State Budget Agency

**Revenue History**

Annual percentage changes for each component of Operating Revenue are reflected in Table 1. The table also includes actual revenue for prior fiscal years as well as projected revenue for Fiscal Year 2018.

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

|                                 | FY 2012 <sup>(1)</sup> | FY 2013 <sup>(1)</sup> | FY 2014 <sup>(1)</sup> | FY 2015 <sup>(1)</sup> | FY 2016 <sup>(1)</sup> | FY 2017 <sup>(1)</sup> | FY 2018 <sup>(2)</sup> |
|---------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Sales Tax                       | 6,621.8                | 6,795.8                | 6,925.9                | 7,194.8                | 7,222.6                | 7,489.5                | 7,630.2                |
| Change from Prior Year          | 6.5%                   | 2.6%                   | 1.9%                   | 3.9%                   | 0.4%                   | 3.7%                   | 1.9%                   |
| Individual Income               | 4,765.5                | 4,977.5                | 4,898.8                | 5,233.0                | 5,218.2                | 5,435.3                | 5,661.0                |
| Change from Prior Year          | 3.9%                   | 4.4%                   | -1.6%                  | 6.8%                   | -0.3%                  | 4.2%                   | 4.2%                   |
| Corporate Income <sup>(3)</sup> | 958.8                  | 968.4                  | 1,054.4                | 1,093.7                | 984.0                  | 978.7                  | 949.2                  |
| Change from Prior Year          | 36.0%                  | 1.0%                   | 8.9%                   | 3.7%                   | -10.0%                 | -1.5%                  | -3.0%                  |
| Wagering Tax                    | 614.1                  | 554.6                  | 474.0                  | 446.7                  | 440.9                  | 431.6                  | 408.5                  |
| Change from Prior Year          | -7.0%                  | -9.7%                  | -14.5%                 | -5.8%                  | -1.3%                  | -2.1%                  | -5.4%                  |
| Other <sup>(3)</sup>            | 1,164.9                | 1,165.8                | 1,049.1                | 930.1                  | 954.1                  | 938.9                  | 939.3                  |
| Change from Prior Year          | 5.3%                   | 0.1%                   | -10.0%                 | -11.3%                 | 2.6%                   | -1.6%                  | 0.0%                   |
| Total                           | 14,125.1               | 14,462.1               | 14,402.2               | 14,898.4               | 14,819.9               | 15,274.1               | 15,588.2               |
| Change from Prior Year          | 6.4%                   | 2.4%                   | -0.4%                  | 3.4%                   | -0.5%                  | 3.1%                   | 2.1%                   |

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

<sup>(2)</sup> Revenues are as projected by the Technical Forecast Committee on April 12, 2017. Revenues exclude Quality Assessment Fee (QAF), Hospital Assessment Fee (HAF), and other miscellaneous revenues excluded from the forecast such as dedicated statewide cost allocation plan revenues.

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

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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 (as of Fiscal Year 2012) include local school aid, higher education, property tax relief, Medicaid and corrections. Table 2 sets forth operating expenditures and estimates for all major expenditure categories for Fiscal Years 2012 through 2018.

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

|                                 | FY 2012 <sup>(1)</sup> | FY 2013 <sup>(1)</sup> | FY 2014 <sup>(1)</sup> | FY 2015 <sup>(1)</sup> | FY 2016 <sup>(1)</sup> | FY 2017 <sup>(1)</sup> | FY 2018 <sup>(2)</sup> |
|---------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Local School Aid <sup>(3)</sup> | 7,269.4                | 7,463.2                | 7,624.2                | 7,704.4                | 7,879.6                | 8,039.9                | 8,209.6                |
| Change from Prior Year          | 0.3%                   | 2.7%                   | 2.2%                   | 1.1%                   | 2.3%                   | 2.0%                   | 2.1%                   |
| Higher Education                | 1,691.1                | 1,695.4                | 1,783.5                | 1,798.9                | 1,880.7                | 1,887.5                | 1,935.3                |
| Change from Prior Year          | -0.7%                  | 0.3%                   | 5.2%                   | 0.9%                   | 4.5%                   | 0.4%                   | 2.5%                   |
| Medicaid                        | 1,856.4                | 2,023.5                | 1,975.2                | 2,159.9                | 2,027.2                | 2,097.3                | 2,106.6                |
| Change from Prior Year          | 29.3%                  | 9.0%                   | -2.4%                  | 9.4%                   | -6.1%                  | 3.5%                   | 0.4%                   |
| Correction                      | 638.3                  | 672.4                  | 659.6                  | 674.3                  | 709.9                  | 711.2                  | 736.5                  |
| Change from Prior Year          | -1.4%                  | 5.3%                   | -1.9%                  | 2.2%                   | 5.3%                   | 0.2%                   | 3.6%                   |
| Other <sup>(3)(4)</sup>         | 2,123.4                | 3,310.8                | 2,898.6                | 2,860.4                | 2,670.8                | 3,234.6                | 2,693.8                |
| Change from Prior Year          | 6.1%                   | 55.9%                  | -12.5%                 | -1.3%                  | -6.6%                  | 21.1%                  | -16.7%                 |
| Total                           | 13,578.6               | 15,165.3               | 14,941.1               | 15,197.9               | 15,168.2               | 15,970.5               | 15,681.8               |
| Change from Prior Year          | 4.2%                   | 11.7%                  | -1.5%                  | 1.7%                   | -0.2%                  | 5.3%                   | -1.8%                  |

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

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

<sup>(3)</sup> Figures for Fiscal Year 2013 include one-time transfers for the Automatic Taxpayer Refund (\$360.6M), statutory distributions of “excess” reserves to various pension funds (\$360.6M), bond defeasance (\$163.0M), and paying back loans to the common school fund for charter schools (\$91.2M).

<sup>(4)</sup> Figures for Fiscal Year 2017 include a one-time transfer of \$427.9 million from the General Fund to the Indiana Department of Transportation for State and Local preservation for roads and bridges.

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Source: State Budget Agency

**Local School Aid.** Prior to January 1, 2003, the State provided approximately 66% of school corporations’ general fund budgets. As a result of the tax restructuring legislation enacted in 2002, the State provided approximately 85% of the school corporations’ general fund budgets. As part of the property tax reform legislation enacted by P.L. 146-2008, the State assumed responsibility for the local share of tuition support and provides 100% of the tuition support for school corporation general funds beginning in January 2009. During Fiscal Year 2010, the state utilized \$209 million of American Recovery and Reinvestment Act (ARRA) Fiscal Stabilization funds in lieu of state general fund dollars.

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.

For Fiscal Year 2017, the K-12 tuition support appropriation was \$6,980.5 million, and the adult learners appropriation was \$36.9 million. The Fiscal Year 2018 appropriation for K-12 tuition support increased to \$7,041.0 million, and the adult learners appropriation became \$34.6 million. Accounting for tuition support and adult education, K-12 tuition support was increased by 0.8% for 2018.

**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 2017 totaled \$1,887.5 million. Fiscal Year 2018 higher education appropriations are \$1,935.3 million. Appropriations for higher education include university operating, university fee-replaced debt service, university line items, other higher education line items, and State student aid. See “STATE BUDGET PROFILE AND FINANCIAL RESULTS OF OPERATIONS - 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 Indiana 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.

Table 3 sets forth the aggregate principal amount of bonds and notes outstanding as of June 30, 2017, for each State university and college eligible for Fee Replacement Appropriations and the amount of Fee Replacement Expenditures for Fiscal Year 2017 and Fee Replacement Appropriations for Fiscal Year 2018.

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

|                                   | Estimated Amount of Debt<br>Outstanding June 30, 2017 | Fiscal Year 2017<br>Fee Replacement<br>Expenditures | Fiscal Year 2018<br>Fee Replacement<br>Appropriations |
|-----------------------------------|---|---|---|
| Ball State University             | \$149,745,000   | \$12,086,113  | \$16,009,403  |
| Indiana University <sup>(1)</sup> | \$349,966,676   | \$47,156,394  | \$53,380,815  |
| Indiana State University          | \$89,265,966  | \$9,798,882   | \$11,984,228  |
| Ivy Tech Community College        | \$235,220,000   | \$31,543,814  | \$30,827,379  |
| Purdue University <sup>(2)</sup>  | \$182,133,599   | \$27,540,511  | \$25,127,068  |
| University of Southern Indiana    | \$72,470,000  | \$8,385,878   | \$9,011,024   |
| Vincennes University              | \$51,163,880  | \$6,206,251   | \$6,209,542   |
| <b>Total<sup>(3)</sup></b>        | <b>\$1,129,965,121</b>                                | <b>\$142,717,843</b>                                | <b>\$152,549,459</b>                                  |

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

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

<sup>(3)</sup> Totals may not add due to rounding.

Source: State Budget Agency

**Medicaid.** Medicaid is a state/federal shared fiscal responsibility with the State supporting roughly one-third of the total program through a combination of State General Fund and dedicated funds over the biennium. Federal funding accounts for the remaining two-thirds. Enrollment was 1,368,085 at the end of Fiscal Year 2016 and 1,416,322 at the end of Fiscal Year 2017 (these figures exclude the Children’s Health Insurance Program). Indiana’s base federal reimbursement rate equaled 66.74% for Federal Fiscal Year 2017 and 65.59% for Federal Fiscal Year 2018. State General Fund Medicaid expenditures for Fiscal Year 2017 were set at \$2,097.3 million. The State General Fund Medicaid appropriations for Fiscal Year 2018 is \$2,106.6 million.

Indiana received approval from the federal government to replace the traditional Medicaid program for non-disabled adults by expanding the Healthy Indiana Plan (HIP) beginning in 2015. The expanded program has been designed to improve healthcare utilization and promote personal responsibility. The program will be funded by enhanced federal funding, the hospital assessment fee, and existing cigarette tax revenues previously used for HIP.

**Corrections.** Appropriations for the Department of Correction, payable almost entirely from the General Fund, include funds for incarceration and rehabilitation of adult and juvenile offenders, as well as parole programs. General fund expenditures for Fiscal Year 2017 totaled \$711.2 million. For Fiscal Year 2018, the appropriations for corrections total \$736.5 million.

Offender population is the most significant driver of corrections expenditures. The total offender population, including those in jail and contract beds, decreased to 26,173 at the end of Fiscal Year 2017 – down 0.93% from 26,420 at the end of Fiscal Year 2016.

**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, State Police costs, economic development programs and General Fund expenditures for capital improvements. One-time transfers included in the Fiscal Year 2017 Other expenditures category are transfers, the Major Moves 2020 Trust Fund (\$100.0 million), cash-funded State Agency and University capital projects (\$17.7 million), and the impact of a one-time transfer of excess reserves for state and local road and bridge preservation (\$427.9 million). For Fiscal Year

2018, those amounts are \$26.9 million for an additional check for pension recipients and \$62.7 million for cash-funded capital projects.

**Expenditure Limits.** In 2002, the General Assembly enacted a law establishing a State spending cap. The law provides that the maximum annual percentage growth in State's spending cap from the General Fund and the PTR Fund must be the lesser of the average percentage change in Indiana non-farm personal income during the past six calendar years or 6%. At present, State expenditures are well below the spending cap. The law excludes expenditures from revenue derived from gifts, federal funds, dedicated funds, intergovernmental transfers, damage awards and property sales. Expenditures from the transfer of funds between the General Fund, the PTR Fund and the Rainy Day Fund, reserve fund deposits, refunds of intergovernmental transfers, State capital projects, judgments and settlements, distributions of specified State tax revenue to local governments and Motor Vehicle Excise Tax replacement payments are also exempt from the expenditure limit. The expenditure limit is applied to appropriations from the General Fund and Rainy Day Fund and, prior to 2009, the PTR Fund.

The law directs the Budget Agency to compute a new State spending growth quotient before December 31 in each even-numbered year. The State spending growth quotient is equal to the lesser of the six-year average increase in Indiana non-farm personal income or 6%. The legislation allows the State spending cap to be increased or decreased to account for new or reduced taxes, fees, exemptions, deductions or credits adopted after June 30, 2002. The Budget Agency computed the spending growth quotient for Fiscal Years 2012 and 2013 to be 2.4% and 2.8%, respectively. The spending growth quotient computed for Fiscal Years 2014 and 2015 was 2.6% for each year. The spending growth quotient computed by the Budget Agency for Fiscal Years 2016 and 2017 was 2.4% and 2.5%, respectively.

## **Fund Balances**

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

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

Each year the State Budget Director determines calendar year Adjusted Personal Income ("API") for the State and its growth rate over the previous year. In general, moneys are deposited automatically into the Rainy Day Fund if the growth rate in API exceeds 2.0% and moneys are withdrawn automatically from the Rainy Day Fund if API declines by more than 2.0%. In addition, 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. The General Assembly has also authorized money in the Rainy Day Fund to be used to make loans to local governments from time to time. A transfer of \$165.5 million from the General Fund to the Rainy Day Fund was required at the end of Fiscal Year 2016. Based on calculations at the end of Fiscal Year 2017, two partially offsetting transfers will result in the net transfer of \$48.0 million from the Rainy Day Fund to the General Fund in FY 2018. See "STATE BUDGET PROFILE AND FINANCIAL RESULTS OF OPERATIONS - Financial Results of Operations."

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

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

The balance of the Rainy Day fund at the end of Fiscal Year 2017 was \$548.5 million. Along with interest and loan repayments, the estimated balance for the Fiscal Year 2018 is \$505.5 million.

**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. In Fiscal Year 2017, the State Tuition Reserve Fund accrued \$2.4 million in interest bringing the year-end balance to \$348.3 million. The balance at the end of Fiscal Year 2018 is anticipated to grow to \$350.9 million.

**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. In Fiscal Year 2015, \$132.6 million of unspent prior year Medicaid Assistance appropriations were transferred to the Medicaid Reserve bringing the total balance to \$577.6 million. The balance did not change in Fiscal Year 2016 or 2017 and is not expected to change in Fiscal Year 2018.

**General Fund.** The General Fund is the primary fund into which general purpose tax revenue, or Operating Revenue, is deposited or transferred. The State closed Fiscal Year 2017 with combined balances of \$302.7 million in the General Fund. The balance at the end of Fiscal Year 2018 is anticipated to be \$406.8 million.

Fiscal Year 2017 was marked by continued fiscal restraint. The General Fund received approximately \$353.3 million of reversions to the General Fund, while reducing bond debt and other liabilities.

### **Revenue Forecast for Fiscal Year 2018**

The Forecast Committee last updated the forecast of State revenue for Fiscal Year 2018 on April 12, 2017. Fiscal Year 2016 revenue increased by 3.1% compared to Fiscal Year 2016. Revenue growth of 2.1% is projected for Fiscal Year 2018 over Fiscal Year 2017.

### **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 2017 Financial Report or the Auditor of State's comprehensive annual financial reports for other Fiscal Years. Forecasted revenue is developed by the 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 Year 2017. Combined balances for Fiscal Year 2017 were \$1,777.1 million.

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

|   | Actual<br>FY2014 | Actual<br>FY2015 | Actual<br>FY2016 | Actual<br>FY2017 | Estimated<br>FY2018 <sup>(1)</sup> |
|---|------------------|------------------|------------------|------------------|------------------------------------|
| <u>Resources:</u>   |                  |                  |                  |                  |                                    |
| Working Balance on July 1   | 1,428.0          | 1,036.4          | 887.0            | 776.3            | 302.7                              |
| <u>Current Year Resources:</u>                                    |                  |                  |                  |                  |                                    |
| Forecast Revenue  | 14,402.2         | 14,898.4         | 14,819.9         | 15,274.1         | 15,588.2                           |
| Miscellaneous Revenue   | 7.2              | 17.1             | 12.2             | 13.3             | 13.3                               |
| Hospital Assessment Fee   | 203.3            | 182.9            | 160.0            | 160.0            | 160.0                              |
| Quality Assessment Fee  | 47.2             | 46.9             | 49.0             | 49.4             | 49.5                               |
| DOR ITS Transfer  | -                | -                | -                | -                | 6.3                                |
| Standard & Poor's Settlement                                      | -                | 14.6             | -                | -                | -                                  |
| Tax Amnesty Remainder   | -                | -                | 11.9             | -                | -                                  |
| Transfers from Mine Subsidence Fund                               | 10.0             | -                | -                | -                | -                                  |
| Transfers from Political Subdivision Risk Management Fund         | -                | -                | 4.6              | -                | -                                  |
| Transfer from General Fund to Rainy Day Fund                      | -                | -                | -165.5           | -                | 48.0                               |
| Transfer from General Fund to State Tuition Reserve               | -150.0           | -150.0           | -45.1            | -                | -                                  |
| Outside Acts  | -                | -                | -                | -                | -31.4                              |
| <b>Total Current Year Resources</b>                               | <b>14,519.9</b>  | <b>15,009.9</b>  | <b>14,847.0</b>  | <b>15,496.8</b>  | <b>15,833.9</b>                    |
| <b>Total Resources</b>  | <b>15,947.9</b>  | <b>16,046.3</b>  | <b>15,734.0</b>  | <b>16,273.1</b>  | <b>16,136.6</b>                    |
| <u>Uses: Appropriations, Expenditures and Reversions:</u>         |                  |                  |                  |                  |                                    |
| <b>Appropriations</b>   |                  |                  |                  |                  |                                    |
| Budgeted Appropriations   | 14,788.1         | 15,125.5         | 15,219.4         | 15,678.7         | 15,763.8                           |
| Pensions 13 <sup>th</sup> Check                                   | 19.3             | 20.4             | 20.3             | -                | 26.9                               |
| Major Moves 2020 Trust Fund                                       | 200.0            | 200.0            | 100.0            | 100.0            | -                                  |
| Cash-Funded State Agency and University Capital                   | 188.0            | 42.6             | 55.3             | 17.7             | 62.7                               |
| <b>Total Appropriations</b>                                       | <b>15,195.4</b>  | <b>15,388.5</b>  | <b>15,395.0</b>  | <b>15,796.4</b>  | <b>15,853.4</b>                    |
| <b>Other Expenditures and Transfers</b>                           |                  |                  |                  |                  |                                    |
| Augmentations and Expenditure Adjustments <sup>(2)</sup>          | 20.2             | 50.1             | 12.1             | 172.9            | 5.0                                |
| Bicentennial Capital Account Transfer                             | -                | -                | -                | 5.4              | -                                  |
| PTRC & Homestead Credit Adjustments                               | -4.4             | -                | -                | -                | -                                  |
| Adjustment for Stadium/Convention Center Appropriation            | -114.3           | -115.4           | -111.7           | -111.8           | -92.7                              |
| Judgments and Settlements <sup>(3)</sup>                          | 10.1             | 8.0              | 9.8              | 32.5             | 8.0                                |
| HEA 1072 Loans (Net of Repayments)                                | -7.4             | -                | -                | -                | -                                  |
| Unspent Prior Year Medicaid Appropriations                        | -                | -                | -162.1           | -                | -                                  |
| Unemployment Insurance Loan Payoff                                | -                | -                | 250.0            | -                | -                                  |
| Unemployment Insurance Loan Payoff Reimbursement                  | -                | -                | -250.0           | -                | -                                  |
| Outside Acts  | -                | -                | -                | 0.5              | 1.1                                |
| Excess Reserves Distribution to State and Local Roads and Bridges | -                | -                | -                | 427.9            | -                                  |
| <b>Total Appropriations and Expenditures</b>                      | <b>15,099.6</b>  | <b>15,331.2</b>  | <b>15,143.1</b>  | <b>16,323.8</b>  | <b>15,774.8</b>                    |
| Reversions  | -188.1           | -171.9           | -185.5           | -353.3           | -45.0                              |
| <b>Total Net Uses</b>   | <b>14,911.5</b>  | <b>15,159.3</b>  | <b>14,957.6</b>  | <b>15,970.5</b>  | <b>15,729.8</b>                    |
| General Fund Reserve Balance at June 30                           | 1,036.4          | 877.0            | 776.3            | 302.7            | 406.8                              |

**Reserved Balances**

|  |                       |                       |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Medicaid Reserve                                   | 445.0                 | 557.6                 | 577.6                 | 577.6                 | 577.6                 |
| Tuition Reserve                                    | 150.0                 | 300.0                 | 345.9                 | 348.3                 | 350.9                 |
| Rainy Day Fund <sup>(4)</sup>                      | <u>373.1</u>          | <u>376.9</u>          | <u>544.6</u>          | <u>548.5</u>          | <u>505.5</u>          |
| <b>Total Combined Balances</b>                     | <b><u>2,005.3</u></b> | <b><u>2,141.2</u></b> | <b><u>2,244.5</u></b> | <b><u>1,777.1</u></b> | <b><u>1,840.8</u></b> |
| Payment Delay Liability                            | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   |
| Combined Balance as a Percent of Operating Revenue | 13.7%                 | 14.1%                 | 14.7%                 | 11.5%                 | 11.7%                 |

<sup>(1)</sup> Revenues are those projected by the Technical Forecast Committee on April 12, 2017; appropriations are those authorized by the 2017 General Assembly for Fiscal Year 2018.

<sup>(2)</sup> Adjustments to appropriations by augmentation, transfer, open-ended appropriations, and other reconciling adjustments made as part of the end-of-Fiscal Year closing process are shown in total.

<sup>(3)</sup> 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."

<sup>(4)</sup> Net of outstanding loans to local governments. The loans are authorized by the General Assembly and are illiquid.

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Source: State Budget Agency

## 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, together with State university and college debt and what is 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* "STATE INDEBTEDNESS - 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 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, Indiana State Fair Commission, Indiana Motorsports Commission 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, each 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* “STATE INDEBTEDNESS - 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.”

**Highways.** The Indiana Finance Authority is authorized (and its predecessor, the Indiana Transportation Finance Authority, had been authorized) to issue revenue bonds pursuant to Indiana Code 8-14.5, 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, railroad crossings or other public ways. Lease rentals under the lease agreements are payable primarily from possible State appropriations. Authorization pursuant to Indiana Code 8-14.5 for new money bond issues has expired, with the following exceptions described below.

- (a) The issuance of bonds or notes for a railroad crossing upgrade project described in IC 8-14.5-8. The annual payments on all bonds or notes issued for such railroad crossing upgrade projects shall not exceed ten million dollars (\$10,000,000) and no bonds or notes may be issued after June 30, 2025.
- (b) As provided in IC 8-15.5-5.6.1, the issuance of bonds or notes to provide funding to complete a public private agreement in the event the Indiana Finance Authority has terminated a public-private agreement.

However, the Indiana Finance Authority may still issue refunding bonds under IC 8-14.5 for all purposes. *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 and legislative authorization has expired

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 or the Indiana State Museum and Historic Sites Corporation. 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.”

Qualified Motorsports Facility. The Indiana Finance Authority is authorized to issue revenue bonds, payable from lease rentals under lease agreements with the Indiana Motorsports Commission, to finance or refinance improvements to the Indianapolis Motor Speedway, a qualified motorsports facility. Lease rentals under such lease agreements are payable primarily from possible State appropriations.

Bond Bank. The Bond Bank issued its revenue bonds, payable from possible State appropriations, to finance or refinance certain State interests or initiatives, including 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 8—Schedule of Long Term Debt—Contingent Obligations—BOND BANK Special Program Pool.” For a description of other powers and responsibilities of the Bond Bank, including its authority to issue other debt, see “STATE INDEBTEDNESS - Contingent Obligations—Indiana Bond Bank” and “Table 8—Schedule of Long Term Debt—Contingent Obligations – BOND BANK Special Program Pool.

***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, 2017. See “Authorized but Unissued Debt”, “Public Private Agreements” and “Table 3 – Schedule of Fee Replacement Debt” for related obligations that are subject to possible State appropriations.

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

| Type/Series                          | Original<br>Par Amount | Ending Balance<br>6/30/2016 | (Redeemed)/<br>Issued  | Ending Balance<br>6/30/2017 |
|--------------------------------------|------------------------|-----------------------------|------------------------|-----------------------------|
| <b>STATE BUILDINGS</b>               |                        |                             |                        |                             |
| Series 2003C                         | \$55,075,000           | \$42,565,000                | (\$1,860,000)          | \$40,705,000                |
| Series 2004B                         | 61,890,000             | 41,475,000                  | (7,735,000)            | 33,740,000                  |
| Series 2009A                         | 47,360,000             | 23,215,000                  | (8,445,000)            | 14,770,000                  |
| Series 2011A                         | 20,730,000             | 19,820,000                  | (155,000)              | 19,665,000                  |
| Series 2011C                         | 8,410,000              | 8,375,000                   | (1,685,000)            | 6,690,000                   |
| Series 2012A                         | 12,235,000             | 9,125,000                   | -                      | 9,125,000                   |
| Series 2012B                         | 20,515,000             | 19,290,000                  | (1,290,000)            | 18,000,000                  |
| Series 2012C                         | 41,445,000             | 39,055,000                  | (2,510,000)            | 36,545,000                  |
| Energy Savings Lease 2011            | 24,081,197             | 4,707,407                   | (2,224,851)            | 2,482,556                   |
| Energy Savings Lease 2012            | 17,947,331             | 13,248,928                  | (887,290)              | 12,361,638                  |
| Energy Savings Lease 2013            | 11,242,471             | 8,794,297                   | (550,313)              | 8,243,984                   |
| Series 2016A                         | 138,700,000            | 138,700,000                 | -                      | 138,700,000                 |
| <b>TOTAL STATE BUILDINGS</b>         | <b>\$459,630,999</b>   | <b>\$368,370,632</b>        | <b>(\$27,342,454)</b>  | <b>\$341,028,178</b>        |
| <b>HIGHWAY REVENUE BONDS</b>         |                        |                             |                        |                             |
| Series 1992A                         | \$74,035,000           | \$6,095,000                 | (\$6,095,000)          | -                           |
| Series 1993A                         | 193,531,298            | 10,831,956                  | (4,877,931)            | 5,954,025                   |
| Series 1998A                         | 175,360,000            | 34,490,000                  | -                      | 34,490,000                  |
| Series 2004B                         | 147,345,000            | 116,140,000                 | (17,850,000)           | 98,290,000                  |
| Series 2004C                         | 146,080,000            | 98,615,000                  | -                      | 98,615,000                  |
| Series 2007A                         | 642,300,000            | 613,410,000                 | (597,790,000)          | 15,620,000                  |
| Series 2010A                         | 74,040,000             | 55,685,000                  | (2,735,000)            | 53,130,000                  |
| Series 2016C                         | 464,975,000            | -                           | 464,975,000            | 464,975,000                 |
| <b>TOTAL HIGHWAYS</b>                | <b>\$1,917,666,298</b> | <b>\$935,446,956</b>        | <b>(\$164,372,931)</b> | <b>\$771,074,025</b>        |
| <b>AVIATION FACILITIES</b>           |                        |                             |                        |                             |
| <b>Airport Facilities Bonds</b>      |                        |                             |                        |                             |
| Series 2008A                         | \$127,655,000          | \$53,270,000                | (\$17,360,000)         | \$35,910,000                |
| Subtotal                             | \$127,655,000          | \$53,270,000                | (\$17,360,000)         | \$35,910,000                |
| <b>Aviation Technology Bonds</b>     |                        |                             |                        |                             |
| Series 2012K                         | \$4,800,000            | \$1,680,000                 | (\$830,000)            | \$850,000                   |
| Subtotal                             | \$4,800,000            | \$1,680,000                 | (\$830,000)            | \$850,000                   |
| <b>TOTAL AVIATION FACILITIES</b>     | <b>\$132,455,000</b>   | <b>\$54,950,000</b>         | <b>(\$18,190,000)</b>  | <b>\$36,760,000</b>         |
| <b>RECREATIONAL FACILITIES</b>       |                        |                             |                        |                             |
| Series 2012I                         | \$23,485,000           | \$16,860,000                | (\$1,890,000)          | \$14,970,000                |
| Series 2012J                         | 5,505,000              | 3,195,000                   | (765,000)              | 2,430,000                   |
| <b>TOTAL RECREATIONAL FACILITIES</b> | <b>\$28,990,000</b>    | <b>\$20,055,000</b>         | <b>(\$2,655,000)</b>   | <b>\$17,400,000</b>         |
| <b>MOTORSPORTS FACILITIES</b>        |                        |                             |                        |                             |
| Series 2015C                         | \$92,755,000           | \$92,755,000                | (\$3,360,000)          | \$89,395,000                |
| <b>TOTAL MOTORSPORTS FACILITIES</b>  | <b>\$92,755,000</b>    | <b>\$92,755,000</b>         | <b>(\$3,360,000)</b>   | <b>\$89,395,000</b>         |
| <b>TOTAL ALL BONDS</b>               | <b>\$2,631,497,297</b> | <b>\$1,471,577,588</b>      | <b>(\$215,920,385)</b> | <b>\$1,255,657,203</b>      |

Source: Indiana Finance Authority (as of June 30, 2017). Excludes accreted value of capital appreciation bonds.

\* On August 14, 2017, the IFA issued a \$210.65M Bond Anticipation Note as part of the Settlement Agreement to terminate the Public Private Agreement for the I-69 Section 5 Project. Proceeds from the anticipated 2017A Highway Revenue Bonds will be used to pay off the Bond Anticipation Note.

\*\*The IFA has entered into long term contractual obligations under the IFA's Public Private Partnership program. Please see section titled Public Private Agreements-Availability Payment Structure section.

**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, 2016. See “Authorized but Unissued Debt”, “Public Private Agreements” and “Table 3 – Schedule of Fee Replacement Debt” for related obligations that are subject to possible State appropriations.

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

| <u>Type/Series</u>                   | <u>FY2018</u>        | <u>FY2019</u>        | <u>FY2020</u>        | <u>FY2021</u>        | <u>Thereafter</u>      |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|------------------------|
| Other Facilities                     |                      |                      |                      |                      |                        |
| Series 2003C                         | \$11,874,513         | \$11,349,513         | \$11,038,738         | \$10,760,231         | \$0                    |
| Series 2004B                         | 9,697,675            | 9,689,038            | 9,672,431            | 8,225,394            | 0                      |
| Series 2009A                         | 769,800              | 7,767,600            | 7,737,925            | 0                    | 0                      |
| Series 2011A                         | 1,094,300            | 1,093,000            | 1,091,900            | 2,527,250            | 18,265,250             |
| Series 2011C                         | 348,975              | 2,132,625            | 2,128,125            | 2,300,125            | 1,752,750              |
| Series 2012A                         | 2,043,375            | 312,800              | 312,800              | 1,081,100            | 7,415,100              |
| Series 2012B                         | 1,995,538            | 1,999,388            | 1,997,488            | 1,990,738            | 13,968,734             |
| Series 2012C                         | 4,109,463            | 4,123,413            | 4,120,613            | 4,098,488            | 28,692,852             |
| Energy Savings Lease 2011            | 997,116              | 0                    | 0                    | 0                    | 0                      |
| Energy Savings Lease 2012            | 2,035,385            | 2,035,385            | 2,035,385            | 2,035,385            | 5,088,463              |
| Energy Savings Lease 2013            | 1,256,035            | 1,256,035            | 1,256,035            | 1,256,035            | 3,778,816              |
| Series 2016A                         | 4,065,530            | 4,065,530            | 4,065,530            | 10,687,764           | 169,721,028            |
| <b>TOTAL STATE BUILDINGS</b>         | <b>\$40,287,705</b>  | <b>\$45,824,927</b>  | <b>\$45,456,970</b>  | <b>\$43,962,510</b>  | <b>\$248,682,993</b>   |
| HIGHWAY REVENUE BONDS                |                      |                      |                      |                      |                        |
| Series 1992A                         | \$0                  | \$0                  | \$0                  | \$0                  | \$0                    |
| Series 1993A                         | 27,500,000           | 0                    | 0                    | 0                    | 0                      |
| Series 1998A                         | 1,896,950            | 1,896,950            | 9,618,600            | 9,614,663            | 19,177,413             |
| Series 2004B                         | 23,816,050           | 25,327,800           | 25,363,125           | 2,028,600            | 36,886,550             |
| Series 2004C                         | 8,383,900            | 24,641,950           | 4,207,675            | 27,574,413           | 59,650,633             |
| Series 2007A                         | 781,000              | 9,361,000            | 6,990,500            | 0                    | 0                      |
| Series 2010A                         | 2,510,300            | 12,053,550           | 21,640,550           | 1,084,300            | 24,916,450             |
| Series 2016C                         | 23,248,750           | 23,248,750           | 23,248,750           | 46,819,375           | 556,051,000            |
| <b>TOTAL HIGHWAYS</b>                | <b>\$88,136,950</b>  | <b>\$96,530,000</b>  | <b>\$91,069,200</b>  | <b>\$87,121,351</b>  | <b>\$696,682,046</b>   |
| AVIATION FACILITIES                  |                      |                      |                      |                      |                        |
| Airport Facilities Bonds             |                      |                      |                      |                      |                        |
| Series 2008A                         | \$19,116,375         | \$18,598,625         | \$0                  | \$0                  | \$0                    |
| Subtotal                             | \$19,116,375         | \$18,598,625         | \$0                  | \$0                  | \$0                    |
| Aviation Technology Bonds            |                      |                      |                      |                      |                        |
| Series 2012K                         | \$862,750            | \$0                  | \$0                  | \$0                  | \$0                    |
| Subtotal                             | \$862,750            | \$0                  | \$0                  | \$0                  | \$0                    |
| <b>TOTAL AVIATION FACILITIES</b>     | <b>\$19,979,125</b>  | <b>\$18,598,625</b>  | <b>\$0</b>           | <b>\$0</b>           | <b>\$0</b>             |
| RECREATIONAL FACILITIES              |                      |                      |                      |                      |                        |
| Series 2012I                         | \$2,718,000          | \$2,743,750          | \$1,997,625          | \$3,453,625          | \$6,658,250            |
| Series 2012J                         | 825,843              | 840,702              | 838,715              | 0                    | 0                      |
| <b>TOTAL RECREATIONAL FACILITIES</b> | <b>\$3,543,843</b>   | <b>\$3,584,452</b>   | <b>\$2,836,340</b>   | <b>\$3,453,625</b>   | <b>\$6,658,250</b>     |
| MOTORSPORTS FACILITIES               |                      |                      |                      |                      |                        |
| Series 2015C                         | \$7,122,547          | \$6,917,745          | \$6,905,249          | \$6,898,116          | \$102,655,456          |
| <b>TOTAL MOTORSPORTS FACILITIES</b>  | <b>\$7,122,547</b>   | <b>\$6,917,745</b>   | <b>\$6,905,249</b>   | <b>\$6,898,116</b>   | <b>\$102,655,456</b>   |
| <b>TOTAL ALL BONDS</b>               | <b>\$159,070,170</b> | <b>\$171,455,749</b> | <b>\$146,267,759</b> | <b>\$141,435,602</b> | <b>\$1,054,678,745</b> |

Source: Indiana Finance Authority (as of June 30, 2017)

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

| <u>Fiscal Year</u> | <u>Population<sup>(1)</sup></u> | <u>Personal Income<sup>(1)(2)</sup></u> | <u>Outstanding Debt Subject to Appropriation<sup>(2)</sup></u> | <u>Debt/Capita</u> | <u>Debt/Income</u> |
|--------------------|---------------------------------|---|--|--------------------|--------------------|
| 2007               | 6,379,599                       | 217,005                                 | 2,466  | 387                | 1.1%               |
| 2008               | 6,424,806                       | 224,651                                 | 2,362  | 368                | 1.1%               |
| 2009               | 6,459,325                       | 217,545                                 | 2,245  | 348                | 1.0%               |
| 2010               | 6,489,856                       | 223,158                                 | 2,137  | 329                | 1.0%               |
| 2011               | 6,516,353                       | 236,815                                 | 2,013  | 309                | 0.9%               |
| 2012               | 6,537,334                       | 249,197                                 | 1,944  | 297                | 0.8%               |
| 2013               | 6,570,902                       | 255,030                                 | 1,601  | 244                | 0.6%               |
| 2014               | 6,596,855                       | 260,133                                 | 1,432  | 217                | 0.6%               |
| 2015               | 6,620,432                       | 271,426                                 | 1,331  | 201                | 0.5%               |
| 2016               | 6,633,053                       | 288,486                                 | 1,472  | 222                | 0.5%               |

<sup>(1)</sup> Estimated.

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

Source: Population and Personal Income: United States Department of Commerce, Bureau of Economic Analysis. Regional Data, GDP & Personal Income, Annual State Personal Income and Employment. 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;
- (c) Parking facilities in the area of the state capitol complex;
- (d) Railroad crossing upgrade projects described in IC 8-14.5-8, whereas the annual debt service on all bonds issued for such purpose shall not exceed ten million dollars (\$10,000,000) and may not be issued after June 30, 2025;
- (e) Extend the South Shore Line train and double track a portion of the South Shore Line train;
- (f) Pursuant to IC 8-15.5-5-6.1(a)(5), the issuance of bonds to provide funding to complete the I-69 Section 5 Project. As required by IC 8-15.5-5-6.1(b), the Indiana Finance Authority submitted its plan of action to the State Budget Committee for review, and the State Budget Committee held a meeting and conducted such review on July 6, 2017.

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 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 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 appropriation would only be requested should revenues that were anticipated to cover debt service be insufficient to pay debt service in full. 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.

Review by the Budget Committee and approval by the Budget Director is required prior to (a) the issuance by the 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.

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

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

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

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

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

**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 Finance Authority (and its predecessor, 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.

The Indiana Finance Authority is authorized 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 originally issued \$666,525,000 of such revenue bonds for the stadium project, which was completed in August 2008. The Indiana Finance Authority originally issued \$329,230,000 of such revenue bonds for the convention center expansion project, which was completed in January 2011.

The Indiana Finance Authority is authorized to issue revenue bonds for the purpose of paying all or any part of the cost of acquisition, construction, and equipping of an industrial development project, as defined by law. The Indiana Finance Authority issued its \$4,580,000 Facilities Revenue Bonds, Series 2012L and its \$57,585,000 Facilities Revenue Bonds, Series 2012M to finance, acquire, construct, reconstruct, rehabilitate, remodel and renovate certain improvements at the Indiana State Fairgrounds and defease outstanding bonds of the Indiana State Fair Commission. The Indiana Finance Authority entered into a lease for such improvements with the Indiana State Fair Commission. The Indiana Finance Authority expects debt service on the bonds to be paid by or from Indiana State Fair Commission revenues and other moneys, including moneys appropriated to the Indiana State Fair Commission by the General Assembly of the State, in amounts sufficient to fully fund rental payments due under the lease. If such amounts are not sufficient to fully fund lease rental payments when due, the Indiana Finance Authority may seek an appropriation sufficient to fully fund rental payments due under the lease, which in turn are used to pay the debt service then due on the bonds. No debt service reserve fund has been established for the bonds. The improvements have been completed.

In addition, legislation authorized the Indiana Finance Authority to issue up to \$1.0 billion of its revenue bonds, payable from the revenues pledged thereto, to provide funds for research and technology grants and loans. The Indiana Finance Authority may establish a debt service fund or reserve fund for the bonds, to which the General Assembly may, if requested, appropriate funds necessary to pay debt service or restore the required debt service reserve. As of June 30, 2017, no such revenue bonds have been issued.

***Schedule of Long Term Debt.*** Table 8 lists the long term debt classified as contingent obligations that was outstanding on June 30, 2017. 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, in the case of the stadium and convention center debt, to pay rent sufficient to pay debt service only if certain local tax revenues expected to satisfy debt service are insufficient, or, in the case of Series 2012L and 2012M, to fully fund rental payments due under the lease which are in turn used to pay debt service on the bonds. See “Public Private Agreements” for related obligations that are subject to possible State appropriations.

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**Table 8**  
**Schedule of Long Term Debt**  
**Contingent Obligations**

| <u>Type/Series</u>  | <u>Original<br/>Par Amount</u> | <u>Ending Balance<br/>6/30/2016</u> | <u>(Redeemed)/<br/>Issued</u> | <u>Ending Balance<br/>6/30/2017</u> |
|---|--------------------------------|-------------------------------------|-------------------------------|-------------------------------------|
| <b>BOND BANK Special Program Pool</b>                           |                                |                                     |                               |                                     |
| Series 2006B-2  | \$2,890,000                    | \$405,000                           | (\$355,000)                   | \$50,000                            |
| Series 2006A (Ref)  | 26,485,000                     | 14,215,000                          | (14,215,000)                  | 0                                   |
| Series 2006C <sup>(1)</sup>                                     | 20,660,000                     | 12,005,000                          | (12,005,000)                  | 0                                   |
| Series 2006D  | 13,985,000                     | 6,440,000                           | (165,000)                     | 6,275,000                           |
| Series 2007A (Ref)  | 44,915,000                     | 38,140,000                          | (1,910,000)                   | 36,230,000                          |
| Series 2009A  | 75,000,000                     | 56,425,000                          | (3,220,000)                   | 53,205,000                          |
| Series 2009C-1  | 22,235,000                     | 17,225,000                          | (1,070,000)                   | 16,155,000                          |
| Series 2009C-2(Taxable)   | 1,790,000                      | 1,235,000                           | (105,000)                     | 1,235,000                           |
| Series 2010 Multi-purpose A-1                                   | 8,595,000                      | 3,435,000                           | (895,000)                     | 2,540,000                           |
| Series 2010 Multi-purpose A-2(Taxable)                          | 6,395,000                      | 785,000                             | (325,000)                     | 460,000                             |
| Series 2010 Multi-purpose A-3                                   | 770,000                        | 555,000                             | (85,000)                      | 470,000                             |
| Series 2011A Ref  | 29,140,000                     | 20,955,000                          | (2,120,000)                   | 18,835,000                          |
| Series 2012C Ref  | 22,090,000                     | 16,650,000                          | (1,585,000)                   | 15,065,000                          |
| Series 2012D Ref  | 34,385,000                     | 30,760,000                          | (1,280,000)                   | 29,480,000                          |
| Series 2013A Ref  | 7,330,000                      | 4,830,000                           | (1,030,000)                   | 3,800,000                           |
| Series 2015A Ref  | 20,079,823                     | 18,584,493                          | (1,466,060)                   | 17,118,433                          |
| Series 2015B Ref  | 7,435,000                      | 6,795,000                           | (615,000)                     | 6,180,000                           |
| Series 2015C Ref  | 2,880,000                      | 2,880,000                           | 0                             | 2,880,000                           |
| Series 2015D Ref  | 160,000                        | 160,000                             | 160,000                       | 0                                   |
| Series 2016A Ref  | 12,170,000                     | 0                                   | 11,695,000                    | 11,695,000                          |
| Series 2016B Ref  | 13,555,000                     | 0                                   | 12,550,000                    | 12,550,000                          |
| <b>TOTAL BOND BANK</b>  | <b>\$372,944,823</b>           | <b>\$252,479,493</b>                | <b>(\$18,366,060)</b>         | <b>\$234,113,433</b>                |
| <b>INDIANA FINANCE AUTHORITY<sup>(2)</sup></b>                  |                                |                                     |                               |                                     |
| Stadium Project Series 2005A                                    | \$400,000,000                  | \$250,000,000                       | \$0                           | \$250,000,000                       |
| Stadium Project Series 2007A                                    | 211,525,000                    | 92,490,000                          | 0                             | 92,490,000                          |
| Stadium Project Series 2008A                                    | 55,000,000                     | 33,425,000                          | (2,025,000)                   | 31,400,000                          |
| Convention Center Expansion Project Series 2008A                | 120,000,000                    | 88,840,000                          | (50,000)                      | 88,790,000                          |
| Convention Center Expansion Project Series 2009A                | 17,665,000                     | 16,665,000                          | 0                             | 16,665,000                          |
| Convention Center Expansion Project Series 2009B <sup>(2)</sup> | 191,565,000                    | 191,565,000                         | 0                             | 191,565,000                         |
| Series 2012L <sup>(1)</sup>                                     | 4,580,000                      | 1,685,000                           | (880,000)                     | 805,000                             |
| Series 2012M <sup>(1)</sup>                                     | 57,585,000                     | 57,585,000                          | (685,000)                     | 56,900,000                          |
| Stadium Project 2015A Refunding                                 | 296,530,000                    | 292,410,000                         | 0                             | 292,410,000                         |
| Convention Center 2015A Refunding                               | 44,710,000                     | 44,080,000                          | (350,000)                     | 43,730,000                          |
| <b>TOTAL INDIANA FINANCE AUTHORITY</b>                          | <b>\$1,399,160,000</b>         | <b>\$1,068,745,000</b>              | <b>(\$3,990,000)</b>          | <b>\$1,064,755,000</b>              |
| <b>TOTAL ALL BONDS</b>  | <b>\$1,772,104,823</b>         | <b>\$1,321,224,493</b>              | <b>(\$22,356,060)</b>         | <b>\$1,298,868,433</b>              |

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

<sup>(2)</sup> Issued under the America Recovery and Reinvestment Act of 2009 as Build America Bonds. The bonds are federally taxable, and the Indiana Finance Authority will receive a cash subsidy from the U.S. Treasury equal to 35% of the interest payable on the bonds, subject to sequestration.

Source: Indiana Finance Authority (as of June 30, 2017)

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## **Public Private Agreements-Availability Payment Structure**

The Indiana Finance Authority is authorized to enter into a public-private agreement with a private sector entity to design, build, finance, operate and maintain toll roads or freeway projects. The amounts owed by the Indiana Finance Authority under a public-private agreement are payable primarily from possible State appropriations. The IFA has entered into two public-private agreements that involve availability payments, they are discussed below.

### *East End Crossing-Part of the Ohio River Bridges Project*

In 2012, the Indiana Finance Authority entered into a public-private agreement with WVB East End Partners, LLC with respect to the East End Crossing of the Louisville-Southern Indiana Ohio River Bridges Project ("EEC Project"). Under the public private agreement for the EEC Project, the Indiana Finance Authority agrees to pay the developer (i) upon achievement of certain milestones, payments not to exceed \$392,000,000 and (ii) commencing with substantial completion of the EEC Project, availability payments which shall not exceed a maximum established for each Fiscal Year under the agreement. As of 12/17/16, substantial completion was achieved. That maximum is determined by adjusting the base MAP of \$33,530,853 (in 2012 dollars) pursuant to a formula that, starting at the Substantial Completion Date and for each Fiscal Year thereafter, adjusts 20% of the MAP based on the change in the Consumer Price Index (All Items, BES Series ID: CUUR000SA0) and the remaining 80% of the MAP based on an annual rate of 2.5% per Fiscal Year. Availability payments are payable during the 35 year operating period of the agreement subject to EEC Project being open and available to traffic and subject to performance standards included in the agreement. The MAP for FY2017 has been calculated at \$36,415,204 and will be adjusted thereafter annually accordingly as described above.

Availability payments are composed of several components, including items like developer debt service, operations and maintenance expenses and lifecycle costs, including costs associated with handback provisions after the 35 year lease is completed and the project is handed back to the State. Although the appropriations will be requested, no entity can force the General Assembly to appropriate, and the MAP does not constitute a debt or liability of the State. The State has entered into a tolling agreement with the State of Kentucky, and will share all toll proceeds that are part of the Ohio Rivers Bridges Project. It is expected that toll revenue will eventually be substantial enough to cover the cost of the MAP.

### *I-69 Section 5 Project*

In 2014, the Indiana Finance Authority entered into the I-69 Section 5 public-private agreement with I-69 Development Partners LLC with respect to Section 5 of I-69 Project ("I-69 Project"). Under the public private agreement for the I-69 Project, the Indiana Finance Authority agreed to pay the developer (i) upon achievement of certain milestones, payments not to exceed \$80,000,000 and (ii) commencing with substantial completion of the I-69 Project, availability payments which shall not exceed a maximum established for each Fiscal Year under the agreement. That maximum is determined by adjusting the base MAP of \$20,323,123 pursuant to a formula that, starting at the Substantial Completion Date and for each Fiscal Year thereafter, adjusts 20% of the MAP based on the change in the Consumer Price Index (All Items, BES Series ID: CUUR000SA0) and the remaining 80% of the MAP based on an annual rate of 2.5% per Fiscal Year. The adjustment of the Base MAP on the Closing Date is expected to be \$20,323,122.52. Availability payments are payable during the 35 year operating period of the agreement subject to the I-69 Project being open and available to traffic and subject to performance standards included in the agreement.

In July 2017, the IFA entered into a Settlement Agreement with the Developer, Private Activity Bond holders and other entities to terminate the public private agreement for the I-69 project. This Settlement Agreement terminates the public private agreement and all parties to this agreement have released their rights with the termination. I-69 Project is no longer a public private partnership. The IFA and INDOT are now responsible for the construction, operations and maintenance, lifecycle and costs of completing this project. Execution of the Settlement Agreement included a \$210.65M Bond Anticipation Note, with proceeds being used as settlement to the I-69 Section 5 Private Activity Bond holders. The IFA will use proceeds from an anticipated Highway Revenue Bond issuance to pay off the Bond Anticipation Note.

## Other Entities Issuing Debt

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

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

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

<sup>(2)</sup> A not-for-profit corporation authorized by the General Assembly.



## INDIANA PUBLIC RETIREMENT SYSTEM AND STATE PENSION FUNDING OBLIGATIONS

### INPRS and State Retirement Plans

Prior to July 1, 2011, the retirement plans for public employees in the State of Indiana were administered by independent instrumentalities governed by separate boards of appointed trustees, including the Public Employees' Retirement Fund and the Indiana State Teachers' Retirement Fund. Legislation adopted in 2010 called for a consolidation of these entities, which began with the appointment of a joint Executive Director in May 2010, and resulted in the creation, effective July 1, 2011, of the Indiana Public Retirement System (INPRS). INPRS administers nine (9) separate public retirement plans. The State Police Pension Trust is separately administered.

INPRS is governed by a nine-member Board of Trustees, appointed by the Governor pursuant to the following criteria:

- (a) one trustee with experience in economics, finance, or investments,
- (b) one trustee with experience in executive management or benefits administration,
- (c) one trustee who is an active or retired member of the '77 Fund,
- (d) two trustees who are TRF members with at least 10 years of creditable service,
- (e) one trustee who is a PERF member with at least 10 years of creditable service,
  
- (f) the Director of the State Budget Agency, or designee,
- (g) the Auditor of the State, or nominee and
- (h) the Treasurer of the State, or nominee.

The members of the Board of Trustees as of June 30, 2017 are as follows:

**Ken Cochran**  
President  
Hamilton Southeastern Utilities

**Michael Pinkham**  
Ft. Wayne Firefighter

**Tera Klutz**  
Indiana Auditor of State

**Micah Vincent**  
Office of Management and Budget

**Kelly Mitchell**  
Indiana Treasurer of State

**Bret Swanson**  
President  
Entropy Economics

**Brian Abbott**  
Teacher  
Riverview Middle School

The Executive Director of INPRS is Steve Russo, who had previously served as TRF's Executive Director since 2008. Russo is a graduate of Purdue University. His career has included leadership roles with the Naval Avionics Center and technology company Thomson.

INPRS administers and manages the following plans:

- (a) Public Employees' Retirement Fund (PERF)
- (b) Indiana State Teachers' Retirement Funds (TRF)
  - o TRF Pre-1996 Account (TRF Pre-'96)
  - o TRF 1996 Account (TRF '96)
- (c) Prosecuting Attorneys' Retirement Fund (PARF)
- (d) 1977 Police Officers' and Firefighters' Pension and Disability Fund ('77 Fund)

- (e) Legislators' Retirement System (LRS)
  - o Legislators' Defined Benefit Plan (LE DB)
  - o Legislators' Defined Contribution Plan (LE DC)
- (f) Judges' Retirement System (JRS)
- (g) State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan (EG&C)

INPRS also oversees three non-retirement funds, including the Pension Relief Fund, the Public Safety Officers' Special Death Benefit Fund, and the State Employees' Death Benefit Fund.

Each retirement plan is a separate plan under the oversight of a combined INPRS nine-member Board of Trustees. INPRS is not a merger of PERF and TRF Funds and neither the assets nor the liabilities of one fund become the assets or liabilities of the other. Individual funded status for each plan is calculated separately.

Each year, INPRS obtains actuarial valuations of the assets and liabilities of each of the retirement plans. At least once every five years, there will be separate actuarial investigation into the mortality, service, and compensation experience of the members of the systems and their beneficiaries.

The consolidation of retirement plan administration is anticipated to enable greater efficiency, by eliminating duplication of efforts and by pooling assets together for investment purposes.

The combined membership of all plans administered by INPRS is approximately 463,000 people.

#### *Explanatory Comments*

Reference is made hereby to the INPRS website ([www.in.gov/inprs](http://www.in.gov/inprs)) for access to copies of relevant plan documents. The discussions and tables which follow contain technical information for which the following explanatory comments may be helpful.

- (a) Certain key definitions applicable to the State's pension plans are shown in Key Definitions below.
- (b) Pension plan financial reporting contains both actual historical information and actuarially determined information. Actuarially determined information is based on specific sets of assumptions. Detailed descriptions of relevant assumptions for each plan can be found in the INPRS Comprehensive Annual Financial Report (CAFR) as referenced herein.
- (c) The Actuarially Determined Contribution (or ADC) is determined by the actuary to be the aggregate amount expected to be required from each participating employer based on the plan's assumptions in various matters, in order to pay "normal costs" and payments made to amortize any "unfunded accrual actuarial liability." The employer's contribution is expressed as a percentage of covered payroll, which is projected to produce the desired ADC amount.
- (d) Discussions under this Section "INPRS and State Retirement Plans" are focused primarily on financial reporting and plan descriptions for the State plans. Discussions under the following Section "State Pension Funding Obligations" are intended to highlight the actual funding requirements of State government.
- (e) In 2014, the Indiana General Assembly passed P.L. 91-2014, Sec. 1 (IC 4-10-22-3) which provides that if the amount of the state general fund excess reserves is \$50,000,000 or more, the excess reserves shall be transferred. In year 2014 or thereafter, transfer fifty percent (50%) of any excess reserves to the pension stabilization fund established by IC 5-10.4-2-5 for the purposes of the pension stabilization fund, and use fifty percent (50%) of any excess reserves for the purposes of providing an automatic taxpayer refund. During Fiscal Year 2017, there were no excess reserves transferred to the Pension Stabilization Fund.

## ***Key Definitions***

**Actuarial Accrued Liability (AAL).** That portion, as determined by a particular Actuarial Cost Method, of the actuarial present value of pension plan benefits and expenses that is not provided for by future Normal Costs. Generally this means the portion of the present value of future benefits attributable to past service.

**Actuarial Cost Method.** A method used to develop the actuarial present value of benefits and the allocations of such costs to certain periods of time in order to develop the AAL. Two common Actuarial Cost Methods are projected unit credit, or PUC, and entry age normal, or EAN. The PUC method tends to push more costs into the later part of a member's service. The EAN method develops a level contribution as a percent of pay (Normal Cost) which, if contributed and invested through the member's career, is expected to generate sufficient funds to equal the actuarial value of the future benefits by the time the member retires. In order to keep the costs level, EAN allocates a large Normal Cost for the earlier years and a relatively smaller Normal Cost to the later years compared to the PUC method. All plans administered by INPRS use EAN, except the Legislators' Defined Benefit Plan which uses PUC for funding purposes only.

**Actuarial Value of Assets (AVA).** The value of cash, investments, and other property belonging to a pension plan, as used by the actuary for the purpose of an actuarial valuation. An Actuarial Value (in contrast to a current market value) attempts to smooth annual investment return performance over multiple years to reduce annual return volatility.

**Actuarially Determined Contribution (ADC).** The aggregate in a particular year of (i) the Normal Cost and (ii) payments made to amortize the UAAL.

**Amortization Period.** The period over which the UAAL (defined below) is amortized, which can be either a "fixed" (or "closed") period or a "rolling" (or "open") period. During a fixed period, the UAAL is amortized over a declining number of years; for example, 30 years the first year, 29 years the second year, etc. During a rolling period, the UAAL is amortized over an unchanging number of years; for example, 15 years the first year, 15 years the second year, etc. Plans administered by INPRS that are open to new members with a funded ratio less than 105% use a closed 20-year amortization period, while plans equal to or greater than 105% use an open 30-year amortization period. Plans closed to new members use a closed 5-year amortization period.

**Assumptions.** An actuarial report will utilize demographic and economic assumptions as to the occurrence of future events affecting pension costs, such as investment rate of return, inflation rate, interest credited to member contributions, salary increase rate, annual cost-of-living adjustment, rates of separation from active membership, post-retirement mortality active member mortality, and rates of retirement.

**Funded Ratio.** The ratio of (A) the AVA or market value of assets to (B) AAL. Such valuation can be on an actuarial or a market value basis. If a plan has a funded ratio of less than 100%, then the plan has a UAAL.

**GASB.** Governmental Accounting Standards Board of the Financial Accounting Foundation.

**Market Value of Assets.** As of the valuation date, the value of assets as if they were liquidated on that date.

**Normal Cost.** The present value of the benefits that the pension system projects to become payable in the future that are attributable to a valuation year's payroll.

**Smoothing Method.** A method used in determining AVA that is intended to reduce the impact of market volatility on the assets of a pension plan. Under a Smoothing Method, the annual investment return performance is "smoothed" over multiple years to reduce annual contribution volatility. For example, by use of a "five-year smoothing" methodology, a percentage difference between the net market value and the net book value for each of the most recent five years is calculated. The resulting percentages are averaged for the five-year period and applied to the valuation's year's market value of assets to arrive at the actuarial value of assets, with the result that only 20% of investment gains or losses in a particular year are taken into account in the annual actuarial valuation. All INPRS-administered plans use a five-year smoothing method with a 20% corridor.

Unfunded Actuarial Accrued Liability (or UAAL). The difference between (A) the AVA or market value of assets and (B) the AAL. Such valuation can be on an actuarial or a market value basis.

### ***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. Prior to July 1, 2011, PERF was administered by a six-member Board of Trustees, and after that date, by INPRS.

All State employees and all employees of participating political subdivisions in covered positions, including elected and appointed officials, are required to join PERF. On June 30, 2016, PERF had over 294,000 members. There are two (2) tiers to the PERF Plan. The first is the Public Employees' Defined Benefit Plan (PERF Hybrid Plan) and the second is the Public Employees' ASA Only Plan (PERF ASA Only Plan). The PERF Hybrid Plan 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 law requires the State to pick up the employee's contributions to PERF. The PERF ASA Only Plan was effective March 1, 2013 so newly hired full-time employees of the state of Indiana can elect to participate in either the PERF Hybrid Plan or the PERF ASA Only Plan. Effective July 1, 2015, rehired full-time employees of the state of Indiana that previously were not offered the option of the PERF ASA Only Plan, may participate in either the PERF Hybrid or the PERF ASA Only Plan. The PERF ASA Only Plan was extended to participating political subdivisions effective July 1, 2016. The PERF ASA Only Plan maintains an Annuity Savings Account for each member. Each member's account consists of two (2) subaccounts within the Annuity Savings Account structure. There is a member contribution subaccount (which is the same as the Annuity Savings Account in the PERF Hybrid) and an employer contribution subaccount. The member's contribution subaccount consists of the member's contributions, set by statute at three (3) percent of compensation. The employer contribution subaccount consists of the employer's contributions which are set by the INPRS Board of Trustees. A member is immediately vested in the member contribution account. In order to receive contributions from the employer contribution account, a member must meet vesting requirements (full years of participation) to qualify for a distribution.

Contributions are made to PERF by the State and local units determined by normal cost and amortizing the unfunded accrued liability during periods established pursuant to statute. Contribution rates are set by INPRS (and prior to July 1, 2011, by the PERF Board of Trustees) based on annual actuarial valuations. The State is responsible for making contributions for State employee members only. The State's contribution rate effective July 1, 2017 to June 30, 2018 is 11.2%. Funding for the State's obligation to PERF is included as part of the expenditures for fringe benefits by each State agency. The tables below highlight the funded status (Table 9) and contribution history (Table 10) for PERF for the last six (6) valuation dates.

**Table 9**  
**Schedule of Funding Progress**  
**(dollars in thousands)**

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|------------------------------------|---|---------------------------|--------------------|----------------------------|---|
| 6/30/2011                | 12,000,586                         | 14,913,147                              | 2,912,561                 | 80.5%              | 4,500,000                  | 64.7%   |
| 6/30/2012                | 12,088,225                         | 15,784,240                              | 3,696,015                 | 76.6%              | 4,550,000                  | 81.2%   |
| 6/30/2013                | 12,947,283                         | 16,145,681                              | 3,198,398                 | 80.2%              | 4,700,000                  | 68.1%   |
| 6/30/2014                | 13,791,261                         | 16,732,223                              | 2,940,962                 | 82.4%              | 4,896,635                  | 60.1%   |
| 6/30/2015                | 14,131,883                         | 17,980,568                              | 3,848,685                 | 78.6%              | 4,804,145                  | 80.1%   |
| 6/30/2016                | 14,553,059                         | 18,408,947                              | 3,855,888                 | 79.1%              | 4,853,224                  | 79.5%   |

**Table 10**  
**Schedule of Employer Contributions**  
**(dollars in thousands)**

| Fiscal Year Ended        | Valuation Date | Actuarially Determined Contribution | Annual Employer Contributions | Percentage Contributed |
|--------------------------|----------------|-------------------------------------|-------------------------------|------------------------|
| 6/30/2011                | 6/30/2009      | 351,000                             | 342,779                       | 97.7%                  |
| 6/30/2012                | 6/30/2010      | 449,388                             | 397,843                       | 88.5%                  |
| 6/30/2013                | 6/30/2011      | 464,047                             | 455,658                       | 98.2%                  |
| 6/30/2014 <sup>(1)</sup> | 6/30/2012      | 528,562                             | 519,576                       | 98.3%                  |
| 6/30/2015 <sup>(2)</sup> | 6/30/2013      | 517,717                             | 536,203                       | 103.6%                 |
| 6/30/2016 <sup>(3)</sup> | 6/30/2014      | 490,538                             | 547,684                       | 111.6%                 |

- (1) PERF contributions exclude specific financed liabilities of \$6,514 thousand for 6/30/2014.
- (2) PERF contributions exclude specific financed liabilities of \$290 thousand for 6/30/2015.
- (3) PERF contributions exclude specific financed liabilities of \$317 thousand, and one-time payments of \$59.1 million and \$8.7 million for 6/30/2016.

For further information about PERF including CAFRs for the most recent fiscal years, as well as the most recent actuarial valuation report, current investment policy statement and other materials, go to [www.in.gov/inprs](http://www.in.gov/inprs) and click "Publications".

***Indiana State Teachers' Retirement Funds***

The Teachers' Retirement Funds ("TRF") consists of two multiple-employer retirement plans, the TRF Pre-1996 Account ("TRF Pre-'96") and the TRF 1996 Account ("TRF '96") and were 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's benefits consist of (1) a defined benefit ("DB") 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 TRF ASA is defined by law as 3.0% of each member's salary. Each employer is authorized to elect to pick up the member contribution.

TRF Pre-1996 Account

The Indiana General Assembly created the Teacher's Retirement Fund in 1921 as a "pay-as-you-go" DB Retirement system to provide pension and disability benefits to its members and their survivors/beneficiaries who meet the statutory requirements for such benefits. *Pay-as-you-go* means that the State did not pre-fund the teachers' retirements through employer contributions while the members were actively teaching. Instead, the State appropriated money for the retirement benefits as they became due for payment. To reduce the amount of future state appropriations to TRF Pre-'96, the State established the Pension Stabilization Fund in July 1, 1995, to partially pre-fund liabilities in TRF Pre-'96. The Pension Stabilization Fund has the result of limiting the peak required annual appropriations to TRF Pre-'96 at a 3.0% increase over the prior year based on an assumed annual investment return of 6.75%. As of June 30, 2016, the balance of the Pension Stabilization Fund was approximately \$2.7 billion.

The following tables establish the six (6) year history of funding progress and contributions, respectively, for the TRF Pre-1996 Account (Tables 11 and 12), and the TRF 1996 Account (Tables 13 and 14).

**Table 11**  
**TRF Pre-1996 Account**  
**Schedule of Funding Progress**  
(dollars in thousands)

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|------------------------------------|---|---------------------------|--------------------|----------------------------|---|
| 6/30/2011                | 5,227,402                          | 16,318,404                                      | 11,091,002                | 32.0%              | 1,762,750                  | 629.2%  |
| 6/30/2012                | 4,978,107                          | 16,522,015                                      | 11,543,908                | 30.1%              | 1,637,066                  | 705.2%  |
| 6/30/2013                | 5,235,104                          | 16,462,379                                      | 11,227,275                | 31.8%              | 1,383,428                  | 811.6%  |
| 6/30/2014                | 5,358,351                          | 16,355,216                                      | 10,996,865                | 32.8%              | 1,262,828                  | 870.8%  |
| 6/30/2015                | 5,171,639                          | 17,017,746                                      | 11,846,107                | 30.4%              | 1,074,827                  | 1,102.2%  |
| 6/30/2016                | 5,008,989                          | 16,840,200                                      | 11,831,211                | 29.7%              | 989,093                    | 1,196.2%  |

**Table 12**  
**TRF Pre-1996 Account**  
**Schedule of Contributions**  
**From the Employers and other Contributing Entities**  
(dollars in thousands)

| Fiscal Year Ended        | Valuation Date | Actuarially Determined Contribution <sup>(1)</sup> | Actual Employer Contributions | Percentage Contributed |
|--------------------------|----------------|--|-------------------------------|------------------------|
| 6/30/2011                | 6/30/2009      | 748,978  | 748,978                       | 100.0%                 |
| 6/30/2012                | 6/30/2010      | 764,423  | 764,423                       | 100.0%                 |
| 6/30/2013 <sup>(2)</sup> | 6/30/2011      | 1,013,080  | 1,013,080                     | 100.0%                 |
| 6/30/2014                | 6/30/2012      | 831,942  | 831,942                       | 100.0%                 |
| 6/30/2015                | 6/30/2013      | 851,427  | 851,427                       | 100.0%                 |
| 6/30/2016                | 6/30/2014      | 892,548  | 892,548                       | 100.0%                 |

<sup>(1)</sup>Actuarially determined contribution equals the actual contribution, as these contributions are determined by State statute.

<sup>(2)</sup>TRF Pre-'96 was appropriated additional monies from the excess state reserves of \$206,796,000 during fiscal year 2013.

TRF 1996 Account

In 1995, legislation was passed that closed the pay-as-you-go plan (named the "TRF Pre-1996 Account") to newly hired members and created a new account for teachers hired after June 30, 1995 (the "TRF 1996 Account"). TRF '96 was established to be actuarially pre-funded by requiring school corporations to set aside a fixed percentage of payroll for teacher retirements.

INPRS sets the contribution rate for TRF '96 based on an actuarial valuation of the TRF '96. TRF '96 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 TRF Pre-'96 to TRF '96, began to cause an unfunded liability in TRF '96. The General Assembly in 2005 addressed this growing unfunded liability in TRF '96 by stopping the transfer of liabilities, therefore transferred teachers remain part of the TRF Pre-'96, which is "pay as you go". In addition, the actuarial assumptions used for calculating the contribution rate into TRF '96 now include an assumption for a cost of living adjustment, thereby making the contribution rate for which local schools are liable more realistic. The contribution rate effective July 1, 2017 to June 30, 2018 for TRF '96 is 7.5%.

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**Table 13**  
**TRF 1996 Account**  
**Schedule of Funding Progress**  
(dollars in thousands)

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|------------------------------------|---|---------------------------|--------------------|----------------------------|---|
| 6/30/2011                | 3,664,657                          | 3,996,839                                       | 332,182                   | 91.7%              | 2,225,000                  | 14.9%   |
| 6/30/2012                | 3,936,455                          | 4,338,309                                       | 401,854                   | 90.7%              | 2,400,000                  | 16.7%   |
| 6/30/2013                | 4,453,828                          | 4,749,368                                       | 295,540                   | 93.8%              | 2,442,496                  | 12.1%   |
| 6/30/2014                | 5,035,232                          | 5,236,993                                       | 201,761                   | 96.1%              | 2,598,115                  | 7.8%  |
| 6/30/2015                | 5,461,172                          | 5,905,691                                       | 444,519                   | 92.5%              | 2,742,187                  | 16.2%   |
| 6/30/2016                | 5,865,729                          | 6,391,750                                       | 526,021                   | 91.8%              | 2,881,397                  | 18.3%   |

**Table 14**  
**TRF 1996 Account**  
**Schedule of Contributions**  
**From the Employers and other Contributing Entities**  
(dollars in thousands)

| Fiscal Year Ended | Valuation Date | Actuarially Determined Contribution | Actual Employer Contributions | Percentage Contributed |
|-------------------|----------------|-------------------------------------|-------------------------------|------------------------|
| 6/30/2011         | 6/30/2009      | 135,057                             | 166,633                       | 123.4%                 |
| 6/30/2012         | 6/30/2010      | 154,800                             | 181,067                       | 117.0%                 |
| 6/30/2013         | 6/30/2011      | 167,311                             | 180,714                       | 108.0%                 |
| 6/30/2014         | 6/30/2012      | 177,711                             | 194,751                       | 109.6%                 |
| 6/30/2015         | 6/30/2013      | 178,260                             | 205,763                       | 115.4%                 |
| 6/30/2016         | 6/30/2014      | 180,375                             | 215,626                       | 119.5%                 |

For further information about either of these two TRF Plans including CAFRs for the most recent fiscal years, as well as the most recent actuarial valuation report, current investment policy statement and other materials, go to [www.in.gov/inprs](http://www.in.gov/inprs) and click "Publications". In addition, CAFRs and actuarial reports are also available for prior fiscal years at the referenced website.

***Other Plans***

INPRS also administers six other plans in addition to PERF and TRF. These include the 1977 Police Officers' and Firefighters' Pension and Disability Fund, the Judges' Retirement System, the Legislators' Retirement System (Legislators' Defined Benefit Plan-LE DB & Legislators' Defined Contribution Plan-LE DC), the State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan, and the Prosecuting Attorneys' Retirement Fund. Table 15 highlights the actuarial valuation results for the five defined benefit plans as of June 30, 2016.

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**Table 15**  
**Other State Pension Funds**  
**Summary of Results of Actuarial Valuation as of June 30, 2016**  
(dollars in thousands)

|                                     | Judges'<br>Retirement<br>System | Legislators'<br>Defined<br>Benefit Plan | State Excise<br>Police, Gaming<br>Agent, Gaming<br>Control Officer<br>&<br>Conservation<br>Enforcement<br>Officers'<br>Retirement<br>Plan | Prosecuting<br>Attorneys'<br>Retirement<br>Fund | 1977 Police<br>Officers'<br>and<br>Firefighters'<br>Pension and<br>Disability Fund |
|-------------------------------------|---------------------------------|---|---|---|--|
| <u>Funded Status</u>                |                                 |   |   |   |  |
| Actuarial Value of Assets           | 469,378                         | 3,241                                   | 118,516   | 56,472  | 5,255,255  |
| Actuarial Accrued Liability (AAL)   | 501,126                         | 4,016                                   | 138,965   | 85,033  | 5,039,836  |
| Unfunded/(Overfunded) AAL           | 31,748                          | 775                                     | 20,449  | 28,561  | (215,419)  |
| Funded Ratio                        | 93.7%                           | 80.7%                                   | 85.3%   | 66.4%   | 104.3%   |
| <u>Contribution History</u>         |                                 |   |   |   |  |
| Actuarially Determined Contribution | 17,485                          | 138                                     | 4,078   | 1,381   | 113,353  |
| Actual Employer Contributions       | 16,946                          | 138                                     | 5,297   | 1,440   | 151,299  |
| Percentage Contributed              | 96.9%                           | 100.0%                                  | 129.9%  | 104.3%  | 133.5%   |

Source: Actuarial valuations and INPRS Comprehensive Annual Financial Report, June 30, 2016

Further information about other plans including CAFRs for the most recent fiscal years, as well as the most recent actuarial valuation report, current investment policy statement and other materials, go to [www.in.gov/inprs](http://www.in.gov/inprs) and click "Publications". In addition, CAFRs and actuarial reports are also available for prior fiscal years.

1977 Police Officers' and Firefighters' Pension Disability Fund

The 1977 Police Officers' and Firefighters' Pension and Disability Fund ("77 Fund") has been in existence since 1977 to provide retirement, disability and survivor benefits for Police Officers and Firefighters. Prior to July 1, 2011, the '77 Fund was administered by a six-member Board of Trustees, and after that date, by INPRS.

On June 30, 2016, the '77 Fund had 18,629 members, survivors and beneficiaries. The pension benefit consists of a pension formula benefit based upon years of service and the first-class salary as defined by statute. The employee contribution rate is defined by law as 6% of first-class salary.

Contributions are made to the '77 Fund by the participating employer units as determined by INPRS. Contribution rates are set by INPRS (and prior to July 1, 2011, by the PERF Board of Trustees) based on annual actuarial valuations. Funding for the participating employer unit's obligation to the '77 Fund is included as part of the expenditures for fringe benefits by the participating unit. The tables below highlight the funded status (Table 16) and contribution history (Table 17) for the '77 Fund for the last six (6) valuation dates.

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**Table 16**  
**Schedule of Funding Progress**  
(dollars in thousands)

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|------------------------------------|---|---------------------------|--------------------|----------------------------|---|
| 6/30/2011                | 3,593,787                          | 3,638,956                                       | 45,169                    | 98.8%              | 687,000                    | 6.6%  |
| 6/30/2012                | 3,786,595                          | 4,122,436                                       | 335,841                   | 91.9%              | 690,000                    | 48.7%   |
| 6/30/2013                | 4,108,704                          | 4,392,947                                       | 212,243                   | 95.2%              | 695,000                    | 30.5%   |
| 6/30/2014                | 4,625,475                          | 4,706,997                                       | 81,522                    | 98.3%              | 710,581                    | 11.5%   |
| 6/30/2015                | 4,939,330                          | 4,680,694                                       | (258,636)                 | 105.5%             | 745,336                    | -34.7%  |
| 6/30/2016                | 5,255,255                          | 5,039,836                                       | (215,419)                 | 104.3%             | 771,949                    | -27.9%  |

**Table 17**  
**Schedule of Employer Contributions**  
(dollars in thousands)

| Fiscal Year Ended        | Valuation Date | Actuarially Determined Contribution | Annual Employer Contributions | Percentage Contributed |
|--------------------------|----------------|-------------------------------------|-------------------------------|------------------------|
| 6/30/2011                | 6/30/2009      | 117,820                             | 133,726                       | 113.5%                 |
| 6/30/2012                | 6/30/2010      | 132,549                             | 135,605                       | 102.3%                 |
| 6/30/2013                | 6/30/2011      | 112,590                             | 137,111                       | 121.8%                 |
| 6/30/2014                | 6/30/2012      | 103,425                             | 140,119                       | 135.5%                 |
| 6/30/2015 <sup>(1)</sup> | 6/30/2013      | 118,881                             | 146,402                       | 123.2%                 |
| 6/30/2016 <sup>(2)</sup> | 6/30/2014      | 113,353                             | 151,299                       | 133.5%                 |

<sup>(1)</sup>'77 Fund contributions exclude specific financed liabilities of \$295 thousand for 6/30/2015.

<sup>(2)</sup>'77 Fund contributions exclude specific financed liabilities of \$375 thousand for 6/30/2016.

The '77 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 INPRS Board of Trustees administers a Pension Relief Fund for local police and fire units whose employees participate in the 1925 police pension fund, the 1937 firefighters' pension fund and the 1953 police pension fund (the "Old Funds"). Benefits for the members who participate in the Old Funds have been funded on a "pay-as-you-go" basis, under which benefits are paid from current revenue of cities and towns and by plan members' contributions. The State currently reimburses cities and towns for their entire pension benefit expenditure under the Old Funds via the Pension Relief Fund, but previously reimbursed cities and towns for only a portion of their pension benefit expenditures. To provide such pension relief, the State has dedicated a portion of the State's cigarette tax revenue, liquor tax revenue, Hoosier Lottery profits, and investment earnings on the Public Deposit Insurance Fund. From time to time, the General Assembly has also appropriated general and dedicated funds to pension relief. During Fiscal Year 2016, \$216 million was expended from the Pension Relief Fund, and on June 30, 2016, the total net assets of the Pension Relief Fund were \$30 million.

Further information about the '77 Fund including CAFRs for the most recent fiscal years, as well as the most recent actuarial valuation report, current investment policy statement and other materials, go to [www.in.gov/inprs](http://www.in.gov/inprs) and click "Publications".

Judges' Retirement System

The first Judges' Retirement Plan was created in 1953. In 1985, the Judges' Retirement System ("JRS") was formed to provide retirement, disability and survivor benefits for Judges. Prior to July 1, 2011, The Judges' Retirement System was administered by a six-member Board of Trustees, and after that date, by INPRS.

All Judges and magistrates in covered positions are required to join the JRS. On June 30, 2016, the JRS had 851 members, survivors and beneficiaries. The pension benefit consists of a pension formula benefit based upon years of service and the member's salary as defined by statute. The employee contribution rate is defined by law as 6% of each employee's salary.

Contributions are made to the JRS by the State as determined by INPRS. Contribution amounts are set by INPRS (and prior to July 1, 2011, by the PERF Board of Trustees) based on the annual actuarial valuation. The State's obligation to the JRS is funded by appropriations from the state general fund. The tables below highlight the funded status (Table 18) and contribution history (Table 19) for the JRS for the last six (6) valuation dates.

**Table 18**  
**Schedule of Funding Progress**  
(dollars in thousands)

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|------------------------------------|---|---------------------------|--------------------|----------------------------|---|
| 6/30/2011                | 248,623                            | 400,274   | 151,651                   | 62.1%              | 45,764                     | 331.4%  |
| 6/30/2012                | 260,096                            | 437,854   | 177,758                   | 59.4%              | 45,138                     | 393.8%  |
| 6/30/2013 <sup>(1)</sup> | 381,240                            | 453,110   | 71,870                    | 84.1%              | 47,595                     | 151.0%  |
| 6/30/2014                | 419,568                            | 464,855   | 45,287                    | 90.3%              | 46,041                     | 98.4%   |
| 6/30/2015                | 447,514                            | 468,945   | 21,431                    | 95.4%              | 48,582                     | 44.1%   |
| 6/30/2016                | 469,378                            | 501,126   | 31,748                    | 93.7%              | 51,382                     | 61.8%   |

<sup>(1)</sup>Annual Covered Payroll was adjusted to reflect actual employer payroll. The previously reported amount, based on actuarial estimates, was 46,967 and percentage was 153.0%.

**Table 19**  
**Schedule of Employer Contributions**  
(dollars in thousands)

| Fiscal Year Ended        | Valuation Date | Actuarially Determined Contribution | Annual Employer Contributions | Percentage Contributed |
|--------------------------|----------------|-------------------------------------|-------------------------------|------------------------|
| 6/30/2011                | 6/30/2009      | 18,910                              | 19,200                        | 101.5%                 |
| 6/30/2012                | 6/30/2010      | 19,664                              | 18,896                        | 96.1%                  |
| 6/30/2013 <sup>(1)</sup> | 6/30/2011      | 25,458                              | 111,419                       | 437.7%                 |
| 6/30/2014                | 6/30/2012      | 27,648                              | 20,895                        | 75.6%                  |
| 6/30/2015                | 6/30/2013      | 18,865                              | 21,020                        | 111.4%                 |
| 6/30/2016                | 6/30/2014      | 17,485                              | 16,946                        | 96.9%                  |

<sup>(1)</sup>In accordance with Legislation passed during March 2012, the State appropriated \$90,187,000 during FY 2013 to reach a funded status of 80.0 percent based on the actuarial valuations as of June 30, 2012.

Further information about the JRS including CAFRs for the most recent fiscal years, as well as the most recent actuarial valuation report, current investment policy statement and other materials, go to [www.in.gov/inprs](http://www.in.gov/inprs) and click “Publications”.

Prosecuting Attorneys’ Retirement Fund

(“PARF”) has been in existence since 1989 to provide retirement, disability and survivor benefits for Prosecuting Attorneys, Chief Deputy Prosecuting Attorneys and Deputy Prosecuting Attorneys. Prior to July 1, 2011, PARF was administered by a six-member Board of Trustees, and after that date, by INPRS.

All Prosecuting Attorneys, Chief Deputy Prosecuting Attorneys and Deputy Prosecuting Attorneys are required to join PARF. PARF members are also required to join PERF. On June 30, 2016, PARF had 582 members, survivors and beneficiaries. The PARF benefit consists of a pension formula benefit based upon years of service and the member’s annual compensation as defined by statute. The employee contribution rate is defined by law as 6% of each employee’s salary. The employer may pick up the employee’s contributions to PARF.

Contributions are made to PARF by the State determined by normal cost and amortizing the unfunded accrued liability during periods established pursuant to statute. Contribution amounts are set by INPRS (and prior to July 1, 2011, by the PERF Board of Trustees) based on annual actuarial valuations. The tables below highlight the funded status (Table 20) and contribution history (Table 21) for PARF for the last six (6) valuation dates.

**Table 20**  
**Schedule of Funding Progress**  
(dollars in thousands)

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|------------------------------------|---|---------------------------|--------------------|----------------------------|---|
| 6/30/2011                | 25,651                             | 53,252  | 27,601                    | 48.2%              | 18,082                     | 152.6%  |
| 6/30/2012                | 27,501                             | 56,080  | 28,579                    | 49.0%              | 21,705                     | 131.7%  |
| 6/30/2013 <sup>(1)</sup> | 48,762                             | 61,940  | 13,178                    | 78.7%              | 18,805                     | 70.1%   |
| 6/30/2014                | 52,936                             | 65,336  | 12,400                    | 81.0%              | 20,608                     | 60.2%   |
| 6/30/2015                | 54,848                             | 77,861  | 23,013                    | 70.4%              | 21,145                     | 108.8%  |
| 6/30/2016                | 56,472                             | 85,033  | 28,561                    | 66.4%              | 21,372                     | 133.6%  |

<sup>(1)</sup>Annual Covered Payroll was adjusted to reflect actual employer payroll. The previously reported amount, based on actuarial estimates, was 21,217 and percentage was 62.1%.

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**Table 21**  
**Schedule of Employer Contributions**  
(dollars in thousands)

| Fiscal Year Ended        | Valuation Date | Actuarially Determined Contribution | Annual Employer Contributions | Percentage Contributed |
|--------------------------|----------------|-------------------------------------|-------------------------------|------------------------|
| 6/30/2011                | 6/30/2009      | 1,960                               | 170                           | 8.7%                   |
| 6/30/2012                | 6/30/2010      | 2,037                               | 1,839                         | 90.3%                  |
| 6/30/2013 <sup>(1)</sup> | 6/30/2011      | 2,542                               | 19,443                        | 764.9%                 |
| 6/30/2014                | 6/30/2012      | 2,345                               | 1,174                         | 50.1%                  |
| 6/30/2015                | 6/30/2013      | 1,419                               | 1,063                         | 74.9%                  |
| 6/30/2016                | 6/30/2014      | 1,381                               | 1,440                         | 104.3%                 |

<sup>(1)</sup>In accordance with Legislation passed March 2012, the State appropriated \$17,363,000 during FY 2013 to reach a funded status of 80.0 percent based on the actuarial valuations as of June 30, 2012.

Further information about PARF including CAFRs for the most recent fiscal years, as well as the most recent actuarial valuation report, current investment policy statement and other materials, go to [www.in.gov/inprs](http://www.in.gov/inprs) and click "Publications".

Legislators' Retirement System

The Legislators' Retirement System ("LRS") has been in existence since 1989 to provide retirement, disability and survivor benefits for members of the General Assembly. Prior to July 1, 2011, the LRS was administered by a six-member Board of Trustees, and after that date, by INPRS. The LRS includes two plans: The Legislators' Defined Benefit Plan ("LE DB") and the Legislators' Defined Contribution Plan ("LE DC"). The LE DB includes only legislators of the state of Indiana who were serving on April 30, 1989, and elected participation. Legislators elected or appointed after April 30, 1989 participate in the LE DC.

On June 30, 2016, the LE DB had 97 members, survivors and beneficiaries. The LE DB benefit consists of a pension formula benefit based upon the lesser of \$40 per month times the years of service in the General Assembly prior to November 8, 1989 or the highest consecutive three-year average annual salary at termination, divided by twelve.

Contributions are made to the LE DB by the State determined by normal cost and amortizing the unfunded accrued liability of each unit during periods established pursuant to statute. Contribution amounts are set by INPRS (and prior to July 1, 2011, by the PERF Board of Trustees) based on annual actuarial valuations. The LE DB is funded by appropriations from the State general fund. The tables below highlight the funded status of the LE DB (Table 22) and contribution history (Table 23) for the LE DB for the last six (6) valuation dates.

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**Table 22**  
**Schedule of Funding Progress**  
(dollars in thousands)

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Number of Active Participants (c) | UAAL per Covered Participant ((b-a)/c) |
|--------------------------|------------------------------------|---|---------------------------|--------------------|-----------------------------------|--|
| 6/30/2011                | 3,634                              | 4,621   | 987                       | 78.6%              | 7                                 | 141                                    |
| 6/30/2012                | 3,377                              | 4,503   | 1,126                     | 75.0%              | 6                                 | 188                                    |
| 6/30/2013                | 3,428                              | 4,295   | 867                       | 79.8%              | 24                                | 36                                     |
| 6/30/2014                | 3,467                              | 4,173   | 706                       | 83.1%              | 24                                | 29                                     |
| 6/30/2015                | 3,336                              | 4,328   | 992                       | 77.1%              | 17                                | 58                                     |
| 6/30/2016                | 3,241                              | 4,016   | 775                       | 80.7%              | 11                                | 70                                     |

**Table 23**  
**Schedule of Employer Contributions**  
(dollars in thousands)

| Fiscal Year Ended | Valuation Date | Actuarially Determined Contribution | Annual Employer Contributions | Percentage Contributed |
|-------------------|----------------|-------------------------------------|-------------------------------|------------------------|
| 6/30/2011         | 6/30/2009      | 113                                 | -                             | 0.0%                   |
| 6/30/2012         | 6/30/2010      | 113                                 | 112                           | 99.1%                  |
| 6/30/2013         | 6/30/2011      | 140                                 | 150                           | 107.1%                 |
| 6/30/2014         | 6/30/2012      | 138                                 | 138                           | 100.0%                 |
| 6/30/2015         | 6/30/2013      | 119                                 | 131                           | 110.1%                 |
| 6/30/2016         | 6/30/2014      | 138                                 | 138                           | 100.0%                 |

On June 30, 2016 the LE DC had 216 members. The LE DC employee contribution rate is defined by law as 5%. Contributions are made to the LE DC by the state based on a rate determined by the INPRS board and confirmed by the budget agency not to exceed the total contribution rate paid that year by the state to INPRS for state employees.

Further information about the LE DB and LE DC plans including CAFRs for the most recent fiscal years, as well as the most recent actuarial valuation report, current investment policy statement and other materials, go to [www.in.gov/inprs](http://www.in.gov/inprs) and click "Publications."

State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan

The State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan ("EG&C") has been in existence since 1972 to provide retirement, disability and survivor benefits for Excise Police, Gaming Agents, Gaming Control Officers and Conservation Enforcement Officers. Prior to July 1, 2011, EG&C was administered by a six-member Board of Trustees, and after that date, by INPRS.

All Excise Police, Gaming Agents, Gaming Control Officers and Conservation Enforcement Officers are required to join EG&C. On June 30, 2016, EG&C had 769 members, survivors and beneficiaries. The EG&C benefit consists of a pension formula benefit based upon years of service and the member's annual compensation as defined by statute. The employee contribution rate is defined by law as 4% of each employee's salary. The employer may pick up the employee's contributions to EG&C.

Contributions are made to EG&C by the State determined by normal cost and amortizing the unfunded accrued liability during periods established pursuant to statute. Contribution rates are set by INPRS (and prior to July 1, 2011, by the PERF Board of Trustees) based on annual actuarial valuations. Funding for the State's obligation to EG&C is included as part of the expenditures for fringe benefits by each State agency. The tables below highlight the funded status (Table 24) and contribution history (Table 25) for EG&C for the last six (6) valuation dates.

**Table 24**  
**Schedule of Funding Progress**  
(dollars in thousands)

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|------------------------------------|---|---------------------------|--------------------|----------------------------|---|
| 6/30/2011                | 72,599                             | 101,534   | 28,935                    | 71.5%              | 25,000                     | 115.7%  |
| 6/30/2012                | 76,007                             | 113,283   | 37,276                    | 67.1%              | 24,300                     | 153.4%  |
| 6/30/2013                | 98,608                             | 118,097   | 19,489                    | 83.5%              | 24,675                     | 79.0%   |
| 6/30/2014                | 107,563                            | 123,600   | 16,037                    | 87.0%              | 25,825                     | 62.1%   |
| 6/30/2015                | 112,765                            | 132,796   | 20,031                    | 84.9%              | 25,133                     | 79.7%   |
| 6/30/2016                | 118,516                            | 138,965   | 20,449                    | 85.3%              | 25,526                     | 80.1%   |

**Table 25**  
**Schedule of Employer Contributions**  
(dollars in thousands)

| Fiscal Year Ended        | Valuation Date | Actuarially Determined Contribution | Annual Employer Contributions | Percentage Contributed |
|--------------------------|----------------|-------------------------------------|-------------------------------|------------------------|
| 6/30/2011                | 6/30/2009      | 4,112                               | 5,197                         | 126.4%                 |
| 6/30/2012                | 6/30/2010      | 4,556                               | 5,054                         | 110.9%                 |
| 6/30/2013 <sup>(1)</sup> | 6/30/2011      | 4,794                               | 19,740                        | 411.8%                 |
| 6/30/2014                | 6/30/2012      | 5,341                               | 5,359                         | 100.3%                 |
| 6/30/2015                | 6/30/2013      | 4,820                               | 5,215                         | 108.2%                 |
| 6/30/2016 <sup>(2)</sup> | 6/30/2014      | 4,078                               | 5,297                         | 129.9%                 |

<sup>(1)</sup>In accordance with Legislation passed during March 2012, the State appropriated \$14,619,000 during FY 2013 to reach a funded status of 80.0 percent based on the actuarial valuations as of June 20, 2012.

<sup>(2)</sup>EG&C Plan contributions exclude a one-time payment of \$70 thousand for 6/30/2016.

Further information about EG&C including CAFRs for the most recent fiscal years, as well as the most recent actuarial valuation report, current investment policy statement and other materials, go to [www.in.gov/inprs](http://www.in.gov/inprs) and click "Publications".

### ***Indiana State Police Pension Trust***

The Indiana State Police Pension Trust was established in 1937. The Trust consists of a two-part State Police Benefit System, the Pre-1987 Plan and the 1987 Plan, that provide retirement benefits to the employee beneficiaries. The Trust is administered by the Pension Advisory Board, which consists of the Superintendent of the Department of State Police; a representative of the pension consultants and the Trustee (Treasurer of State of Indiana), who both serve on a nonvoting basis; three active employees of the Department of State Police; and an Executive Secretary who is appointed by the Superintendent.

The State Police Pension Fund shall consist of voluntary contributions from the Department, contributions deducted from the wages of employees of the Department, any other payments or contributions made by the State of Indiana in the form of appropriations from the State's General Fund and the Motor Vehicle Highway Fund, and the income and proceeds derived from the investment of the Fund.

Employees who are participating in the Pre-1987 Plan shall make contributions equal to 5% of their salary, provided that the maximum contribution shall be equal to 5% of the Six Year Trooper Salary. Employees who are participating in the 1987 Plan shall make contributions equal to 6% of their salary. The method used in determining the annual required contributions and the calculation of the unfunded actuarial accrued liability is the Entry Age Actuarial Cost Method. A smoothed basis method is used for the asset valuation.

See the following tables for the funding status and a contribution history.

**Table 26**  
**Schedule of Funding Progress**

| Valuation Date | (a)<br>Actuarial Value of Assets | (b)<br>Actuarial Accrued Liability (AAL)* | (c)<br>Unfunded AAL (UAAL) (b) - (a) | Funded Ratio (a)/(b) | (d)<br>Annual Covered Payroll | UAAL as % of Payroll (c)/(d) |
|----------------|----------------------------------|---|--------------------------------------|----------------------|-------------------------------|------------------------------|
| 7/1/2009       | \$356,056,202                    | \$453,687,692                             | \$ 97,631,490                        | 78.5%                | \$68,283,255                  | 143.0%                       |
| 7/1/2010       | \$363,487,316                    | \$447,063,504                             | \$ 83,576,188                        | 81.3%                | \$66,603,419                  | 125.5%                       |
| 7/1/2011       | \$361,457,004                    | \$470,852,078                             | \$109,395,074                        | 76.8%                | \$64,947,968                  | 168.4%                       |
| 7/1/2012       | \$403,851,491                    | \$504,814,363                             | \$100,962,872                        | 80.0%                | \$66,083,075                  | 152.8%                       |
| 7/1/2013       | \$434,286,555                    | \$523,215,958                             | \$ 88,929,403                        | 83.0%                | \$64,346,657                  | 138.2%                       |
| 7/1/2014       | \$459,849,238                    | \$540,797,399                             | \$ 80,948,161                        | 85.0%                | \$68,490,381                  | 118.2%                       |
| 7/1/2015       | \$464,783,487                    | \$570,380,408                             | \$105,596,921                        | 81.5%                | \$67,627,996                  | 156.1%                       |
| 7/1/2016       | \$469,489,361                    | \$588,603,370                             | \$119,114,009                        | 79.8%                | \$68,139,112                  | 174.8%                       |

\*Determined under the Entry Age Actuarial Cost Method, as defined in Statement #27 of the Governmental Account Standards Board. Under this method, the Actuarial Present Value of the Projected Benefits of each individual is allocated on a level basis over the earnings of the individual between age at hire and assumed retirement age. Prior to July 1, 2010, the amortization of the Unfunded Actuarial Accrued Liability was based on a 40-year closed period from July 1, 1997. Effective July 1, 2010, this amortization is based on a 30-year closed period from July 1, 2010, and remains determined as a level dollar amount.

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**Table 27**  
Schedule of Employer Contributions

| Plan Year Ended June 30 | Annual Required Contribution (ARC)* | Actual Employer Contribution | Percentage of ARC Contributed | Net Pension Obligation (NPO) |
|-------------------------|-------------------------------------|------------------------------|-------------------------------|------------------------------|
| 2009                    | \$10,361,583                        | \$9,472,493                  | 91.4%                         | \$9,071,870                  |
| 2010                    | \$14,229,907                        | \$9,471,135                  | 66.6%                         | \$13,718,223                 |
| 2011                    | \$12,266,567                        | \$9,449,670                  | 77.0%                         | \$16,389,890                 |
| 2012                    | \$14,517,041                        | \$44,039,964                 | 303.4%                        | (\$13,320,673)               |
| 2013                    | \$14,509,454                        | \$12,367,074                 | 85.2%                         | (\$11,006,283)               |
| 2014                    | \$13,869,455                        | \$10,603,145                 | 76.4%                         | (\$ 7,586,269)               |
| 2015                    | \$13,886,453                        | \$10,218,000                 | 73.6%                         | N/A**                        |
| 2016                    | \$16,184,566                        | (\$14,802,586)               | -91.5%                        | N/A**                        |
| 2017                    | \$17,536,035                        | -                            | -                             | -                            |

\*The Annual Required Contribution (ARC) is not equal to the minimum annual contribution in accordance with Indiana Code 10-12-2-2(i) but instead determined under the Entry Age Actuarial Cost Method as defined in Statement #27 of the Governmental Account Standards Board GASB#27).

\*\*NPO is no longer reported. Per GASB 67 & GASB 68, it is required to report the Plan's net pension liability instead of NPO.

**State Pension Funding Obligations**

The State is obligated to fund various components of the plans described above as follows:

1. PERF as to State Employees

Table 28 below represents the historical presentation showing only the active, State-related portion.

**Table 28**  
**Public Employees' Retirement Fund**  
**(State-Related Portion, Including the PERF ASA)**  
(dollars in thousands)

|                                     | <u>June 30, 2011</u> | <u>June 30, 2012</u> | <u>June 30, 2013</u> | <u>June 30, 2014</u> | <u>June 30, 2015</u> | <u>June 30, 2016</u> |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <u>Funded Status</u>                |                      |                      |                      |                      |                      |                      |
| Actuarial Value of Assets           | 4,158,786            | 4,141,524            | 4,415,371            | 4,720,699            | 4,819,814            | 4,977,905            |
| Actuarial Accrued Liability (AAL)   | 5,264,131            | 5,542,414            | 5,690,281            | 5,889,829            | 6,291,682            | 6,347,264            |
| Unfunded/(Overfunded) AAL           | 1,105,345            | 1,400,890            | 1,274,910            | 1,169,130            | 1,471,868            | 1,369,359            |
| Funded Ratio                        | 79.0%                | 74.7%                | 77.6%                | 80.2%                | 76.6%                | 78.4%                |
| Contribution Rate <sup>(1)</sup>    | 9.7%                 | 11.2%                | 11.2%                | 11.2%                | 11.2%                | 11.2%                |
| <u>Contribution History</u>         |                      |                      |                      |                      |                      |                      |
| Actuarially Determined Contribution | 176,290              | 183,389              | 160,150              | 188,035              | 170,853              | 153,897              |
| Actual Employer Contributions       | 115,232              | 138,328              | 157,581              | 188,405              | 181,380              | 175,883              |
| Percentage Contributed              | 65.4%                | 75.4%                | 98.4%                | 100.2%               | 106.2%               | 114.3%               |

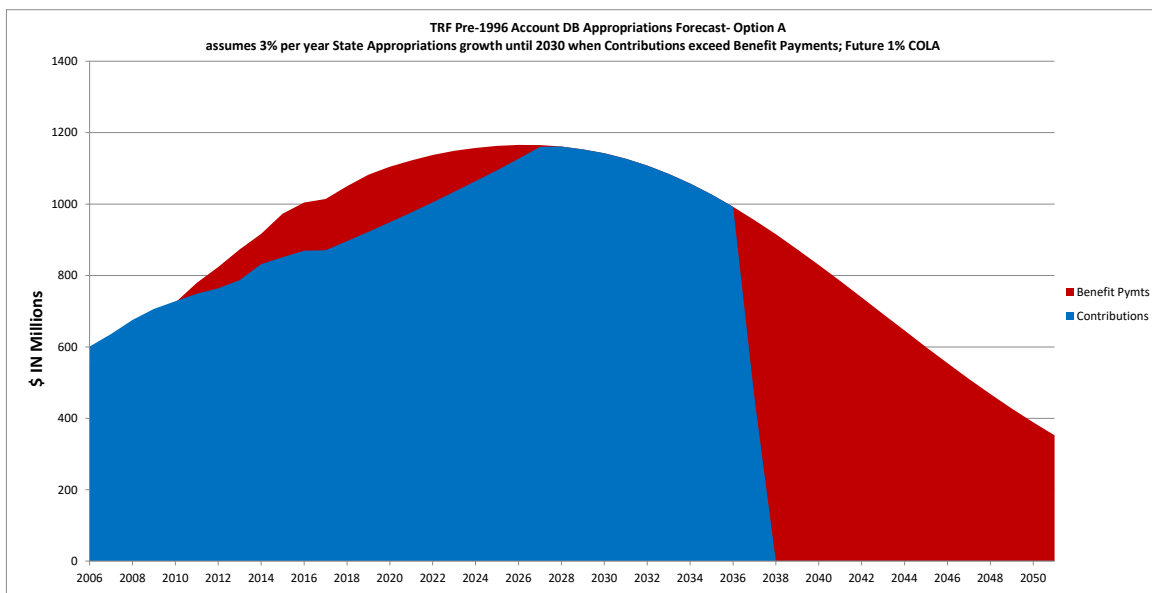
<sup>(1)</sup> Contribution rate is the State rate for all State employers participating in the PERF plan, and is set using the most recently completed actuarial valuation that goes into effect July 1 of the next calendar year.

Source: Actuarial Valuation Report and GASB 68 Schedules, June 30, 2016.

2. TRF Pre-1996 Account

The Pension Stabilization Fund is a source of State contributions to TRF Pre-'96 and projections indicate the Pension Stabilization Fund will expend funds over the next approximately 13 years for this purpose at which time the State's Obligations under TRF Pre-'96 are expected to be lower each succeeding year. If the annual amount of benefit liabilities for TRF Pre-'96 retirees exceeds the annual state appropriation allotted to TRF Pre-'96, the Pension Stabilization Fund supplements the shortfall. The Pension Stabilization Fund amount is impacted each year by investment earnings and monies allotted from the Lottery. Projections of future annual benefit payments from TRF Pre-'96 will continue to grow from the current level of \$1.0 billion annually to a peak of almost \$1.2 billion annually. This funding will be provided by the annual state appropriations which are projected to grow by 3% per year with any remaining required amounts coming from the Pension Stabilization Fund. Table 29 below shows the projected value of the Pension Stabilization Fund over time and Table 30 shows the Pension Stabilization Fund Balances under TRF Pre-'96 in recent years.

**Table 29**



\*Based on the 6/30/2016 Valuation; only includes Pension Benefit Payout and PSF Assets, excludes ASA Annuities.

Projections assume (i) a 6.75% annual investment return on the Pension Stabilization Fund, (ii) continued annual funding of Pension Stabilization Fund from lottery revenues of \$30 million, and (iii) 103% year over year appropriations from the General Fund for TRF Pre-'96 benefits. Projections are subject to change.

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**Table 30**  
**TRF Pre-1996 Pension Stabilization Fund Balances**

(Dollars in Millions)

| <u>Fiscal</u><br><u>Year</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| PSF<br>Balance               | 2,263.5     | 2,250.5     | 2,595.5     | 2,884.4     | 2,763.8     | 2,701.1     |

3. Other Plan Obligations

The State’s funding obligations for each of the other components of the State pension system are small relative to PERF and TRF and can be seen in prior tables under “Annual Employer Contributions”.

**ECONOMIC AND DEMOGRAPHIC INFORMATION**

**Summary**

Indiana is expanding the diversity of its economy while maintaining its strong tradition in the manufacturing sector. Manufacturing capacity has contributed to Indiana’s 2016 State Gross Domestic Product (GDP) of \$342 billion (current dollars), ranking sixteenth largest in the country in terms of the value of goods and services produced. The Manufacturing sector now represents 17% of total employment in Indiana, a decrease of 1% from 2006. From 2006 to 2016, Indiana witnessed significant shifts in the distribution of employment between sectors. Employment in Education and Health Services increased by 19.8% followed by the Professional & Business Services sector at an increase of 19.2%. Trade, Transportation & Utilities is the largest employment super sector in Indiana.

Indiana is rich in assets with a low cost of living, a business-friendly regulatory environment and an efficient transportation system. Well-located for goods production and distribution, Indiana is within a day’s drive of nearly two-thirds of the United States’ population. The 2006 Major Moves transportation initiative which called for \$10.6 billion invested over 10 years, is funding 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, Indiana becomes even more attractive as a site for production, warehousing and distribution and transportation activities.

In 2013 Indiana enacted into law a reduction in corporate income taxes for all businesses. In a recent “Best/Worst States for Business” survey of more than 500 CEO’s, conducted by Chief Executive Magazine, Indiana ranked fifth in the nation and first in the Midwest. The Tax Foundation’s 2017 State Business Tax Climate Index ranked Indiana number eight of the top ten states for its business tax climate. Forbes Magazine’s 2016 rankings of the best states for business put Indiana at number thirteen overall and number four in both Regulatory Environment and Quality of Life rank.

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 natural resources.

The Indiana Economic Development Corporation (IEDC) leads the state of Indiana’s economic development efforts, focusing on helping companies grow in and locate to the state. Governed by a 15-member board chaired by Governor Eric J. Holcomb, the IEDC manages many initiatives, including performance-based tax credits, workforce training grants, public infrastructure assistance, and talent attraction and retention efforts, including the Indiana Regional Cities Initiative and the \$1 Billion Initiative for Innovation and Entrepreneurship. Last year, the IEDC secured economic development commitments from 227 companies in industries ranging from advanced manufacturing, life sciences, defense and information technology. Together, these companies project to create 20,320 new jobs and invest more than \$3.68 billion in their Indiana operations in the coming years.

## Population and Education

Indiana is the 17<sup>th</sup> most populous state in the United States falling from 16<sup>th</sup> in the previous year. The capital and largest city is Indianapolis. From 2006 to 2016, the Indianapolis-Carmel Metropolitan Statistical Area (“MSA”) grew by 11.3%. While Indiana’s educational attainment rate for bachelors’ degrees has lagged the nation and several neighboring states, estimates from the American Community Survey indicates that between 2005 and 2015, 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.

**Table 31**  
**Educational Attainment, Indiana Population 25 Years & Over**

| <u>Year</u> | <u>Some college, no degree</u> | <u>Assoc Degree</u> | <u>BA/BS or Above</u> | <u>Population 25 Yrs &amp; Over</u> |
|-------------|--------------------------------|---------------------|-----------------------|-------------------------------------|
| 2005        | 789,952                        | 276,886             | 840,876               | 3,956,723                           |
| 2006        | 793,292                        | 296,052             | 891,489               | 4,110,754                           |
| 2007        | 803,293                        | 293,297             | 914,471               | 4,143,159                           |
| 2008        | 866,304                        | 313,410             | 956,371               | 4,177,420                           |
| 2009        | 884,767                        | 314,491             | 943,472               | 4,193,210                           |
| 2010        | 884,028                        | 317,235             | 960,164               | 4,229,798                           |
| 2011        | 889,391                        | 336,181             | 978,796               | 4,255,459                           |
| 2012        | 885,742                        | 346,595             | 1,001,273             | 4,278,945                           |
| 2013        | 918,646                        | 353,657             | 1,026,468             | 4,312,892                           |
| 2014        | 916,355                        | 369,148             | 1,068,358             | 4,342,916                           |
| 2015        | 900,400                        | 364,142             | 1,088,120             | 4,363,573                           |
| 2005-2015   |                                |                     |                       |                                     |
| Growth      | 14.0%                          | 31.5%               | 29.4%                 | 10.3%                               |

Source: U.S. Bureau of Census, American Community Survey 1-year estimates, March 2017

Indiana’s excellent state colleges and universities had an undergraduate enrollment of 282,266 and 39,234 graduate students in fall 2015, according to the National Center for Education Studies.<sup>(1)</sup> These schools also serve as the focus of research and development efforts; assist in the formation of small business “incubators,” and award advanced degrees in fields as varied as engineering, economics and pharmacy. In 2009, based on a National Science Foundation (NSF) survey, among the nation’s public universities, Indiana ranked 18<sup>th</sup> in the nation in Academic Research & Development from Institutional funding (including grants and endowments) and 10<sup>th</sup> in terms of Industry (for-profit entities) funding and 17<sup>th</sup> in funding from “All Other” sources.<sup>(2)</sup> In the National Science Foundation 2016 Science and Engineering State Profiles report, Indiana ranked in the top 20 for numbers of Doctoral Scientists, Science and Engineering (S&E) doctorates awarded, S&E and health post doctorates and graduate students in doctorate granting institutions.<sup>(3)</sup> Indiana University (47<sup>th</sup>) and The University of Notre Dame (60<sup>th</sup>) are included in the 2017 Financial Times rankings of the World’s Top Business Schools,<sup>(4)</sup> as well as 42nd and 31st respectively in their Top MBA’s for Finance 2017 rankings<sup>(5)</sup>.

### Section Footnotes:

<sup>(1)</sup> [http://nces.ed.gov/programs/digest/d16/tables/dt16\\_304.80.asp?current=yes](http://nces.ed.gov/programs/digest/d16/tables/dt16_304.80.asp?current=yes)

<sup>(2)</sup> <https://wayback.archive-it.org/5902/20160210145722/http://www.nsf.gov/statistics/2015/nsf15324/#>

<sup>(3)</sup> <https://www.nsf.gov/statistics/states/interactive/show.cfm?stateID=53,15&year=0>

<sup>(4)</sup> <http://rankings.ft.com/businessschoolrankings/global-mba-ranking-2017>

<sup>(5)</sup> <http://rankings.ft.com/businessschoolrankings/top-mbas-for-finance-2017>

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**Table 32**  
**Population, including Selected Indiana MSAs**

|                                    | <u>2006*</u> | <u>2016</u> | <u>Percentage Change</u><br><u>2006-2016</u> |
|------------------------------------|--------------|-------------|--|
| Indiana                            | 6,332,669    | 6,633,053   | 4.74%  |
| Indianapolis-Carmel-Anderson MSA   | 1,800,724    | 2,004,230   | 11.30%                                       |
| Fort Wayne MSA                     | 406,783      | 431,802     | 6.15%  |
| Evansville-Henderson MSA (IN part) | 259,916      | 269,695     | 3.76%  |
| Gary PMSA                          | 696,772      | 700,994     | 0.61%  |
| South Bend-Niles MSA (IN part)     | 265,496      | 269,141     | 1.37%  |
| United States                      | 298,379,912  | 323,127,513 | 8.29%  |

\* These Indiana Metropolitan Statistical Areas were reconfigured in 2012. The above population estimates are based on the areas as defined by the Office of Management and Budget as of December 2012. Consistent aggregate historical data are not yet readily available. Source: U.S. Census Bureau, March 2017.

### Employment

During this past decade, employment in Indiana has shifted significantly between sectors, reflecting the fundamental changes taking place in the state's economy and following larger trends at the national level. Within the Manufacturing sector, some well-paying industry components experienced employment gains in 2015, generally mirroring the nation. While Transportation Equipment Manufacturing employment has taken some losses as part of the turmoil and restructuring of that industry, Indiana's attraction of foreign auto manufacturers has served to help buffer that somewhat in this high wage sector. In particular, Indiana's employment in the Motor Vehicle Manufacturing sub-sector has actually grown by about 27% between 2011 and 2016. Listed on the table below are some examples of high wage sub-sectors in Indiana.

**Table 33**  
**Indiana High Wage Subsectors**

| <u>NAICS</u><br><u>Subsector</u> | <u>Sector Description</u>                        | <u>2011-2016</u><br><u>Employment Change</u> | <u>Indiana % Change</u> | <u>Indiana 2016</u><br><u>Annual Average Wage</u> |
|----------------------------------|--|--|-------------------------|---|
| 3362                             | Motor Vehicle Body & Trailer<br>Manufacturing    | 11,120                                       | 42%                     | \$58,169  |
| 3361                             | Motor Vehicle Manufacturing                      | 3,653  | 26%                     | \$77,575  |
| 6113                             | Colleges, Universities &<br>Professional Schools | 1,282  | 5%                      | \$46,016  |
| 6221                             | General Medical & Surgical Hospitals             | 3,246  | 3%                      | \$52,668  |
| 3391                             | Medical Equipment & Supplies<br>Manufacturing    | -1,470                                       | -7%                     | \$65,147  |

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment & Wages, July 2017.

The fastest growing super sectors overall during the last ten years were Education and Health Services (19.8% growth), followed by Professional & Business Services, which grew by 19.2% from 2006 to 2016. Although Manufacturing was the fourth slowest growing super sector from 2006 to 2016 it is still the second largest super sector at 17% of total employment and has undergone significant diversification and acquired an international presence through the years.

**Table 34**  
**Indiana Non-Farm Employment by Super Sector; December 2006 to December 2016**  
(Not Seasonally Adjusted)

| <u>NAICS Super Sectors</u>         | <u>Dec. 2006</u> | <u>Percentage of Total</u> | <u>Dec. 2016</u> | <u>Percentage of Total</u> | <u>Growth 2006-2016</u> |
|------------------------------------|------------------|----------------------------|------------------|----------------------------|-------------------------|
| Total Non-Farm                     | 3,016,900        | 100%                       | 3,123,400        | 100%                       | 3.5%                    |
| Goods Producing                    | 715,100          | 24%                        | 658,400          | 21%                        | -7.9%                   |
| Natural Resources and Mining       | 7,000            | 0.23%                      | 6,200            | 0.20%                      | -11.4%                  |
| Construction                       | 152,000          | 5%                         | 125,700          | 4%                         | -17.3%                  |
| Manufacturing                      | 556,100          | 18%                        | 526,500          | 17%                        | -5.3%                   |
| Services Providing                 | 2,301,800        | 76%                        | 2,460,200        | 79%                        | 6.9%                    |
| Trade, Transportation, & Utilities | 602,800          | 20%                        | 608,700          | 20%                        | 1.0%                    |
| Information                        | 39,800           | 1%                         | 31,900           | 1%                         | -19.8%                  |
| Financial Activities               | 139,300          | 5%                         | 134,700          | 4%                         | -3.3%                   |
| Professional & Business Services   | 286,000          | 9%                         | 340,900          | 11%                        | 19.2%                   |
| Education & Health Services        | 394,500          | 13%                        | 472,800          | 15%                        | 19.8%                   |
| Leisure and Hospitality            | 279,100          | 9%                         | 300,600          | 10%                        | 7.7%                    |
| Other Services                     | 116,400          | 4%                         | 127,900          | 4%                         | 9.9%                    |
| Government                         | 443,900          | 15%                        | 442,700          | 14%                        | -0.3%                   |

Note: Individual sectors may not sum to totals due to rounding. NAICS Industry detail is based on the 2012 North American Industry Classification System (NAICS).

Source: U.S. Bureau of Labor Statistics, Current Employment Statistics, April 2017

**Table 35**  
**Unemployment Rate**  
(Annual Averages)

| <u>Year</u> | <u>Indiana</u> | <u>U.S.</u> | <u>Indiana as Percentage of U.S.</u> |
|-------------|----------------|-------------|--------------------------------------|
| 2006        | 5.0%           | 4.6%        | 108.7%                               |
| 2007        | 4.6%           | 4.6%        | 100.0%                               |
| 2008        | 5.9%           | 5.8%        | 101.7%                               |
| 2009        | 10.3%          | 9.3%        | 110.8%                               |
| 2010        | 10.4%          | 9.6%        | 108.3%                               |
| 2011        | 9.1%           | 8.9%        | 102.2%                               |
| 2012        | 8.3%*          | 8.1%        | 102.5%                               |
| 2013        | 7.7%*          | 7.4%        | 104.0%                               |
| 2014        | 5.9%*          | 6.2%        | 95.1%                                |
| 2015        | 4.8%*          | 5.3%        | 90.5%                                |
| 2016        | 4.4%*          | 4.9%        | 89.7%                                |

\*Reflects revised population controls and model re-estimation.

Source: Indiana Workforce Development, Research & Analysis, Local Area Unemployment Statistics, April 2017

## Income

In 2016, Indiana's per capita personal income increased to \$43,492 or 3.6% from 2015. Indiana's personal income growth ranked 35<sup>th</sup> among states in the nation last year. During the past ten years, Indiana's personal income grew at an average annual rate of 3.1% compared to the national rate of 3.0%.

**Table 36**  
**Growth in Per Capita Personal Income**  
 (Current Dollars)

| <u>Year</u>                             | <u>Indiana</u> | <u>U.S.</u> | <u>Indiana</u> | <u>U.S.</u> |
|---|----------------|-------------|----------------|-------------|
| 2006                                    | 32,747         | 38,144      | 5.4%           | 6.2%        |
| 2007                                    | 33,717         | 39,821      | 3.0%           | 4.4%        |
| 2008                                    | 35,139         | 41,082      | 4.2%           | 3.2%        |
| 2009                                    | 34,084         | 39,376      | -3.0%          | -4.2%       |
| 2010                                    | 35,081         | 40,277      | 2.9%           | 2.3%        |
| 2011                                    | 37,259         | 42,461      | 6.2%           | 5.4%        |
| 2012                                    | 38,816         | 44,282      | 4.2%           | 4.3%        |
| 2013                                    | 39,148         | 44,493      | 0.9%           | 0.5%        |
| 2014                                    | 40,477         | 46,464      | 3.4%           | 4.4%        |
| 2015                                    | 41,984         | 48,190      | 3.7%           | 3.7%        |
| 2016                                    | 43,492         | 49,571      | 3.6%           | 2.9%        |
| Average Annual Growth Rate (2006-2016): |                |             | 3.1%           | 3.0%        |
| Total Growth Rate (2006-2016):          |                |             | 34.4%          | 33.1%       |

Source: U.S. Department of Commerce, Bureau of Economic Analysis, April 2017.

**Gross Domestic Product**

With an estimated 2016 Gross Domestic Product of \$341.9 billion, Indiana's state economy ranks sixteenth largest in the country in terms of the value of goods and services produced (current dollars). Since 2005, Indiana's Gross Domestic Product has grown at an average annual rate of 4.0% (current dollars).

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**Table 37**  
**Indiana Gross Domestic Product by Sector: 2005-2015**  
(Millions of Current Dollars)

| <u>NAICS Industry Sectors</u>                | <u>2006</u>      | <u>Percentage<br/>of Total</u> | <u>2016</u>      | <u>Percentage<br/>of Total</u> | <u>Percentage<br/>Growth<br/>2006-2016</u> |
|--|------------------|--------------------------------|------------------|--------------------------------|--|
| Agriculture, forestry, fishing, and hunting  | \$2,513          | 1.0%                           | \$4,035          | 1.2%                           | 60.6%                                      |
| Mining                                       | 1,058            | 0.4%                           | 1,662            | 0.5%                           | 57.1%                                      |
| Utilities                                    | 5,041            | 2.0%                           | 5,693            | 1.7%                           | 12.9%                                      |
| Construction                                 | 11,546           | 4.5%                           | 13,078           | 3.8%                           | 13.3%                                      |
| Manufacturing                                | 69,249           | 27.0%                          | 98,426           | 28.8%                          | 42.1%                                      |
| Wholesale Trade                              | 14,262           | 5.6%                           | 18,435           | 5.4%                           | 29.3%                                      |
| Retail Trade                                 | 16,243           | 6.3%                           | 20,362           | 6.0%                           | 25.4%                                      |
| Transportation and warehousing               | 9,454            | 3.7%                           | 11,633           | 3.4%                           | 23.0%                                      |
| Information                                  | 6,135            | 2.4%                           | 6,161            | 1.8%                           | 0.4%                                       |
| Finance and insurance                        | 14,023           | 5.5%                           | 18,341           | 5.4%                           | 30.8%                                      |
| Real estate, rental, and leasing             | 23,562           | 9.2%                           | 33,498           | 9.8%                           | 42.2%                                      |
| Professional and technical services          | 9,098            | 3.5%                           | 13,758           | 4.0%                           | 51.2%                                      |
| Management of companies and enterprises      | 3,045            | 1.2%                           | 4,761            | 1.4%                           | 56.4%                                      |
| Administrative and waste services            | 6,656            | 2.6%                           | 10,093           | 3.0%                           | 51.6%                                      |
| Educational services                         | 2,154            | 0.8%                           | 3,120            | 0.9%                           | 44.8%                                      |
| Health care and social assistance            | 18,364           | 7.2%                           | 27,379           | 8.0%                           | 49.1%                                      |
| Arts, entertainments, and recreation         | 8,943            | 3.5%                           | 12,224           | 3.6%                           | 36.7%                                      |
| Accommodation and food services              | 5,845            | 2.3%                           | 8,261            | 2.4%                           | 41.3%                                      |
| Other Services, except government            | 6,450            | 2.5%                           | 7,888            | 2.3%                           | 22.3%                                      |
| Government                                   | 28,637           | 11.2%                          | 31,363           | 9.2%                           | 9.5%                                       |
| <b>Total Gross Domestic Product by State</b> | <b>\$256,434</b> | <b>100.0%</b>                  | <b>\$341,909</b> | <b>100.0%</b>                  | <b>33.3%</b>                               |

Note: Individual sectors may not sum to totals due to rounding. NAICS Industry detail is based on the 2012 North American Industry Classification System (NAICS).

Source: U.S. Department of Commerce, Bureau of Economic Analysis, July 2017.

## Exports

Since 2005, Indiana businesses have significantly increased exported output. The value of exports in calendar year 2005 jumped to \$21,594 million, a 12.4% increase over 2004, in 2006 the total value increased to \$22,666 million, a 5% growth rate, in 2007 the total value increased to \$25,956 million, a 14.5% increase, 2008 saw an increase to \$26,502 million, a 2.1% increase. After decreasing in 2009, Indiana's exports increased by 25.6% in 2010. Exports increased by 4.0% in 2014 over 2013. In 2015 exports decreased by 5% with 2016 showing Indiana with a 2.5% increase over 2015 and a 65.8% increase since 2005. Since 2005, Indiana's exports have grown at an average annual rate of 5.5% the same as the United States as a whole.

Transportation equipment was the top export category from Indiana in 2016 trading places with chemical products which was the primary export category in 2015. Canada was the top destination for transportation products followed by Mexico. Indiana's second largest export category in 2016, chemical products, were delivered most often to Italy followed closely by Germany. In 2016 Canada continued to be Indiana's main international trade partner being the top destination of seven of the top 10 export product categories.

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**Table 38**  
**Exports – Annual Percentage Change**  
(Millions)

| Year | Exports |           | Annual Percentage Change |        | Indiana as a<br>Percentage of<br>U.S. Exports |
|------|---------|-----------|--------------------------|--------|---|
|      | Indiana | U.S.      | Indiana                  | U.S.   |   |
| 2005 | 21,594  | 901,082   | 12.4%                    | 10.1%  | 2.4%  |
| 2006 | 22,666  | 1,025,967 | 5.0%                     | 13.9%  | 2.2%  |
| 2007 | 25,956  | 1,148,199 | 14.5%                    | 11.9%  | 2.3%  |
| 2008 | 26,502  | 1,287,442 | 2.1%                     | 12.1%  | 2.1%  |
| 2009 | 22,907  | 1,056,042 | -13.6%                   | -18.0% | 2.2%  |
| 2010 | 28,764  | 1,278,263 | 25.6%                    | 21.0%  | 2.2%  |
| 2011 | 32,332  | 1,482,508 | 12.4%                    | 15.9%  | 2.2%  |
| 2012 | 34,399  | 1,545,743 | 6.4%                     | 1.6%   | 2.2%  |
| 2013 | 34,215  | 1,579,592 | -0.7%                    | 2.2%   | 2.2%  |
| 2014 | 35,827  | 1,623,442 | 3.8%                     | 2.8%   | 2.2%  |
| 2015 | 33,827  | 1,502,572 | -4.6%                    | -7.4%  | 2.3%  |
| 2016 | 34,672  | 1,435,721 | 2.5%                     | -3.3%  | 2.4%  |

Source: Office of Trade and Industry Information (OTII), Manufacturing and Services, International Trade Administration, U.S. Department of Commerce, Trade Stats Express, April 2017

**Table 39**  
**Indiana's Leading Export Industries and Destinations**  
(Millions)

| Top Export Industries                               |              | Export Destinations |              |
|---|--------------|---------------------|--------------|
| Industry  | 2016 Exports | Country             | 2016 Exports |
| Transportation Equipment Mfg.                       | \$10,655     | Canada              | \$5,676      |
| Chemical Manufacturing                              | 8,708        | Italy               | 999          |
| Machinery Manufacturing                             | 3,807        | Mexico              | 1,400        |
| Misc. Manufacturing                                 | 2,154        | Netherlands         | 379          |
| Commodities   |              |                     |              |
| Computers and Electronics                           | 1,557        | Canada              | 469          |
| Electronics Equipment,<br>Appliances and Components | 1,340        | Canada              | 307          |
| Primary Metal Manufacturing                         | 1,164        | Canada              | 604          |
| Food Manufactures                                   | 1,143        | Canada              | 332          |
| Plastics and Rubber Products                        | 949          | Canada              | 388          |
| Fabricated Metal Products                           | 920          | Canada              | 338          |
| Other Exports                                       | <u>2,277</u> | Other*              | <u>1,139</u> |
| Total   | \$34,672     |                     | \$12,031     |

\*Combined amount from top destination of other NAICS 3 digit sectors with one hundred million or more in exports.

Sources: Office of Trade and Industry Information (OTII), Manufacturing and Services, International Trade Administration, U.S. Department of Commerce, Trade Stats Express, April 2017.

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## LITIGATION

The following litigation liability survey is a summary of certain significant litigation and claims currently pending against the State of Indiana (“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.

### Civil Rights Litigation

In 1968, in *United States of America, et al. v. Board of School Commissioners, et al.*, a lawsuit seeking to desegregate the Indianapolis Public Schools was filed in the United States District Court for the Southern District of Indiana. Since about 1978, the State has paid several million dollars per year for inter-district busing that is expected to continue through 2016. The District Court entered its final judgment in 1981 holding the State responsible for most of the costs of its desegregation plan, and those costs have been part of the State’s budget since then. In June 1998, the parties negotiated an 18-year phase out of the desegregation plan that was approved by the court for some school corporations and a 13-year phase out of the desegregation plan for the school corporations that had already begun the desegregation plan. State expenditures will be gradually reduced as the plan is phased out. On June 28, 2017, the Department of Justice and parties’ counsel sent a joint notice to the Court regarding termination of the litigation. Per the Court’s June 30, 2017 Entry by Chief Judge Magnus-Stinson, consistent with the express language of the 1998 Agreement and the parties’ consensus, the case is dismissed and all injunctions dissolved.

### Government Litigation

In March 2013, an individual brought a putative class action in *Raab v. Waddell and Indiana Bureau of Motor Vehicles* in Marion County. This litigation alleges, on behalf of persons under the age of 75 who have paid a fee to obtain or renew their drivers’ licenses since March 7, 2007, that amounts were charged that were not authorized by Indiana law. A settlement has been reached that provides for credits, in a total amount of about \$30 million, to be paid to class members and their attorneys. In November 2013, the court’s order and judgment approving settlement was entered. For a period of 3 years after the court’s final approval of the settlement, any refunds that have not been paid as advance payments will be available to class members as outlined. The settlement agreement was amended to remove the obligation to promulgate rules regarding certain fees. Payments are to be made under the agreement until December 2017. As of June 20, 2016, \$5.1 million remained to be refunded which has been accrued as an expense and payable in the government-wide financial statements. A motion to amend the class action settlement agreement was filed on December 1, 2016. Plaintiffs received an extension to respond by January 16, 2017. On February 24, 2017, class counsel indicated they were willing to amend the settlement agreement so that settlement checks need not be issued to class members on March 1, 2017. The OAG worked with counsel to confirm a modified settlement, which included a transfer of refunds to Unclaimed Property for handling. Settlement was approved on June 9, 2017, for \$6,955,000.00 to be paid from agency funds. This settlement also applies to the second *Raab v. Waddell and Indiana Bureau of Motor Vehicles* lawsuit (see below).

In October 2013, an individual brought a putative class action in *Raab v. Waddell and Indiana Bureau of Motor Vehicles* in Marion County alleging overcharges and the alleged overcharges sought could exceed \$10 million. This case is being handled by outside counsel. The State has filed a motion for partial summary judgment. The hearing on the motion for partial summary judgment was held on June 30, 2014. The matter is under advisement. Partial dispositive motion has been filed and is under advisement. Mediation held in March 2015. Parties still in discovery and Court conducting in camera review of documents. Motion for Summary Judgment denied in June 2015. The motion to certify for interlocutory appeal filed in July 2015 was denied. Class was certified by trial court. All deadlines continued while parties negotiate notice to the class. Bench trial held on September 28, 2016. In the event of a judgment against the BMV, the agency will seek appropriate appellate relief and believes any judgment of damages to the class will be overturned; thus, the loss contingency range for this matter is \$0 to \$100 million. Outside counsel and class counsel continue to negotiate resolution of this lawsuit. Settlement was approved on June 9, 2017, for \$6,955,000.00 to be paid from agency funds. On June 19, 2017, the court issued an Order and Final Judgment Approving Settlement.

In October 2014, in *Camm, David v. Faith, et al.*, in U.S. District Court, Plaintiff brought action for alleged false arrest and malicious prosecution against individuals at the Indiana State Police, as well as various other Defendants. The demand against all Defendants is \$30 Million, without separation as to State Defendants. A motion to vacate all upcoming deadlines was filed and granted- no current deadlines set. Parties in discovery. A settlement conference set for August 12, 2016. State Defendants did not settle their claims. Floyd County settled and was dismissed on December 14, 2016. Dispositive Motion filed May 23, 2017. Trial reset for October 2017.

In February 2017, *Philip Morris USA v. Indiana Dept. of Revenue (IDR)* in Indiana Tax Court, Plaintiff seeks refunds of \$10,458,888 and \$11,846,420 for 2011 and 2013 alleges it should qualify for an “alternate apportionment” method for calculating its tax liability. Plaintiff also argues that Indiana’s single sales factor apportionment violates the Due Process Clause and the Commerce Clause of the U.S. Constitution. Written discovery has just commenced, Plaintiff offered to drop its 2011 and 2013 refund claims and not seek refunds for 2012, 2014, and 2015 in exchange for alternative apportionment in 2016 through 2025. IDR rejected Plaintiff’s settlement offer without making a counteroffer. On June 30, 2017, the parties filed a Motion to Extend Case Management Plan deadline by 60 days.

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APPENDIX B

**INDIANA DEPARTMENT OF TRANSPORTATION  
Historical and Projected Funding Resources and Requirements  
(in millions)**

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**INDIANA DEPARTMENT OF TRANSPORTATION**  
**Historical and Projected Funding Resources and Requirements (in millions)**

|  | FY 2000           | FY 2001           | FY 2002           | FY 2003           | FY 2004           | FY 2005           | FY 2006           | FY 2007           | FY 2008           | FY 2009           | FY 2010           | FY 2011           | FY 2012           | FY 2013           | FY 2014           | FY 2015           | FY 2016           | FY 2017           | FY 2018           | FY 2019           |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| RESOURCES (1)  | actual            | actual            | actual            | actual            | actual            | actual            | actual            | actual            | actual            | actual            | actual            | actual            | actual            | actual            | actual            | actual            | actual            | actual            | projected         | projected         |
| State Highway Fund (2)   | \$ 587.9          | \$ 568.6          | \$ 525.8          | \$ 615.9          | \$ 609.5          | \$ 631.9          | \$ 591.9          | \$ 578.0          | \$ 549.2          | \$ 507.8          | \$ 487.3          | \$ 503.8          | \$ 500.5          | \$ 503.8          | \$ 602.8          | \$ 614.6          | \$ 637.0          | \$ 628.4          | \$ 919.6          | \$ 1,032.1        |
| SHF balance  |                   |                   |                   |                   |                   |                   | \$ -              | \$ -              | \$ -              | \$ -              |                   |                   |                   |                   |                   | \$ 48.4           | \$ 6.2            | \$ 146.9          | \$ 267.2          | \$ 6.8            |
| Highway Federal Aid:   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Regular (3)  | \$ 412.9          | \$ 465.3          | \$ 461.1          | \$ 430.1          | \$ 463.5          | \$ 430.1          | \$ 634.0          | \$ 582.6          | \$ 611.5          | \$ 643.5          | \$ 708.0          | \$ 898.7          | \$ 914.9          | \$ 941.3          | \$ 854.0          | \$ 770.3          | \$ 849.4          | \$ 1,275.0        | \$ 828.2          | \$ 799.3          |
| Project Specific (3)   | \$ 4.5            | \$ 26.8           | \$ 20.0           | \$ 23.0           | \$ 20.0           | \$ 37.7           | \$ 40.0           | \$ 40.4           | \$ 40.8           | \$ 33.0           | \$ 9.3            | \$ 50.0           | \$ 11.6           | \$ 19.8           | \$ 10.0           | \$ 2.9            | \$ -              | \$ -              | \$ 0.9            | \$ 0.2            |
| SHRCI Fund (2)   | \$ 50.7           | \$ 52.5           | \$ 51.7           | \$ 59.5           | \$ 93.9           | \$ 115.1          | \$ 89.5           | \$ 69.7           | \$ 61.5           | \$ 60.0           | \$ 60.2           | \$ 60.4           | \$ 59.5           | \$ 58.9           | \$ 58.7           | \$ 60.3           | \$ 62.2           | \$ 63.1           | \$ 64.2           | \$ 57.3           |
| CR 2000 Fund (2)   | \$ 35.3           | \$ 50.7           | \$ 47.0           | \$ 61.4           | \$ 60.2           | \$ 45.3           | \$ 48.4           | \$ 36.8           | \$ 36.4           | \$ 34.5           | \$ 34.8           | \$ 33.4           | \$ 37.1           | \$ 38.4           | \$ 33.4           | \$ 36.7           | \$ 37.9           | \$ 38.1           | \$ 36.7           | \$ 37.7           |
| Major Moves  | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ 340.6          | \$ 346.9          | \$ 657.2          | \$ 488.1          | \$ 631.6          | \$ 447.0          | \$ 296.6          | \$ 0.2            | \$ 0.9            | \$ 83.0           | \$ 7.7            | \$ 46.1           | \$ 11.0           |
| ARRA   |                   |                   |                   |                   |                   |                   |                   |                   |                   | \$ 226.5          | \$ 214.5          | \$ 24.5           | \$ -              |                   |                   |                   |                   |                   |                   |                   |
| Major Moves 2020   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   | \$ 13.1           | \$ 196.2          | \$ 160.2          | \$ 146.7          | \$ -              | \$ -              |
| Bond Proceeds  | \$ 102.2          | \$ 129.8          | \$ 133.5          | \$ 249.0          | \$ 248.1          | \$ 82.0           | \$ 8.9            | \$ 2.2            | \$ -              | \$ -              | \$ -              | \$ 11.1           | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              |
| <b>Total Resources (4)</b>   | <b>\$ 1,193.5</b> | <b>\$ 1,293.7</b> | <b>\$ 1,239.1</b> | <b>\$ 1,438.9</b> | <b>\$ 1,495.2</b> | <b>\$ 1,342.1</b> | <b>\$ 1,412.7</b> | <b>\$ 1,650.3</b> | <b>\$ 1,646.3</b> | <b>\$ 2,162.5</b> | <b>\$ 2,002.2</b> | <b>\$ 2,213.5</b> | <b>\$ 1,970.6</b> | <b>\$ 1,858.8</b> | <b>\$ 1,572.1</b> | <b>\$ 1,730.3</b> | <b>\$ 1,835.9</b> | <b>\$ 2,305.9</b> | <b>\$ 2,162.9</b> | <b>\$ 1,944.4</b> |
| <b>REQUIREMENTS (5)</b>  |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Non-Construction Uses:   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Operating Expenses   | \$ 203.6          | \$ 216.7          | \$ 221.4          | \$ 236.0          | \$ 249.2          | \$ 247.8          | \$ 237.3          | \$ 284.4          | \$ 304.2          | \$ 300.1          | \$ 282.5          | \$ 288.8          | \$ 286.8          | \$ 289.6          | \$ 288.7          | \$ 290.0          | \$ 299.8          | \$ 303.7          | \$ 307.7          | \$ 314.6          |
| Program Support  | \$ 36.4           | \$ 44.1           | \$ 46.7           | \$ 44.5           | \$ 47.6           | \$ 42.0           | \$ 36.9           | \$ 54.4           | \$ 49.4           | \$ 25.0           | \$ 27.5           | \$ 31.7           | \$ 39.3           | \$ 47.9           | \$ 41.2           | \$ 51.2           | \$ 50.2           | \$ 69.3           | \$ 77.0           | \$ 83.5           |
| Maintenance Work Program   | \$ 61.8           | \$ 63.4           | \$ 60.8           | \$ 72.1           | \$ 69.9           | \$ 65.5           | \$ 68.4           | \$ 70.6           | \$ 75.1           | \$ 77.7           | \$ 67.5           | \$ 68.1           | \$ 62.4           | \$ 66.5           | \$ 77.5           | \$ 78.2           | \$ 79.0           | \$ 80.5           | \$ 80.7           | \$ 82.0           |
| Right-of-Way   | \$ 51.4           | \$ 48.8           | \$ 51.6           | \$ 51.8           | \$ 65.6           | \$ 46.3           | \$ 54.8           | \$ 85.1           | \$ 82.6           | \$ 137.9          | \$ 114.4          | \$ 138.4          | \$ 131.1          | \$ 107.7          | \$ 102.0          | \$ 66.9           | \$ 32.5           | \$ 38.3           | \$ 96.4           | \$ 78.0           |
| Consulting Expenses  | \$ 70.1           | \$ 56.2           | \$ 58.7           | \$ 59.5           | \$ 102.5          | \$ 74.0           | \$ 59.5           | \$ 141.0          | \$ 191.4          | \$ 94.6           | \$ 109.2          | \$ 96.1           | \$ 102.9          | \$ 99.3           | \$ 144.8          | \$ 127.1          | \$ 135.6          | \$ 179.7          | \$ 176.6          | \$ 143.2          |
| Road Leases  | \$ 33.6           | \$ 40.1           | \$ 45.6           | \$ 55.0           | \$ 63.1           | \$ 74.7           | \$ 90.8           | \$ 104.7          | \$ 107.0          | \$ 104.3          | \$ 107.7          | \$ 100.4          | \$ 101.1          | \$ 108.8          | \$ 102.3          | \$ 105.8          | \$ 101.0          | \$ 93.7           | \$ 102.9          | \$ 95.1           |
| <b>Total non-construction uses</b>   | <b>\$ 456.9</b>   | <b>\$ 469.3</b>   | <b>\$ 484.8</b>   | <b>\$ 518.9</b>   | <b>\$ 597.9</b>   | <b>\$ 550.3</b>   | <b>\$ 547.7</b>   | <b>\$ 740.2</b>   | <b>\$ 809.7</b>   | <b>\$ 739.5</b>   | <b>\$ 708.8</b>   | <b>\$ 723.5</b>   | <b>\$ 723.5</b>   | <b>\$ 719.8</b>   | <b>\$ 756.4</b>   | <b>\$ 719.2</b>   | <b>\$ 698.1</b>   | <b>\$ 765.2</b>   | <b>\$ 841.3</b>   | <b>\$ 796.4</b>   |
| Construction Uses  | \$ 681.1          | \$ 796.9          | \$ 647.0          | \$ 754.5          | \$ 775.4          | \$ 686.2          | \$ 788.4          | \$ 946.6          | \$ 842.0          | \$ 1,379.0        | \$ 1,085.2        | \$ 1,490.0        | \$ 1,030.4        | \$ 1,134.0        | \$ 751.3          | \$ 1,011.1        | \$ 988.8          | \$ 1,176.7        | \$ 1,321.6        | \$ 1,148.0        |
| <b>Total Requirements (4)</b>  | <b>\$ 1,138.0</b> | <b>\$ 1,266.2</b> | <b>\$ 1,131.8</b> | <b>\$ 1,273.4</b> | <b>\$ 1,373.3</b> | <b>\$ 1,236.5</b> | <b>\$ 1,336.1</b> | <b>\$ 1,686.8</b> | <b>\$ 1,651.7</b> | <b>\$ 2,118.5</b> | <b>\$ 1,794.0</b> | <b>\$ 2,213.5</b> | <b>\$ 1,753.9</b> | <b>\$ 1,853.8</b> | <b>\$ 1,507.7</b> | <b>\$ 1,730.3</b> | <b>\$ 1,686.9</b> | <b>\$ 1,941.9</b> | <b>\$ 2,162.9</b> | <b>\$ 1,944.4</b> |
| Operating Balance to be reverted (6)<br>reverted funds due to timing of construction<br>lettings and addition funds to INDOT in 2017 | \$ 55.5           | \$ 27.5           | \$ 107.3          | \$ 165.5          | \$ 121.9          | \$ 105.6          | \$ 76.6           | \$ (36.5)         | \$ (5.4)          | \$ 44.0           | \$ 208.2          | \$ -              | \$ 216.7          | \$ 5.0            | \$ 64.4           | \$ -              | \$ 149.0          | \$ 364.0          | \$ -              | \$ -              |

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## APPENDIX C

### **BOOK-ENTRY-ONLY SYSTEM**

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2017A Bonds. The 2017A 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 2017A Bond certificate will be issued for each maturity of the 2017A 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of 2017A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2017A Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2017A 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 2017A 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 2017A Bonds, except in the event that use of the book-entry system for the 2017A Bonds is discontinued.

To facilitate subsequent transfers, all 2017A 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 2017A 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 2017A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2017A 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 2017A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2017A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of the 2017A Bonds may wish to ascertain that the nominee holding the 2017A 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 Bond Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2017A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2017A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 2017A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the 2017A 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 Authority or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Authority, the Paying Agent or any other Fiduciary, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption, payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2017A Bonds at any time by giving reasonable notice to the Authority or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, 2017A Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2017A Bond certificates will be printed and delivered to DTC.

For every transfer and exchange of the 2017A Bonds, the Authority, the Bond Registrar, DTC and the DTC Participants will charge the Beneficial Owner a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Neither the Authority nor any Fiduciary will have any responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the 2017A Bonds, (ii) the delivery to any DTC Participant or any other person, other than a registered owner, of any notice with respect to the 2017A Bonds under the Indenture, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a registered owner, of any amount with respect to principal of or interest on the 2017A Bonds.

THE INFORMATION IN THIS APPENDIX C "BOOK-ENTRY-ONLY SYSTEM" HAS BEEN FURNISHED BY DTC. NO REPRESENTATION IS MADE BY THE AUTHORITY, ANY FIDUCIARY OR ANY UNDERWRITER AS TO THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF. NO ATTEMPT HAS BEEN MADE BY THE AUTHORITY, ANY FIDUCIARY OR ANY UNDERWRITER TO DETERMINE WHETHER DTC IS OR WILL BE FINANCIALLY OR OTHERWISE CAPABLE OF FULFILLING ITS OBLIGATIONS, AND NEITHER THE AUTHORITY, ANY FIDUCIARY NOR ANY UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR THE PERSONS FOR WHICH THEY ACT AS NOMINEES WITH RESPECT TO THE 2017A BONDS UNDER THE INDENTURE, OR FOR ANY PRINCIPAL, INTEREST OR REDEMPTION PAYMENT THEREON.

## APPENDIX D

### SUMMARY OF CERTAIN PROVISIONS OF INDENTURE

*The following is a summary of certain provisions contained in the Indenture. This summary does not purport to be a comprehensive description and is qualified in its entirety by reference to the Indenture. Definitions of certain capitalized terms used in this APPENDIX D, except as otherwise defined in this Official Statement, are set forth in APPENDIX F hereof.*

#### **Creation of Funds and Accounts**

The Indenture establishes the following funds and accounts to be held by the Trustee (certain funds and accounts will contain separate accounts specifically for the proceeds of the 2017A Bonds):

- (i) Construction Fund — comprised of the following:
  - (a) Interest Account, including a separate Project Subaccount for each Project;
  - (b) Construction Account, including a separate Project Subaccount for each Project;
  - (c) Credit Repayment Account; and
  - (d) Clearing Account;
- (ii) Revenue Fund;
- (iii) Debt Service Fund;
- (iv) Expense Fund;
- (v) Debt Service Reserve Fund;
- (vi) General Fund; and
- (vii) Rebate Fund.

#### **Deposit of Net 2017A Bond Proceeds, Revenues and Other Receipts**

Under the Indenture, the Trustee will deposit the proceeds, after payment of Underwriters' discount, from the sale of the 2017A Bonds, as follows:

- (i) To the 2017A Refunding Account created under the Indenture to refund the 2017 Notes; and
- (ii) To the Series 2017A Account of the Expense Fund, for the purpose of paying expenses required to be paid by the Authority pursuant to the Indenture, the Master Lease Agreements or otherwise, which expenses are incurred, directly or indirectly, in connection with the maintenance of any insurance on any Projects or any portions thereof, the payment of any fees, expenses or other amounts to any Fiduciary, or the payment of any costs of issuance, including specifically the costs of issuing the 2017 Notes and 2017A Bonds.

The Trustee will deposit all Gross Revenues promptly upon receipt into the Revenue Fund under the Indenture and will thereupon transfer amounts therein to the following Funds in the following order of priority:

(i) To the Debt Service Fund, the amount, if any, required so that the balance in such Fund will equal the Accrued Aggregate Debt Service which will accrue through the end of the first day of the month succeeding that in which such transfer was made;

(ii) To the Expense Fund, such amounts, if any, as the Authority has estimated are needed, after considering the amounts on deposit in the Expense Fund, to provide for the payment of expenses required to be paid by the Authority pursuant to the Indenture, the Master Lease Agreements or otherwise through the end of the month commencing on the first day of the month succeeding that in which such transfer was made, which expenses are incurred, directly or indirectly, in connection with the maintenance of any insurance on any Projects or any portions thereof, the payment of any fees, expenses or other amounts to any Fiduciary, or the payment of any fees, expenses, Reimbursement Obligations or other amounts to any provider of any Credit Facility or Reserve Fund Credit Facility;

(iii) To the Debt Service Reserve Fund, the amount, if any, required for such Fund, after giving effect to any Reserve Fund Credit Facility deposited in such Fund, to equal the Debt Service Reserve Requirement; and

(iv) To the General Fund, such amounts, if any, remaining in the Revenue Fund after making all of the required transfers therefrom.

### **Expense Fund**

Upon delivery to the Trustee of written instructions executed by an Authorized Officer, amounts in the Expense Fund under the Indenture will be applied by or on behalf of the Authority to the payment of expenses required to be paid by the Authority pursuant to the Indenture, the Master Lease Agreements, any Reimbursement Agreement or otherwise, which expenses are incurred, directly or indirectly, in connection with the maintenance of any insurance on any Projects or any portions thereof, the payment of any fees, expenses or other amounts to any Fiduciary, or the payment of any fees, expenses, Reimbursement Obligations or other amounts to any provider of any Credit Facility or Reserve Fund Credit Facility.

### **Debt Service Fund**

Out of the Debt Service Fund, the Trustee will disburse to the Paying Agent (i) on or before the business day preceding each Interest Payment Date, the amount of interest payable on such date; (ii) on or before the business day preceding each Principal Installment due date, the amount of the Principal Installment payable on such due date; and (iii) on or before any redemption date for the Bonds, the amount required for the payment of the redemption price, plus interest accrued and unpaid to the redemption date. Such amounts will, in turn, be applied by the Paying Agent on and after the due dates thereof to pay principal and interest on the Bonds. The Trustee will also pay out of the Debt Service Fund the accrued interest included in the purchase price of Bonds purchased for retirement.

Amounts accumulated in the Debt Service Fund with respect to a sinking fund installment (together with amounts accumulated therein with respect to interest on the Bonds for which such sinking fund installment was established) may, and if so directed by the Authority will, be applied by the Trustee, on or prior to the fortieth day preceding the due date of such sinking fund installment, to (i) the purchase of Bonds of the series, maturity and interest rate within each maturity for which such sinking fund installment was established or (ii) the redemption at the applicable sinking fund redemption price of such Bonds, if then redeemable by their terms. All purchases of Bonds pursuant to these provisions will be made by the Trustee, at the direction of an Authorized Officer, at prices not exceeding the applicable sinking fund redemption price of such Bonds plus accrued interest. The applicable sinking fund redemption price (or principal amount of maturing Bonds) of, plus accrued interest on, any Bonds so purchased or redeemed will be deemed to constitute part of the Debt Service Fund until such sinking fund installment date, for the purpose of calculating the amount of such Fund. As soon as practicable after the fortieth day preceding the due date of any such sinking fund installment, the Trustee will proceed to call for redemption on

such due date Bonds of the series, maturity and interest rate within each maturity for which such sinking fund installment was established (except in the case of Bonds maturing on a sinking fund installment date), in such amount as may be necessary to complete the retirement of the unsatisfied balance of such sinking fund installment after making allowances for any Bonds purchased or redeemed (other than pursuant to a mandatory sinking fund redemption applicable to such Bonds) which the Authority has directed the Trustee to apply as a credit against such sinking fund installment as provided in the Indenture. Out of the Debt Service Fund, the Trustee will pay to the Paying Agent, on or before such redemption date (or maturity date), the amount required for the redemption of the Bonds so called for redemption (or for the payment of such Bonds then maturing), and such amount will be applied by the Paying Agent to such redemption (or payment).

In the event that any Bonds are to be refunded and in accordance with the directions of an Authorized Officer and the requirements of the Indenture, the Trustee will withdraw from the Debt Service Fund all or any portion of the amounts accumulated therein with regard to debt service on the Bonds to be refunded and will deposit such amounts with itself as Trustee to be held for the payment of the principal or redemption price, if applicable, and interest on the Bonds being redeemed, and, if at the time of such withdrawal there is no deficiency in any Fund or Account under the Indenture, in such Funds or Accounts as the Authority may direct. However, such withdrawal will not be made unless (i) immediately thereafter the Bonds being refunded are deemed to have been paid pursuant to the Indenture and (ii) the amount remaining in the Debt Service Fund after such withdrawal is not less than the requirement of such Fund pursuant to the Indenture.

### **No Debt Service Reserve Fund**

Amendatory Indenture No. 1 eliminated a common Debt Service Reserve Requirement for all Bonds issued under the Indenture. Accordingly, there is no Debt Service Reserve Requirement for the 1998A Bonds, the 2004B Bonds, the 2004C Bonds, the 2007A Bonds, the 2010A Bonds, the 2016C Bonds, the 2017A Bonds or any Additional Bonds, and neither the 1998A Bonds, the 2004B Bonds, the 2004C Bonds, the 2007A Bonds, the 2010A Bonds, the 2016C Bonds, the 2017A Bonds nor any Additional Bonds will have any claim on the Debt Service Reserve Fund. Further, the Debt Service Reserve Requirement for the 1993A Bonds is equal to 100% of the maximum semi-annual Debt Service for the 1993A Bonds in the aggregate. The Surety Bond will remain on deposit in the Debt Service Reserve Fund, but will be in a related Account available only to pay principal of or interest on the 1993A Bonds. With respect to subsequent series of Bonds, the Authority may, at its option, establish in a Supplemental Indenture a Debt Service Reserve Requirement for such a series of Bonds. If established, amounts in a related Account will be available only to pay principal of and interest on the related series of Bonds.

If, on the twentieth day of any month prior to any regularly scheduled Interest Payment Date or as otherwise specified by Supplemental Indenture for a particular series of Bonds, the amount in the Debt Service Fund for such series of Bonds for which a Debt Service Reserve Requirement has been established which are entitled to the benefit of an Account in the Debt Service Reserve Fund is less than the amount required to be in such Fund, the Trustee will apply amounts from the related Account of the Debt Service Reserve Fund to the extent necessary to cure the deficiency.

At any time that the amounts in an Account of the Debt Service Reserve Fund for a series of Bonds exceed the Debt Service Reserve Requirement for such series of Bonds (after giving effect to any Reserve Fund Credit Facility deposited in such Account pursuant to the Indenture), the Trustee will (a) upon the written direction of an Authorized Officer, transfer such excess to the other Funds and Accounts under the Indenture, to the extent of any deficiencies therein and in the priority established for distribution of moneys under the Revenue Fund; or (b) in the absence of any such direction and at the discretion of the Trustee, transfer such excess to the Clearing Account of the Construction Fund or the General Fund. In the event that any series of Bonds are to be refunded and to the extent that amounts have been accumulated in the related Account of the Debt Service Reserve Fund with respect to the Bonds being refunded, the Trustee will withdraw such amounts and deposit such amounts to such Funds and Accounts as an Authorized Officer may direct.

Under the Indenture, in lieu of the required deposits to the Debt Service Reserve Fund, the Authority may cause to be deposited into an Account of the Debt Service Reserve Fund, for the benefit of the holders of the related series of Bonds, a Reserve Fund Credit Facility meeting the requirements of the Indenture and in an amount equal to the difference between the Debt Service Reserve Requirement for such series of Bonds and the sums, if any, then on

deposit in such Account of the Debt Service Reserve Fund or being deposited in such Account of the Debt Service Reserve Fund concurrently with such Reserve Fund Credit Facility. The Reserve Fund Credit Facility must be payable (upon the giving of notice as required thereunder and on a pro rata basis with any other Reserve Fund Credit Facilities on deposit in such Account of the Debt Service Reserve Fund) on any regularly scheduled Interest Payment Date on which (i) moneys will be required to be withdrawn from such Account of the Debt Service Reserve Fund and applied to the payment of a Principal Installment of or interest on any related Bonds and (ii) such withdrawal cannot be met by amounts on deposit in the Debt Service Reserve Fund that do not constitute proceeds of a Reserve Fund Credit Facility. Not less than 60 days prior to the expiration of any Reserve Fund Credit Facility held in an Account of the Debt Service Reserve Fund, the Authority will either obtain a commitment for one or more new Reserve Fund Credit Facilities to be deposited in such Account of the Debt Service Reserve Fund or will make provision for the deposit of funds into such Account of the Debt Service Reserve Fund as is necessary to provide that the amount in such Account of the Debt Service Reserve Fund at the expiration of such Reserve Fund Credit Facility equals the Debt Service Reserve Requirement for such Account.

In the event that any amount is applied from an Account of the Debt Service Reserve Fund to cure any deficiency in the related Debt Service Fund, the Authority is required under the Indenture to restore the amount in such Account of the Debt Service Reserve Fund to the Debt Service Reserve Requirement for such Account within six months from the date on which moneys were so applied to cure such deficiency. If a disbursement is made pursuant to a Reserve Fund Credit Facility under the Indenture, the Authority will be obligated, within six months from the date on which such disbursement was made, either (i) to reinstate the maximum limits of such Reserve Fund Credit Facility or (ii) to deposit into the Debt Service Reserve Fund amounts equal to the disbursement made under such Reserve Fund Credit Facility, or a combination of such alternatives, as will provide an amount in such Account of the Debt Service Reserve Fund equal to the amount of the Debt Service Reserve Requirement for such Account.

#### **General Fund**

Under the Indenture, upon delivery of written instructions executed by an Authorized Officer, the Trustee will disburse amounts in the General Fund from time to time (i) to the payment of expenses of the Authority which are related to the Projects, (ii) to any indebtedness of the Authority subordinate to the Bonds, (iii) to the payment of any refund to any person, including the Department, of any rents, rates, fees or charges received by the Authority from such person, or (iv) for any other lawful purpose of the Authority, as determined by resolution of the Authority. However, such amounts will first be used to cure any deficiencies in the Funds and Accounts created under the Indenture in the order stated in the Indenture.

#### **Rebate Fund**

Under the Indenture, the Trustee is required to pay to the Rebate Fund such amounts, if any, from such Funds and Accounts under the Indenture as are required pursuant to the memorandum on compliance with the arbitrage rebate requirements of Section 148(f) of the Code (the "Tax Compliance Memorandum") prepared and delivered pursuant to the Indenture. Amounts in the Rebate Fund, other than any excess amounts which may be authorized to be transferred to the Construction Fund or the Revenue Fund under the Indenture, will be held by the Trustee for payment to the United States government as required pursuant to the Tax Compliance Memorandum. The Trustee will make such payments or otherwise disburse amounts in the Rebate Fund at such times and in such amounts as may be required pursuant to the Tax Compliance Memorandum.

#### **Investment of Funds**

Under the Indenture, moneys held in the Revenue Fund, the Expense Fund, the Debt Service Fund, the General Fund and the Rebate Fund will be invested and reinvested by the Trustee to the fullest extent practicable in Investment Securities (as defined in APPENDIX F hereof), maturing not later than such times as will be necessary to provide moneys for payments required to be made from such Funds. Moneys held in the Debt Service Reserve Fund under the Indenture will be invested and reinvested by the Trustee to the fullest extent practicable in Investment Securities maturing not later than seven years from the date of investment of such amounts. Moneys held in the Construction Fund under the Indenture may be invested and reinvested by the Trustee in Investment Securities

maturing not later than such times as will be necessary to provide moneys when needed to provide payments from such Fund (as indicated in a written draw-down schedule provided by an Authorized Officer). The Trustee will make all such investments of moneys held by it in accordance with written instructions, whether in the form of specific investment directives or general investment policies, from an Authorized Officer or, in the absence of such written instructions, in daily funds until otherwise instructed by the Authority.

Earnings on any moneys or investments in all Funds and Accounts established under the Indenture will be retained in the respective Funds and Accounts and employed for the purposes therein provided, all subject to the provisions of the Indenture regarding the Rebate Fund.

In computing the amount in any Fund or Account created under the Indenture for any purpose provided in the Indenture, obligations purchased as an investment of moneys in such Fund or Account will be valued at the amortized cost of such obligations, determined in accordance with the Indenture.

### **Annual Budgets**

On or before the first day of October of each year while Bonds are outstanding, the Authority will prepare and file, or will cause the Department on behalf and in the name of the Authority to prepare and file, with the Trustee its proposed annual budget forecast for the ensuing two Fiscal Years which will set forth in reasonable detail (i) the estimated Gross Revenues for such Fiscal Years, (ii) the estimated expenses required to be paid by the Authority pursuant to the Indenture, the Master Lease Agreements or otherwise for such Fiscal Years, which expenses are incurred, directly or indirectly, in connection with the maintenance of any insurance on any Projects or any portions thereof, the payment of any fees, expenses or other amounts to a Fiduciary, or the payment of any fees, expenses or other amounts to any provider of any Credit Facility or Reserve Fund Credit Facility, (iii) the estimated other expenses required to be paid by the Authority pursuant to the Indenture, the Master Lease Agreements or otherwise for such Fiscal Years, which expenses are related to the Projects, (iv) the estimated Aggregate Debt Service for such Fiscal Years, and (v) the required deposits, if any, to the Debt Service Reserve Fund for such Fiscal Years. In the event the proposed annual budget forecast for any Fiscal Year forecasts a deficiency in the net revenues resulting from the funds appropriated for such Fiscal Year to the Department for the payment of the Department's obligations under the Master Lease Agreements, the Authority will cause a budget request to be made at the next session of the General Assembly to cure such deficiency.

As soon as available after the end of each legislative session of the State during an odd-numbered year, but in any event prior to the beginning of the ensuing Fiscal Year, an Authorized Officer will prepare and file with the Trustee the annual budgets adopted by the Authority for the ensuing two Fiscal Years which will set forth in reasonable detail (i) the estimated Gross Revenues for such Fiscal Years, (ii) the estimated expenses required to be paid by the Authority pursuant to the Indenture, the Master Lease Agreements or otherwise for such Fiscal Years, which expenses are incurred, directly or indirectly, in connection with the maintenance of any insurance on any Projects or any portions thereof, the payment of any fees, expenses or other amounts to any Fiduciary, or the payment of any fees, expenses or other amounts to any provider of any Credit Facility or Reserve Fund Credit Facility, (iii) the estimated other expenses required to be paid by the Authority pursuant to the Indenture, the Master Lease Agreements or otherwise for such Fiscal Years, which expenses are related to the Projects, (iv) the estimated amount of the Aggregate Debt Service for such Fiscal Years, and (v) the estimated required deposits, if any, to the Debt Service Reserve Fund for such Fiscal Years. As soon as available after the end of each legislative session of the State during an even-numbered year, but in any event prior to the beginning of the ensuing Fiscal Year, the Authority will prepare and file with the Trustee the annual budget adopted by the Authority for the ensuing Fiscal Year which will set forth those matters required by the preceding sentence for such Fiscal Year. The Authority also may at any time adopt an amended annual budget for the remainder of the then current Fiscal Year.

### **Annual Audits**

As soon as available after the end of each Fiscal Year while the Bonds are outstanding, an Authorized Officer will file with the Trustee the general purpose financial statements of the Authority for such Fiscal Year, together with the opinion on such financial statements issued by the State Board of Accounts of the State. In the event such financial statements are audited by an independent auditor, the Authority will file such financial

statements, together with the report of such auditor, with the Trustee within 90 days after the end of such Fiscal Year.

### **Operation and Maintenance of Projects**

The Authority will at all times cause the Projects to be operated in an efficient and economical manner and will at all times cause the Projects to be maintained in good repair and sound operating condition and cause to be made all necessary repairs, renewals, replacements and improvements thereto.

### **Rents, Rates, Fees and Charges**

The Authority will fix, establish and maintain rents, rates, fees and charges which are reasonably expected to yield during each Fiscal Year in which the Projects, or any portions thereof, are available for use an amount which, together with any amounts in the General Fund or other Fund or Account available therefor, is equal to at least (i) 100% of the expenses required to be paid by the Authority pursuant to the Indenture, the Master Lease Agreements or otherwise during such Fiscal Year, which expenses are incurred, directly or indirectly, in connection with the maintenance of any insurance on any Projects or any portions thereof, the payment of any fees, expenses or other amounts to any Fiduciary, or the payment of any fees, expenses, Reimbursement Obligations or other amounts to any provider of any Credit Facility or Reserve Fund Credit Facility, (ii) 100% of the other expenses required to be paid by the Authority pursuant to the Indenture, the Master Lease Agreements or otherwise during such Fiscal Year, which expenses are related to the Projects, (iii) 100% of the Aggregate Debt Service for such Fiscal Year, and (iv) 100% of the required deposits, if any, to the Debt Service Reserve Fund during such Fiscal Year. Prior to the onset of each Fiscal Year and throughout such Fiscal Year, the Authority will review the rents, rates, fees and charges so established and will promptly establish or revise such rents, rates, fees and charges as necessary to comply with the foregoing requirements, provided that such rents, rates, fees and charges will in any event produce moneys sufficient to enable the Authority to comply with all covenants under the Indenture.

To the extent permitted by law, the Authority will enforce the payment of any and all accounts owing to the Authority by reason of the operation and leasing of the Projects.

For purposes of determining the estimated Aggregate Debt Service, (i) any Variable Interest Rate Bonds will be deemed to bear interest at the Assumed Rate or the Maximum Interest Rate for such Variable Interest Rate Bonds, as specified in a Supplemental Indenture; and (ii) any series of Bonds with a maturity of three years or less from the date of the original issuance, the principal of which is anticipated to be paid from the proceeds of Refunding Bonds, will be deemed to amortize in equal annual payments of principal and interest commencing one year after the date of the original issuance and ending 20 years after such date at the Assumed Rate.

The Authority will use its best efforts to cause the General Assembly of the State to appropriate to or for the benefit of the Department moneys sufficient to enable the Authority to comply with its obligations under the Indenture. If the Department fails to request an appropriation for moneys sufficient to enable the Department to pay to the Authority when due any rents, rates, fees or charges under the Master Lease Agreements in writing at a time sufficiently in advance of the date for payment thereof so that an appropriation may be made in the normal State budgetary process, the Authority will request the General Assembly to make an appropriation to the Department in an amount sufficient to enable the Department to make such payment, and will use its best efforts to have such request approved. The Authority, through any Authorized Officer, will file with the Trustee a copy of each request for appropriation submitted by the Department or the Authority promptly after the submission thereof. If the Department fails at any time to pay to the Authority when due any rents, rates, fees or charges under the Master Lease Agreements, the Chairman of the Authority will: (i) immediately report the unpaid amount in writing to the General Assembly and Governor of the State; (ii) if the General Assembly is then in session, request the General Assembly to make an appropriation in an amount sufficient to enable the Department to pay such amount; (iii) if the General Assembly is not then in session, request the Governor to convene a meeting of the State Board of Finance to transfer funds in an amount sufficient to enable the Department to pay such amount; and (iv) use his best efforts to have such requests approved. Each Master Lease Agreement provides or will provide that the Department will use its best efforts to cause the General Assembly to appropriate moneys sufficient to enable the Authority to comply with its obligations under the Indenture.



## **Insurance and Completion of Performance**

The Authority will at all times after the completion of Construction of the Projects keep or cause to be kept the Projects insured against loss or damage by causes customarily insured against under a standard extended coverage endorsement in an amount at least equal to the lesser of (i) the amount sufficient to provide for the payment or redemption of the then outstanding Bonds, or (ii) 100% of the full replacement cost of the Projects, if, in the opinion of an Authorized Officer, such insurance is reasonably commercially available. However, such insurance may contain a reasonable loss deductible clause. The Authority will at all times, including all times prior to and after the completion of the Construction of the Projects, use its best efforts to maintain or cause to be maintained insurance or reserves against loss or damage from such hazards and risks to the person and property of others as are usually insured or reserved against by those operating properties similar to the Projects.

The Authority may enter into a program of self-insurance against the risk of loss or damage required to be insured (as described in the immediately preceding paragraph) if adequate reserves are created by the Authority as demonstrated in a report provided to the Trustee by an Independent Insurance Consultant. If the Authority enters into a program of self-insurance, the Authority agrees (i) to provide the Trustee annually within 120 days of the end of the Fiscal Year a written evaluation with respect to such self-insurance program by an Independent Insurance Consultant, which evaluation contains or is accompanied by a recommendation of an independent actuary as to the funding levels which will be adequate to protect the Authority against such claims, (ii) to maintain with an independent corporate trustee such reserves as are recommended by the Independent Insurance Consultant, (iii) to provide the Trustee a certificate of an Authorized Officer showing compliance with clause (ii) above, and (iv) to maintain a risk management and claims management program pursuant to such self-insurance program.

The Authority will maintain or cause to be maintained such performance bonds or performance insurance with respect to contracts it may enter into for Construction of the Projects as are usually maintained by those Constructing properties similar to the Projects.

The Authority may, at its option, maintain or cause to be maintained rent loss insurance to insure against loss of projected rental income payable pursuant to the Master Lease Agreements, or any other leases of the Projects or any portions thereof, for such time as use or availability for use of the Projects or any portions thereof is interrupted by damage or destruction from perils insured against under a standard extended coverage endorsement.

The Authority will also use its best efforts to maintain or cause to be maintained any additional or other insurance which it deems necessary or advisable to protect its interests and those of the Bondholders.

Any such insurance will be in the form of policies or contracts for insurance with insurers of good standing or with an insurance group or state insurance pool (whether or not in good standing) acceptable to the Trustee, and will be payable to the Trustee for the benefit of the Trustee and the Authority as their interests appear. Any such performance bonds will be in a form and with an issuer acceptable to the Trustee, and will be payable to the Trustee for the benefit of the Trustee and the Authority as their interests appear. Such insurance policies and performance bonds will provide that they may not be canceled and may not expire without 30 days' prior written notice to the Trustee.

The Authority will furnish to the Trustee a copy of each certificate of insurance and a copy of each performance bond, or renewal notice thereof, evidencing the coverage of the types required to be maintained by the Authority pursuant to the Indenture, upon the issuance or renewal of such insurance or performance bond.

If performance of any contract for Construction of any of the Projects is not completed in accordance with its terms and, in the opinion of a registered engineer selected by the Department and acceptable to the Authority, the cost of completion of such performance will not exceed the amount of proceeds from any performance bond or performance insurance to be received by reason of such noncompletion of performance and other amounts available therefor (including, but not limited to, proceeds from any series of Bonds which may be authorized and issued for such purpose), the Authority will, as expeditiously as possible, continuously and diligently complete or cause to be completed such performance. If any of the Projects or any portions thereof are damaged or destroyed and in the opinion of a registered engineer selected by the Department and acceptable to the Authority (i) the cost of such

repair, replacement or reconstruction will not exceed the amount of insurance proceeds to be received by reason of such damage or destruction and other amounts available therefor (including, but not limited to, proceeds from any series of Bonds which may be authorized and issued for such purpose), and (ii) such repair, replacement or reconstruction can be completed within the period covered by any rent loss insurance maintained or caused to be maintained by the Authority on such Project or such portion thereof or other amounts available therefor (including, but not limited to, proceeds from any series of Bonds which may be authorized and issued for such purpose), the Authority will, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted repair, reconstruction or replacement thereof. Within 120 days after the noncompletion of performance of any contract for Construction of any of the Projects or the occurrence of an event of damage or destruction to any of the Projects or any portion thereof, an Authorized Officer will deliver to the Department and the Trustee the written opinion of the engineer referred to above stating whether or not the conditions set forth above with respect thereto are satisfied. The proceeds from any performance bond or performance insurance paid on account of such noncompletion of performance and the proceeds from any insurance paid on account of such damage or destruction (other than any rent loss insurance) will be deposited with and held by the Trustee in the Construction Fund and made available for, and to the extent necessary be applied to, the costs of such completion of performance or such repair, reconstruction or replacement. Pending such application, such proceeds may be invested by the Trustee in Investment Securities which mature not later than such times as are necessary to provide moneys when needed to pay such costs. Interest earned on such investments will be deposited in the Clearing Account of the Construction Fund. Such proceeds not applied within 36 months after receipt thereof by the Authority to such completion of performance or such repair, reconstruction or replacement, or in respect of which notice in writing of intention to apply the same to such completion of performance or such repair, reconstruction or replacement has not been given to the Trustee by an Authorized Officer within such 36 months, or which an Authorized Officer at any time notifies the Trustee are not to be so applied, will be applied to remedy the deficiency in any of the Funds and Accounts established under the Indenture, and, if there exists no such deficiency or if such proceeds exceed the amount necessary to remedy such deficiency, such proceeds or the excess thereof, as the case may be, will be applied to any lawful purpose of the Authority.

In the event the Authority fails to complete or cause the completion of such performance or fails to repair, replace or reconstruct any of the Projects so damaged or destroyed, or the Authority, having commenced such completion of performance or such repair, replacement or reconstruction, abandons or fails diligently to prosecute the same, the Trustee may, in its discretion, complete such performance or make such repairs, replacements or reconstructions. However, the Trustee is not obligated to complete such performance or make such repairs, replacements or reconstructions unless it has been requested to do so by the holders of not less than 10% in aggregate principal amount of all Bonds outstanding under the Indenture and has been indemnified to its satisfaction against any loss, damage or expense which it might thereby incur.

The proceeds of rent loss insurance will be paid into the Revenue Fund.

### **Additional Bonds**

One or more series of Additional Bonds may be issued, without limitation as to amount and at any time, for the purpose of paying Construction Costs of the Projects or for the purpose of refinancing a Credit Note or other obligations of the Authority issued to pay Construction Costs of a Project to be leased in whole or in part to the Department pursuant to a Master Lease Agreement. Such Additional Bonds will be authenticated and delivered by the Bond Registrar.

### **Refunding Bonds**

One or more series of Refunding Bonds may be issued at any time under the Indenture to refund outstanding Bonds or portions of outstanding Bonds of any series or any portion of any series. Refunding Bonds will be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds and Accounts under the Indenture required by the provisions of the Supplemental Indenture authorizing such Refunding Bonds. Refunding Bonds of each series will be authenticated and delivered by the Bond Registrar only upon receipt by the Trustee, in addition to certain other documents required by the Indenture, of the following:

(i) Instructions satisfactory to the Trustee to give due notice of redemption, if applicable, of all the Bonds to be refunded on a redemption date or dates specified in such instructions, subject to the provisions of the Indenture;

(ii) If the Bonds to be refunded are not by their terms subject to redemption within the next succeeding 60 days, instructions satisfactory to the Trustee to make due publication of the notice provided for in the Indenture to the owners of the Bonds being refunded; and

(iii) Either (a) moneys in an amount sufficient to effect payment at the applicable redemption price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, which moneys will be held by the Trustee or the Paying Agent in a separate account irrevocably in trust for and assigned to the respective holders of the Bonds to be refunded, or (b) Defeasance Securities in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, and any moneys, as will be necessary to comply with the provisions of the Indenture, which Defeasance Securities and moneys will be held in trust and used only as provided therein.

The proceeds, including accrued interest, of the Refunding Bonds of each series will be applied simultaneously with the delivery of such Bonds for the purposes of making deposits in such Funds and Accounts as may be provided by the Supplemental Indenture authorizing such series of Refunding Bonds and will be applied to the refunding purposes thereof in the manner provided in such Supplemental Indenture.

#### **Extension of Payment of Bonds**

The Authority will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the funding of such Bonds or claims for interest or by any other arrangement and, in case the maturity of any of the Bonds or the time for payment of any such claims for interest is extended, such Bonds or claims for interest will not be entitled, in case of any default under the Indenture, to the benefit of the Indenture or to any payment out of moneys held and pledged under the Indenture or the moneys (except moneys held in trust for the payment of particular Bonds or claims for interest pursuant to the Indenture) held by the Fiduciaries under the Indenture, except subject to the prior payment of the principal of all Bonds outstanding under the Indenture, the maturity of which has not been extended, and of such portion of the accrued interest on the Bonds as is not represented by such extended claims for interest. Any issuance of Refunding Bonds by the Authority is not and will not be deemed to be an extension of the maturity of any other Bonds.

#### **Payment of Taxes and Charges**

The Authority will from time to time duly pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges, if any, or required payments in lieu thereof, lawfully imposed upon the Projects or upon the rights, revenues, income, receipts and other moneys, securities and funds of the Authority when the same become due (including all rights, moneys and other property transferred, assigned or pledged under the Indenture), and all lawful claims for labor and material and supplies, except those taxes, assessments, charges or claims which the Authority may in good faith contest by proper legal proceedings if the Authority has, in all such cases, set aside on its books reserves deemed adequate with respect thereto.

#### **Tax Covenants**

The Authority agrees that it will make no use of proceeds of the Bonds, or of amounts which may be treated as proceeds thereof, which could cause the Bonds to be or become "arbitrage bonds" within the meaning of Section 148 of the Code and the applicable Treasury Regulations promulgated thereunder or under Section 103(c) of the Code, or any successor provisions thereto.

The Authority covenants that it will not take any action or fail to take any action with respect to the proceeds of any Bonds or the use of the Projects or any portions thereof that would result in loss of the exclusion from gross

income of interest paid on any Bonds under the Code. The generality of the preceding sentence is limited by the other specific covenants described below.

Unless the Authority obtains an opinion of nationally recognized bond counsel to the effect that the lease of the Projects or any portions thereof to, or use of the Projects or any portions thereof by, a person (natural or otherwise) will not result in a loss of the exclusion from gross income of interest paid on any Bonds under the Code, neither the Projects nor such portions thereof will be let to, and neither the Projects nor such portions thereof will be used by, any person (natural or otherwise).

The Master Lease Agreements must provide that, unless the Authority obtains an opinion of nationally recognized bond counsel to the effect that a sublease of the Projects or any portions thereof subject to such Master Lease Agreement to, or use of the Projects or such portions thereof by, a person (natural or otherwise) will not result in a loss of the exclusion from gross income of interest paid on any Bonds under the Code, neither the Projects nor such portions thereof will be sublet to, and neither the Projects nor such portions thereof will be used by, any person (natural or otherwise).

The Authority will, not later than the first day of the second calendar month after the close of the calendar quarter in which any Bonds were issued (or such other time as may be required by the Code or regulations promulgated thereunder), file a statement with the Internal Revenue Service and the Trustee concerning the Bonds which contains that information required by Section 149 of the Code and any regulations promulgated thereunder.

### **Substitution of Projects**

Under the Indenture, the Authority is obligated to cause each Underlying Lease to include a covenant requiring substitution of Projects if in the opinion of an Authorized Officer (i) the Commencement Date for any portion of any Project will not occur until after the Funded Interest Date for such Project or (ii) the proceeds payable to the Authority from any rent loss insurance maintained or caused to be maintained by the Authority on such portion will be insufficient to cover 100% of the loss of projected rental income payable to the Authority pursuant to the Master Lease Agreement during such unavailability. The Authority also agrees that, to the extent rent loss insurance payable on a Project will be insufficient to cover the loss of projected rental income payable to the Authority due to unavailability of a Project, it will, to the fullest extent permitted by law, immediately comply with such covenant under such Underlying Lease.

### **Defaults and Remedies**

***Events of Default*** Upon the occurrence of one or more of the following events of default or any additional event of default set forth in a Supplemental Indenture:

(i) a default is made in the due and punctual payment of the principal or redemption price of any Bond when and as the same becomes due and payable, whether at maturity or by call or proceedings for redemption, or otherwise;

(ii) a default is made in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any sinking fund installment (except when such sinking fund installment is due on the maturity date of such Bond), when and as such interest installment or sinking fund installment becomes due and payable;

(iii) a default is made by the Authority in the performance or observance of certain of its covenants to seek appropriations for lease rentals for the Projects;

(iv) a default is made by the Authority in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, and such default has continued for a period of 60 days after written notice specifying and requiring the remedy of such default and stating that such notice is a "Notice of Default" under the Indenture is given to the

Authority by the Trustee or to the Authority and the Trustee by the holders of not less than 25% in principal amount of the Bonds outstanding;

(v) a court having jurisdiction in the premises enters a decree or order providing for relief in respect of the Authority in an involuntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee or sequestrator (or similar official) of the Authority for any substantial part of the property of the Authority, or ordering the winding up or liquidation of its affairs and such decree or order remains unstayed and in effect for a period of 90 days;

(vi) written notification is received by the Trustee from each issuer of each Credit Facility and Reserve Fund Credit Facility that an event of default has occurred and is continuing under any Reimbursement Agreement; or

(vii) default is made in the due and punctual payment of any Hedge Payment Obligations;

then, and in each and every such case, so long as such event of default has not been remedied, unless the principal of all the Bonds has already become due and payable, the Trustee or the holders of not less than 25% in principal amount of the Bonds then outstanding (by notice in writing to the Authority and the Trustee) may declare the principal of all the Bonds then outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and be immediately due and payable. The right of the Trustee or of the holders of not less than 25% in principal amount of the Bonds to make any such declaration, however, is subject to the condition that if, at any time after such declaration, but before the Bonds have matured by their terms, all overdue installments of interest on the Bonds, together with interest on such overdue installments of interest to the extent permitted by law and the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the Authority under the Indenture (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable solely by virtue of such declaration) have either been paid by or for the account of the Authority, as the case may be, or provisions satisfactory to the Trustee have been made for such payment, and all defaults under the Bonds or under the Indenture (other than the payment of principal and interest due and payable solely by reason of such declaration) have been made good or have been secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then and in every such case the holders of 25% in principal amount of the Bonds outstanding, by written notice to the Authority and the Trustee, may rescind such declaration and annul such default in its entirety, or, if the Trustee has acted itself, and if there has not been theretofore delivered to the Trustee written direction to the contrary by the holders of 25% in principal amount of the Bonds outstanding, then any such declaration will *ipso facto* be deemed to be rescinded and any such default will *ipso facto* be deemed to be annulled, but no such rescission or annulment will extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon. In connection with the declaration of a default under clause (vi) above, the consent of each issuer of each Credit Facility and Reserve Fund Credit Facility will not be unreasonably withheld.

Upon the occurrence of any event of default, so long as such event of default has not been remedied, and upon the demand of the Trustee, the Authority will account, as if the Authority were the trustee of an express trust, for all Gross Revenues and other moneys, securities and funds pledged or held under the Indenture for the period stated in the Trustee's demand.

***Application of Revenues and Other Moneys After Default.*** During the continuance of an event of default, the Trustee will (i) request that the Authority immediately release to the Trustee all Gross Revenues then held by the Authority and (ii) apply the Trust Estate held by it pursuant to the provisions of the Indenture (except for the moneys, securities and funds held in the Rebate Fund which will continue to be used for the purpose therein) or received by it pursuant to any right given or action taken under the provisions of the Indenture as follows and in the following order:

(i) Expenses of Fiduciaries — to the payment of the reasonable and proper charges, expenses and liabilities of the Fiduciaries under the Indenture;

(ii) Principal or Redemption Price, Interest and Parity Hedge Payment Obligations — to the payment of the interest and principal or redemption price then due on the Bonds or Parity Hedge Payment Obligations, as follows:

(A) unless the principal of all of the Bonds has become or has been declared due and payable,

FIRST: Interest and Parity Hedge Payment Obligations — to the payment to the persons entitled thereto of all installments of interest and Parity Hedge Payment Obligations then due in the order of the maturity thereof, together with accrued and unpaid interest on the Bonds theretofore called for redemption, and, if the amount available is not sufficient to pay in full any payments due on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

SECOND: Principal or Redemption Price — to the payment to the persons entitled thereto of the unpaid principal or redemption price of any Bonds which have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available is not sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or redemption price due on such date, to the persons entitled thereto, without any discrimination or preference;

(B) if the principal of all of the Bonds has become or has been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds and the Parity Hedge Payment Obligations without preference or priority, ratably, according to the amounts due to the persons entitled thereto without any discrimination or preference;

(iii) Reimbursement Obligations — to the payment, on a pro rata basis, of all Reimbursement Obligations then due to the issuer of any Credit Facility under any Reimbursement Agreement and, thereafter, to the payment, ratably, according to the amounts due on all Subordinated Hedge Payment Obligations then due to the Hedge Provider and all Reimbursement Obligations then due to the issuer of any Reserve Fund Credit Facility under any Reimbursement Agreement; and

(iv) Subordinated Indebtedness — to the payment of principal, redemption price and interest then due on subordinated indebtedness of the Authority.

If and whenever all overdue installments of interest on all Bonds, together with the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums payable by the Authority under the Indenture, including the principal and redemption price of and accrued unpaid interest on all Bonds which are then payable and all Reimbursement Obligations owed to the issuer of any Credit Facility or Reserve Fund Credit Facility under any Reimbursement Agreement, have either been paid by or for the account of the Authority, as the case may be, or provision satisfactory to the Trustee has been made for such payment, and all defaults under the Indenture or the Bonds have been made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, the Trustee will pay over to the Authority all moneys, securities and funds then remaining unexpended in the hands of the Trustee (except moneys, securities and funds deposited or pledged, or required by the terms of the Indenture to be deposited or pledged, with the Trustee), and thereupon the Authority and the Trustee will be restored, respectively, to their former positions and rights under the Indenture. No such payment over to the Authority by the Trustee and no such restoration of the Authority and the Trustee to their former positions and rights will extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

***Proceeding by Trustee.*** Upon the occurrence of an event of default, then and in every such case, so long as such event of default has not been remedied, the Trustee, by its agents and attorneys, may proceed, and upon written

request of the holders of not less than 25% in principal amount of the Bonds outstanding, will proceed, to protect and enforce its rights and the rights of the holders of the Bonds under the Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant therein contained, or in aid of the execution of any power therein granted or any remedy granted under the Act, or for an accounting against the Authority as if it were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, deems to be the most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

All rights of action under the Indenture may be enforced by the Trustee without the possession of any of the Bonds or the production thereof on the trial or other proceedings, and the Trustee will bring any such suit or proceedings in its name.

The holders of not less than a majority in principal amount of the Bonds at the time outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee. However, the Trustee will have the right to decline to follow any such direction if (i) the Trustee is advised by counsel that the action or proceeding so directed may not lawfully be taken, (ii) the Trustee in good faith determines that the action or proceeding so directed would involve the Trustee in personal liability, unless such holders agree to indemnify the Trustee against such liability and post bond in respect of such indemnity, or (iii) the Trustee in good faith determines that the action or proceeding so directed would be unjustly prejudicial to the Bondholders not parties to such direction.

Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Indenture, the Trustee will be entitled to exercise any and all rights and powers conferred in the Indenture and provided to be exercised by the Trustee upon the occurrence of any event of default.

Regardless of the happening of an event of default, the Trustee will have power to, but unless requested in writing by the holders of 25% in principal amount of the Bonds then outstanding, and furnished with reasonable security and indemnity, will be under no obligation to, institute and maintain such suits and proceedings as it may be advised are necessary or expedient to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture, and such suits and proceedings as the Trustee may be advised are necessary or expedient to preserve or protect its interest and the interests of the Bondholders.

***Rights and Remedies of Holders of Bonds.*** No holder of any Bond will have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture, unless such holder has previously given to the Trustee written notice of the happening of any event of default, and the holders of at least 25% in principal amount of the Bonds then outstanding have filed a written request with the Trustee, and have offered it reasonable opportunity, either to exercise the powers granted in the Indenture or by the Act or to institute such action, suit or proceeding in its own name, and unless such holders have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee has refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity. No one or more holders of Bonds will have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture, except in the manner therein provided. All proceedings at law or in equity to enforce any provision of the Indenture must be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all holders of the outstanding Bonds, subject only to the provisions respecting extension of payment of Bonds.

The Trustee will promptly mail written notice of the occurrence of any event of default to each registered owner of Bonds then outstanding at his address, if any, appearing on the registration books of the Authority.

***Waiver of Events of Default.*** Prior to the declaration of maturity of the Bonds as provided in the Indenture, the holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding, or their attorneys-in-fact duly authorized, may on behalf of the holders of all of the Bonds waive any past default under the Indenture and its consequences, except a default in the payment of interest on or principal of or premium (if any) on

any of the Bonds. No such waiver will extend to any subsequent or other default or impair any right consequent thereon.

### **Supplemental Indentures and Amendments**

The Authority may, without the consent of the Trustee or any of the owners of Bonds, enter into any Supplemental Indenture, effective upon certification by an Authorized Officer and filing with the Trustee, for any one or more of the following purposes:

(i) To close the Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Indenture on, the authentication and delivery of Bonds or the issuance of other evidence of indebtedness;

(ii) To add other covenants, agreements, limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Indenture;

(iii) To add additional events of default under the Indenture;

(iv) To authorize a series of Bonds in accordance with the Indenture;

(v) With the prior written opinion of nationally recognized bond counsel to the effect that to do so will not affect the excludability of interest on any Bonds from gross income under the Code, to authorize, in accordance with the Indenture and in compliance with all applicable law, Bonds of each series to be issued in the form of coupon Bonds registrable as to principal only;

(vi) To authorize, in compliance with all applicable law, Bonds of each series to be issued in the form of Bonds issued and held in book-entry form on the books of the Authority or any Fiduciary appointed for that purpose by the Authority;

(vii) To authorize subordinated indebtedness of the Authority in accordance with the Indenture;

(viii) To confirm, as further assurance, any security interest, pledge or assignment under the Indenture of the Trust Estate or of any other moneys, securities, funds or other rights, or to add to any security interest, pledge or assignment created or to be created by the Indenture any moneys, securities, funds or other rights;

(ix) To modify any of the provisions of the Indenture in any other respect whatever; provided that (a) such modification must be, and be expressed to be, effective only after all Bonds of each series outstanding at the date of the adoption of such Supplemental Indenture cease to be outstanding, and (b) such Supplemental Indenture must be specifically referred to in the text of all Bonds of any series authenticated and delivered after the date of the adoption of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof;

(x) To appoint or remove the Trustee;

(xi) To modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar Federal statute or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America;

(xii) To modify, amend or supplement the Indenture or any Supplemental Indenture to permit the issuance of Bonds and subordinated indebtedness in the form of debt instruments not then



contemplated by the Indenture, including but not limited to debt instruments bearing interest subject to Federal income taxation under the Code;

(xiii) To modify, amend or supplement the Indenture to the extent necessary to enable the Authority to comply with its tax covenants under the Indenture;

(xiv) To make any other modification or amendment of the Indenture which the Authority determines in good faith will not have a material adverse effect on the interests of the Bondholders;

(xv) To make any modification or amendment to the provisions of the Indenture with respect to any Variable Interest Rate Bonds and Put Bonds, provided that such modification or amendment does not adversely affect the then current ratings assigned to the outstanding Bonds; or

(xvi) To authorize the execution and delivery of a Hedge Agreement and to make any modification or amendment to the provisions of the Indenture with respect to such Hedge Agreement; provided that such modification or amendment does not adversely affect the then current Authority Rating by any Nationally Recognized Rating Agency.

In addition, the Authority may, with the consent of the Trustee but without the consent of any of the owners of Bonds, enter into any Supplemental Indenture, effective upon certification by an Authorized Officer and filing with the Trustee, for any one or more of the following purposes:

(i) To cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision in the Indenture;

(ii) To insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture as theretofore in effect; or

(iii) To grant any additional rights to any provider of any Credit Facility or Reserve Fund Credit Facility.

The Trustee will not consent to any Supplemental Indenture that would materially adversely affect the interests of the Bondholders.

Any other modification or amendment of the Indenture and of the rights and obligations of the Authority (including, without limitation, any modification or amendment of the Authority's tax covenants under the Indenture), and of the holders of the Bonds thereunder, in any particular, may be made in accordance with the notice and other requirements of the Indenture by a Supplemental Indenture, with the written consent given as provided in the Indenture (i) of the holders of not less than a majority in principal amount of the Bonds outstanding at the time such consent is given, (ii) in case less than all of the several series of Bonds then outstanding are affected by the modification or amendment, of the holders of not less than a majority in principal amount of the Bonds of each series so affected and outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any sinking fund installment, of the holders of not less than a majority in principal amount of the Bonds of the particular series and maturity entitled to such sinking fund installment and outstanding at the time such consent is given. Bonds owned or held by or for the account of the Authority under the Funds and Accounts of the Indenture will not be deemed outstanding for purposes of calculating consent or other action by owners of outstanding Bonds. No such modification or amendment will permit a change in the terms of redemption or maturity of the principal of any outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the redemption price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment or change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. No modification will be deemed effective to change any right or obligation of any Fiduciary under the Indenture without the written consent of such Fiduciary. A series of Bonds will be deemed to be affected by a modification or amendment of the Indenture if such modification or amendment

adversely affects or diminishes the rights of the holders of Bonds of such series. The Trustee has the authority to determine conclusively whether any particular series or maturity of Bonds would be adversely affected by any such modification or amendment.

### **Defeasance**

If the Authority pays or causes to be paid, or there has otherwise been paid, to the holders of all Bonds the principal or redemption price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated in the Bonds and in the Indenture, and pays or causes to be paid to the Fiduciaries all reasonable and proper charges, expenses and liabilities of the Fiduciaries, and pays or causes to be paid to the Hedge Provider all Hedge Payment Obligations, and pays or causes to be paid all Reimbursement Obligations owed to the issuer of any Credit Facility or Reserve Fund Credit Facility pursuant to any Reimbursement Agreement and returns or causes to be returned any Credit Facility or Reserve Fund Credit Facility to such issuer for cancellation, then the pledge of the Trust Estate, and all covenants, agreements and other obligations of the Authority to the Bondholders will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee will cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and, upon the request of the Authority, all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries will pay over or deliver to the Authority all moneys or securities held by them pursuant to the Indenture which are not required for the payment of any Hedge Payment Obligations or charges, expenses and liabilities of the Fiduciaries or Reimbursement Obligations or principal or redemption price, if applicable, and interest due or to become due on the Bonds not theretofore surrendered for such payment or redemption. If the Authority pays or causes to be paid, or there has otherwise been paid, to the holders of any outstanding Bonds the principal or redemption price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated in such Bonds and in the Indenture, such Bonds will cease to be entitled to any lien, benefit or security under the Indenture, and all covenants, agreements and obligations of the Authority to the holders of such Bonds will thereupon cease, terminate and become void and be discharged and satisfied.

Bonds will be deemed to have been paid within the meaning and with the effect expressed above if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity, the Authority has given to the Trustee instructions accepted in writing by the Trustee to mail as provided in the Indenture notice of redemption of such Bonds (other than Bonds which have been purchased by the Trustee at the direction of the Authority or purchased or otherwise acquired by the Authority and delivered to the Trustee prior to the mailing of such notice of redemption) on such date, (ii) there have been deposited with the Trustee either moneys in an amount sufficient, or Defeasance Securities (including any Defeasance Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) the principal of and the interest on which when due will provide moneys which together with the moneys, if any, deposited with the Trustee at the same time, are sufficient, to pay when due the principal or redemption price, if applicable, and interest due and to become due on such Bonds on or prior to the redemption date or maturity date thereof, as the case may be, (iii) all Reimbursement Obligations owed to the issuer of any Credit Facility or Reserve Fund Credit Facility have been paid in full and any Credit Facility or Reserve Fund Credit Facility issued by any such issuer pursuant to any Reimbursement Agreement has been returned to such issuer for cancellation, and (iv) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority has given the Trustee in form satisfactory to it instructions to mail, as soon as practicable, a notice to the holders of such Bonds at their last addresses appearing upon the registration books at the close of business on the last business day of the month preceding the month for which notice is mailed that the deposit required by clause (ii) above has been made by the Trustee and that such Bonds are deemed to have been paid in accordance with the Indenture and stating such maturity or redemption date upon which moneys are expected, subject to the provisions of the Indenture, to be available for the payment of the principal or redemption price, if applicable, on such Bonds (other than Bonds which have been purchased by the Trustee at the direction of the Authority or purchased or otherwise acquired by the Authority and delivered to the Trustee prior to the mailing of the notice of redemption referred to in clause (i) above).

### **Hedge Agreements**

The Authority may enter into a Hedge Agreement in accordance with Indiana Code 8-9.5-9 (or any successor or supplemental provisions). The Authority may provide in a Supplemental Indenture that any series of Bonds (or portion thereof) with respect to which a Hedge Agreement has been entered into will be deemed to bear

interest for the period of time that such Hedge Agreement is in effect at a net rate which takes into account the payments made by the Authority on such Bonds and the payments made or received by the Authority under such Hedge Agreement. Further, amendments to the deposit of Gross Revenues, the operation of the Funds and Accounts, and the definitions of Accrued Aggregate Debt Service, Aggregate Debt Service and Debt Service are required to reflect the Hedge Payment Obligations as set forth in a Supplemental Indenture. Such Supplemental Indenture will specify the obligations of the Authority to the Hedge Provider and whether the Hedge Payment Obligations will be paid on a parity with, or be subordinated to, the payments of Debt Service on the Bonds; provided, all Hedge Termination Payments will be subordinated to the payment of Debt Service on the Bonds. The Authority will specify in a Supplemental Indenture whether for purposes of the Indenture and the Master Lease Agreement, the Hedge Payment Obligations will be treated as Debt Service on the Bonds or as additional rental or other payment due under the Master Lease Agreement. For purposes of the Indenture, the Hedge Provider will be deemed to be a Bondholder owning Bonds in a principal amount equal to the Hedge Payment Obligations and will have the same right to consent, direct action, waive defaults or other actions, or take such other action as a Bondholder under the Indenture.

The Indenture's pledge of the Trust Estate is (i) for the equal and proportionate benefit, security and protection of all Parity Hedge Payment Obligations and all Bonds issued under and secured by the Indenture, without preference, priority or distinction of any Bond over any other Bond, and (ii) on a subordinate basis thereto, for the benefit of the issuer of any Credit Facility or Reserve Fund Credit Facility and the Hedge Provider of any Subordinate Hedge Payment Obligations.

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## APPENDIX E

### **SUMMARY OF CERTAIN PROVISIONS OF UNDERLYING LEASES AND MASTER LEASE AGREEMENTS**

*The following is a summary of certain provisions contained in the Master Lease Agreements and the Underlying Leases, each as defined in APPENDIX F hereof. This summary does not purport to be a comprehensive description and is qualified in its entirety by reference to the Master Lease Agreements and the Underlying Leases. Definitions of certain capitalized terms used in this APPENDIX E, except as otherwise defined in this Official Statement, are set forth in APPENDIX F hereof.*

#### **Underlying Leases**

Under each Underlying Lease, the State leases to the Authority, and the Authority leases from the State, each Project. The term of the 1993 Underlying Lease commenced as of June 1, 1993, and will terminate upon the termination of the 1993 Master Lease Agreement. The term of the 1998 Underlying Lease commenced as of June 15, 1998, and will terminate upon the termination of the 1998 Master Lease Agreement. The term of the 2000 Underlying Lease commenced as of November 1, 2000, and will terminate upon the termination of the 2000 Master Lease Agreement. The term of the 2003 Underlying Lease commenced as of September 1, 2003, and will terminate upon the termination of the 2003 Master Lease Agreement. The term of the 2004 Underlying Lease commenced as of June 1, 2004, and will terminate upon the termination of the 2004 Master Lease Agreement. The term of the 2017 Underlying Lease commenced as of September 1, 2017, and will terminate upon the termination of the 2017 Master Lease Agreement. The rent payable by the Authority to the State under each of the Underlying Leases is \$1.00 per year.

Pursuant to each Underlying Lease, the State and the Authority will, on the date thereof and from time to time thereafter, enter into supplemental agreements to such Underlying Lease, each of which describes a Project. If, in the opinion of an Authorized Officer, (i) any portion of any such Project subject to any of the Underlying Leases will not be completed by the Funded Interest Date for such Project, or (ii) any portion of any such Project is damaged or destroyed, so as to render such portion unavailable for use by the Department, or for any other reason such portion becomes unavailable for use by the Department and, in the opinion of an Authorized Officer, the proceeds payable to the Authority from any rent loss insurance maintained on such portion will be insufficient to cover the loss of projected rental income payable to the Authority pursuant to the Master Lease Agreement related to such Underlying Lease during such unavailability, then, in either such event, the State and the Authority are required, upon the immediate request of an Authorized Officer, to enter into a new supplemental agreement to the Underlying Lease, which supplemental agreement substitutes a new Project, or any portions thereof, to replace the unavailable portion of the old Project.

#### **Master Lease Agreements**

In each Master Lease Agreement, the Authority agrees that it will cause the Projects subject to such Master Lease Agreement to be constructed with all reasonable speed and dispatch in accordance with the applicable plans and specifications therefor; provided, however, the I-69 Available Portion will be complete and available for use on the date of issuance of the 2017A Bonds. The Authority then leases to the Department, and the Department leases from the Authority, each such Project or any portion thereof from and after the Commencement Date for such Project or such portion thereof.

The terms of the Prior Master Lease Agreements will expire on June 30, 2019. The term of the 2017 Master Lease Agreement will expire June 30, 2019. After each term of each Master Lease Agreement, the Authority and the Department have the right to extend the term of such Master Lease Agreement from biennium to biennium, with such extensions not to exceed a total lease term of 25 years. The Authority and the Department are deemed to have exercised this right to extend, and the term of each Master Lease Agreement is extended, for each successive biennium, unless either the Authority or the Department delivers written notice of nonextension of such Master Lease Agreement to the other party thereto not less than six months prior to the last day of any biennium, in which event such Master Lease Agreement will terminate on the last day of such biennium.

Each Master Lease Agreement will terminate upon the occurrence of the first of the following events: (i) on June 30, 2019, or, if such Master Lease Agreement is extended by the Authority and the Department as described above, on the last day of any biennium in which notice of nonextension is given as described above; (ii) on the latter of the first day for which funds have not been appropriated or the first day on which funds are not available to the Department or the Authority to pay when due any amount payable by the Department under such Master Lease Agreement or by the Authority under the Act; (iii) the termination of such Master Lease Agreement at the option of the Authority in the event of a default, as described below; or (iv) termination of the Underlying Lease relating to such Master Lease Agreement.

Each Master Lease Agreement obligates the Department to pay, in arrears, a monthly rental for the Projects subject to such Master Lease Agreement or any portions thereof, in an amount equal, in accordance with the Act, to the aggregate monthly rental payments set forth in the supplemental agreements to each Master Lease Agreement. However, the lease rentals payable under such Master Lease Agreement are payable by the Department solely from biennial appropriations from the General Assembly and solely for the actual use or availability for use of the Projects subject to such Master Lease Agreement or any portions thereof provided by the Authority. The lease rental payments are to be paid by the Department to the Authority by general transfer of funds from an account of the Department to such account as the Authority may from time to time specify, so as to assure immediately available funds in such account on or before the first day of each month succeeding those months during which the Projects subject to such Master Lease Agreement or such portions thereof were actually used or available for use by the Department (provided that if the first day of any such month is not a business day, then on or before the immediately preceding business day).

Under each Master Lease Agreement, the Authority and the Department are required, on the date thereof and from time to time thereafter, to enter into supplemental agreements to such Master Lease Agreement, each of which supplemental agreements describes a Project which is leased from the State to the Authority pursuant to the Underlying Lease relating to such Master Lease Agreement and states the rental payable for such Project, which supplemental agreements will cover all the Projects which are then leased from the State to the Authority pursuant to such Underlying Lease. The amount of the rental payments stated in each supplemental agreement to each Master Lease Agreement is based upon the total expenses incurred or to be incurred by the Authority and allocable to the Project covered thereby in accordance with the Act, as estimated by the Authority and the Department upon the execution thereof. In each supplemental agreement to each Master Lease Agreement, the Authority and the Department are required, on the Commencement Date for the Project subject thereto or any portion thereof and from time to time thereafter, to enter into one or more amendments to such supplemental agreement in order to adjust the rental payments stated therein to reflect the then estimated expenses incurred or to be incurred by the Authority and allocable to such Project or such portion thereof in accordance with the Act.

The Department is required to commence rental payments under each supplemental agreement to each Master Lease Agreement only after the Project subject thereto, or any portion thereof, is available for use by the Department, as evidenced by a Completion Certificate executed by the Authority and the Department. The Department is then required to pay the rental payments for such Project, as set forth in such supplemental agreement. However, if any portion of such Project is not yet available for use, by reason of construction delays or otherwise, the rental payments due for such Project are abated until availability of such portion by an amount equal to a fraction of such rental payments, the numerator of which fraction equals the then estimated expenses incurred or to be incurred by the Authority and allocable to such portion and the denominator of which fraction equals the then estimated expenses incurred or to be incurred by the Authority and allocable to such Project; provided, however, that the Underlying Leases permit the State and the Authority to substitute a new project or portion thereof.

Under each Master Lease Agreement, the Department is required, in accordance with its current practices, to operate and maintain the Projects subject to such Master Lease Agreement throughout the term of such Master Lease Agreement, including any extensions thereof, in an efficient and economic manner, and is required, in accordance with its current practices, to maintain the Projects in good repair and sound operating condition and make all necessary repairs, renewals, replacements and improvements thereto, all at the expense of the Department, except that, to the extent it is reasonably commercially available, the Authority is required to maintain certain insurance on such Projects at its expense. The Department is also required to comply with all valid statutes, rules, regulations, orders and directions of any legislative, administrative or judicial body applicable to the Department and any of the Projects. Each Master Lease Agreement also requires the Department to adopt and keep in force reasonable rules and regulations governing the use of the Projects subject to such

Master Lease Agreement and the operation thereof, and to enforce such rules and regulations. Under each Master Lease Agreement, the Department may not, without the prior written consent of an Authorized Officer, make or cause to be made any alteration, modification, addition or improvement to any Project subject to such Master Lease Agreement, which alteration, modification, addition or improvement materially impairs the value of such Project, unless such alteration, modification, addition or improvement is, in the opinion of the Department, necessary or advisable for the safety of the public.

Each Master Lease Agreement states that neither the Projects subject to each Master Lease Agreement nor any portions thereof may be sublet by the Department to, and neither the Projects nor any portions thereof may be used by, any person (natural or otherwise), unless an Authorized Officer gives prior written consent. No such subletting relieves the Department from its obligations to pay rent and to keep and perform its other covenants under such Master Lease Agreement.

The Department covenants in each Master Lease Agreement that it will do all things lawfully within its power to obtain and maintain funds from which to meet its rental payment obligations and its operation and maintenance obligations under such Master Lease Agreement, including, but not limited to, requesting an appropriation in an amount sufficient to meet such obligations in writing at a time sufficiently in advance of the date for payment thereof so that an appropriation may be made in the normal State budgetary process, using its *bona fide* best efforts to have such request approved, and exhausting all available reviews and appeals in the event such request is not approved.

The Department covenants in each Master Lease Agreement that it (i) will use the Projects subject to such Master Lease Agreement for only public highway purposes, (ii) will not use the Projects or any portion thereof for any “private business use” within the meaning of the Internal Revenue Code of 1986, as amended from time to time (the “Code”), without the prior written consent of an Authorized Officer, which consent will not be unreasonably withheld, and (iii) will comply with the rebate requirements of the Code.

Pursuant to the Indenture the Authority may, but is not required to, maintain rent loss insurance to insure against the loss of projected rental income payable pursuant to a Master Lease Agreement or any other lease of the Projects. The Authority may enter into a program of self-insurance against the risk of loss or damage required to be insured under the Indenture if adequate reserves are created by the Authority as demonstrated in a report provided to the Trustee by an Independent Insurance Consultant. If the Authority enters into a program of self-insurance, the Authority agrees (i) to provide the Trustee annually within 120 days of the end of the Fiscal Year a written evaluation with respect to such self-insurance program by an Independent Insurance Consultant, which evaluation contains or is accompanied by a recommendation of an independent actuary as to the funding levels which will be adequate to protect the Authority against such claims, (ii) to maintain with an independent corporate trustee such reserves as are recommended by the Independent Insurance Consultant, (iii) to provide the Trustee a certificate of an Authorized Officer showing compliance with clause (ii) above, and (iv) to maintain a risk management and claims management program pursuant to such self-insurance program. See APPENDIX D, “SUMMARY OF CERTAIN PROVISIONS OF INDENTURE—Insurance and Completion of Performance.”

Each Master Lease Agreement requires the Authority, at all times, including all times prior to and after the completion of Construction of the Projects, as applicable, subject to such Master Lease Agreement, to use its best efforts to maintain or cause to be maintained insurance or reserves against loss or damage from such hazards and risks to the person and property of others as are usually insured or reserved against by those operating properties similar to the Projects. Under each Master Lease Agreement, the Authority must maintain or cause to be maintained such performance bonds or performance insurance with respect to contracts it may enter into for Construction of the Projects subject to such Master Lease Agreement as are usually maintained by those constructing properties similar to the Projects.

Each Master Lease Agreement provides that if performance of any contract for Construction of any of the Projects subject to such Master Lease Agreement, as applicable, is not completed in accordance with its terms and, in the opinion of a registered engineer selected by the Department and acceptable to the Authority, the cost of completion of such performance will not exceed the amount of proceeds from any performance bond or performance insurance to be received by reason of such noncompletion of performance and other amounts available therefor, the Authority must, as expeditiously as possible, continuously and diligently complete or cause to be completed such performance. In addition, each Master Lease Agreement provides that if any of the Projects subject to such Master

Lease Agreement or any portion thereof is damaged or destroyed and in the opinion of a registered engineer selected by the Department and acceptable to the Authority (i) the cost of such repair, replacement or reconstruction will not exceed the amount of any insurance proceeds to be received by reason of such damage or destruction and other amounts available therefor, and (ii) such repair, replacement or reconstruction can be completed within the period covered by any rent loss insurance maintained or caused to be maintained by the Authority on such Project or such portion thereof or other amounts available therefor, the Authority must, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted repair, reconstruction or replacement thereof; provided, however, if the Project becomes unavailable for use, the Authority may substitute a Project in lieu of reconstruction. Within 120 days after the noncompletion of performance of any contract for Construction of any of the Projects subject to such Master Lease Agreement or the occurrence of an event of damage or destruction to any of the Projects or any portion thereof that does not render the Project unavailable for use, the Authority, through any Authorized Officer, must deliver to the Department and the Trustee the written opinion of the engineer referred to above stating whether or not the conditions set forth above with respect thereto are satisfied. The proceeds of any performance bond or performance insurance paid on account of such noncompletion of performance and from any insurance paid on account of such damage or destruction (other than any rent loss insurance) will be made available for, and to the extent necessary will be applied to, the cost of such completion of performance or such repair, reconstruction or replacement. Such proceeds not applied within 36 months after receipt thereof by the Authority to such completion of performance or such repair, reconstruction or replacement will be applied to any lawful purpose of the Authority.

An "event of default" is defined as each of the following events: (i) failure by the Department to pay or cause to be paid any amount payable by the Department under such Master Lease Agreement when due; (ii) failure by the Department to observe or perform its covenant to seek appropriations, described above; or (iii) failure by the Department to observe or perform any other covenant, condition or agreement on its part to be observed or performed under such Master Lease Agreement (other than as referred to in (i) or (ii) of this paragraph), which failure continues for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, is given to the Department by an Authorized Officer.

Whenever any event of default has happened and is existing, and provided that the event of default has not been cured, the Authority may terminate such Master Lease Agreement by written notice to the Department and/or take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due under such Master Lease Agreement, or to enforce performance and observance of any obligation, agreement or covenant of the Department under such Master Lease Agreement.



## APPENDIX F

### **DEFINITIONS**

*The following are definitions of certain terms used in this Official Statement:*

1993A Bonds means the Authority's Highway Revenue Bonds, Series 1993A, issued and secured under the Indenture.

1993 Master Lease Agreement means the Master Lease Agreement between the Authority, as lessor, and the Department, as lessee, dated as of June 1, 1993, as supplemented and amended.

1993 Underlying Lease means the Underlying Lease Agreement between the State, as lessor, and the Authority, as lessee, dated as of June 1, 1993, as supplemented and amended.

1998A Bonds means the Authority's Highway Revenue Bonds, Series 1998A, issued and secured under the Indenture.

1998 Master Lease Agreement means the Master Lease Agreement between the Authority, as lessor, and the Department, as lessee, dated as of June 15, 1998, as supplemented and amended.

1998 Underlying Lease means the Underlying Lease Agreement between the State, as lessor, and the Authority, as lessee, dated as of June 15, 1998, as supplemented and amended.

2000 Master Lease Agreement means the Master Lease Agreement between the Authority, as lessor, and the Department, as lessee, dated as of November 1, 2000, as supplemented and amended.

2000 Underlying Lease means the Underlying Lease Agreement between the State, as lessor, and the Authority, as lessee, dated as of November 1, 2000, as supplemented and amended.

2003 Master Lease Agreement means the Master Lease Agreement between the Authority, as lessor, and the Department, as lessee, dated as of September 1, 2003, as supplemented and amended.

2003 Underlying Lease means the Underlying Lease Agreement between the State, as lessor, and the Authority, as lessee, dated as of September 1, 2003, as supplemented and amended.

2004B Bonds means the Authority's Highway Revenue Refunding Bonds, Series 2004B, issued and secured under the Indenture.

2004C Bonds means the Authority's Highway Revenue Refunding Bonds, Series 2004C, issued and secured under the Indenture.

2004 Master Lease Agreement means the Master Lease Agreement between the Authority, as lessor, and the Department, as lessee, dated as of June 1, 2004, as supplemented and amended.

2004 Underlying Lease means the Underlying Lease Agreement between the State, as lessor, and the Authority, as lessee, dated as of June 1, 2004, as supplemented and amended.

2007A Bonds means the Authority's Highway Revenue Refunding Bonds, Series 2007A, issued and secured under the Indenture.

2010A Bonds means the Authority's Highway Revenue Refunding Bonds, Series 2010A, issued and secured under the Indenture.

2016C Bonds means the Authority's Highway Revenue Refunding Bonds, Series 2016C, issued and secured under the Indenture.

2017A Bonds means the Authority's Highway Revenue Refunding Bonds, Series 2017A, issued and secured under the Indenture.

2017 Master Lease Agreement means the Master Lease Agreement between the Authority, as lessor, and the Department, as lessee, dated as of September 1, 2017, as supplemented and amended.

2017 Master Lease Projects means any I-69 Available Portion that remains available for use during the term of the 2017 Master Lease Agreement and any Additional Project substituted under the 2017 Master Lease Agreement pursuant to a Supplemental Agreement for any 2017 Master Lease Project that becomes unavailable for use during the term of the 2017 Master Lease Agreement.

2017 Notes means the Authority's Highway Revenue Bond Anticipation Notes issued on August 14, 2017 and refunded by the 2017A Bonds.

2017 Underlying Lease means the Underlying Lease Agreement between the Department, as lessor, and the Authority, as lessee, dated as of September 1, 2017, as supplemented and amended.

Accounts means the accounts and subaccounts created under the Indenture.

Accrued Aggregate Debt Service means, as of any date of calculation, an amount equal to the sum of the amounts of accrued Debt Service with respect to all series of Bonds, calculating the accrued Debt Service with respect to each series at an amount equal to the sum of (i) interest on the Bonds of such series accrued and unpaid to the end of the then current calendar month, (ii) Principal Installments for such series due and unpaid, and (iii) that portion of the Principal Installment for such series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month.

Additional Bonds means one or more series of additional Bonds issued on a parity with the Bonds under a Supplemental Indenture pursuant to the Indenture.

Additional Project means any I-69 Additional Portion or any Additional Road that is added to the 2017 Master Lease Agreement pursuant to any Supplemental Agreement.

Additional Road means any express highway, superhighway, state highway, public highway, road, street, motorway, bridge, tunnel, overpass, interchange, entrance, approach or other public way that is available for use and meets the requirements contained in the Underlying Lease.

Aggregate Debt Service for any period means, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all series of Bonds; provided, however, that, for purposes of estimating Aggregate Debt Service for any future period, (i) any Variable Interest Rate Bonds outstanding during such period will be deemed to bear interest at all times to the maturity thereof at either the Assumed Rate or the Maximum Interest Rate, as specified by the Authority in the Supplemental Indenture pursuant to which such Bonds are issued; (ii) any Put Bonds outstanding during such period which are secured as to payment of principal upon tender prior to the stated maturity date thereof by a Credit Facility will be assumed to mature on the stated maturity date thereof, unless such Credit Facility expires within one year or less of the date of calculation in which case such Put Bonds will be assumed to mature on the expiration date of such Credit Facility; and (iii) any Put Bonds outstanding during such period which are not so secured by a Credit Facility will be assumed to mature on the next date upon which the holder thereof may require payment thereof.

Amendatory Indenture No. 1 means the Supplemental and Amendatory Indenture No. 1 dated as of June 15, 1998, between the Authority and the Trustee, as the same may be from time to time supplemented and amended in accordance with the Indenture, which supplements and amends the Amended and Restated Indenture.

Amended and Restated Indenture means the Amended and Restated Trust Indenture dated as of March 1, 1993, between the Authority and the Trustee, which Amended and Restated Trust Indenture amended, supplemented and restated the Trust Indenture made and entered into as of June 1, 1988, between the Authority and the Trustee.

Assumed Rate means the annual rate of interest equal to The Bond Buyer Revenue Bond Index most recently published or any successor index in effect at the time such rate must be calculated, or in the event such index or successor index is no longer published, then a comparable index selected by the Authority in its sole discretion.

Authority means the Indiana Finance Authority, a body politic and corporate, not a State agency but an independent instrumentality exercising essential public functions, created under Indiana Code 4-4-10.9 and 4-4-11.

Authority Rating means the rating in effect from time to time of the outstanding Bonds which are not secured or supported by a Credit Facility, as assigned by a Nationally Recognized Rating Agency. This rating requirement takes into account qualifiers of a Rating Category by symbols such as “+” or “-” or numerical notation. Notwithstanding the foregoing, if the Authority Rating in effect is less than A+ or A-1 by any Nationally Recognized Rating Agency, the Authority Rating is deemed to mean A+ or A-1 by a Nationally Recognized Rating Agency.

Authorized Officer means the Chairman, the Vice Chairman, or any other person authorized by the Authority to perform any act or to sign any document.

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

Bonds means bonds, notes or other evidence of obligations of the Authority, authenticated and delivered pursuant to the Indenture, including the 2017A Bonds, the Prior Bonds and any and all Additional Bonds and Refunding Bonds.

Code means the Internal Revenue Code of 1986, as amended or supplemented, or any successor thereto.

Commencement Date for any Project or any portion thereof means the date on which a Completion Certificate for such Project or such portion thereof is accepted by a representative of the Department.

Completion Certificate for any Project or any portion thereof means a certificate (i) executed by an Authorized Officer of the Authority certifying that such Project or such portion thereof is available for use by the Department and (ii) accepted by a representative of the Department acknowledging that such Project or such portion thereof is available for use by the Department.

Construct or Construction means to construct, acquire, reconstruct, improve or extend any of the Projects, or to complete any of the foregoing.

Construction Costs means any items or costs of a capital nature incurred in the Construction of the Projects, which costs may include, but are not limited to: (i) the cost of Construction; (ii) the cost of acquisition of all land, rights-of-way, property, rights, easements and any other legal or equitable interests acquired by the Authority for the Construction, including the cost of any relocations incident to the acquisition; (iii) the cost of demolishing or removing any buildings, structures or improvements on property acquired by the Authority, including the cost of: (a) acquiring any property to which the buildings, structures or improvements may be moved, or (b) acquiring any property which may be exchanged for property acquired by the Authority; (iv) financing charges; (v) costs of issuance of bonds or notes, including costs of credit enhancement, such as bond or note insurance; (vi) remarketing or conversion fees; (vii) bond or note discount; (viii) capitalized interest; (ix) the cost of funding any reserves to secure the payment of bonds or notes; (x) engineering and legal expenses, costs of plans, specifications, surveys, estimates and any necessary feasibility studies; (xi) other expenses necessary or incident to determining the feasibility or practicability of Constructing any Project; (xii) administrative expenses of the Authority or the Department relating to any Project financed by bonds or notes; (xiii) reimbursement of the Department for: (a) any cost, obligation or expense incurred by the Department relating to a Project, (b) advances relating to a Project from the Department to the Authority for surveys, borings, preparation of plans and specifications, or engineering services, or (c) any other cost of Construction incurred by the Department or paid from advances; and (xiv) other expenses the Authority finds necessary or incident to the Construction of the Projects, the financing of the Construction and the placing of the Projects in operation.

Credit Facility means an irrevocable letter of credit, line of credit, insurance policy, guaranty or surety bond or similar instrument providing for the payment of or guaranteeing the payment of principal of and interest on Bonds when due. Any such insurance policy, guaranty or surety bond or similar instrument must be issued by an insurer with a credit rating at least equal to the Authority Rating by a Nationally Recognized Rating Agency. Any such letter of credit or line of credit must be issued by a banking institution which has, or the parent of which has, or the holding corporation of which it is the principal bank has, at the time of issuance, a credit rating on its long-term unsecured debt at least equal to the Authority Rating by a Nationally Recognized Rating Agency. If the purpose of the Credit Facility is solely to provide liquidity, the rating must be in the highest short-term Rating Category by a Nationally Recognized Rating Agency.

Credit Note means any notes issued under the Act by the Authority pursuant to any credit agreement to which the Authority is a party.

Debt Service for any period means, as of any date of calculation and with respect to any outstanding series of Bonds, an amount equal to the sum of (i) interest accruing during such period on the Bonds of such series, except to the extent that such interest is to be paid from deposits in the Debt Service Fund made from the proceeds of the Bonds other than proceeds of the Bonds deposited in the Debt Service Reserve Fund (including amounts, if any, transferred thereto from the Construction Fund) and (ii) that portion of each Principal Installment for such series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such series (or, if (a) there is no such preceding Principal Installment due date or (b) such preceding Principal Installment due date is more than one year prior to the due date of such Principal Installment, then, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such series, whichever date is later), all subject to particular provisions of the Indenture in the case of any series of put, capital appreciation or convertible capital appreciation Bonds. Such interest and Principal Installments will be calculated on the assumption that no Bonds outstanding under the Indenture at the date of such calculation will cease to be outstanding thereunder, except by reason of the payment of each Principal Installment when due.

Debt Service Reserve Requirement means the amount, if any, designated as such for one or more series of Bonds in a Supplemental Indenture. There is no Debt Service Reserve Requirements for the 1998A Bonds, the 2004B Bonds, the 2004C Bonds, the 2007A Bonds, the 2010A Bonds, the 2016C Bonds or the 2017A Bonds.

Defeasance Securities means and includes only (i) any direct and general obligations of, or any obligations unconditionally guaranteed by, the United States of America, which obligations are not callable prior to maturity, (ii) any obligations of any state or political subdivision of a state (collectively, "Municipal Bonds") that (a) are fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the owners of the Municipal Bonds and (b) are not callable prior to maturity, and (iii) certificates of ownership of the principal of or interest on direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System, which certificates of ownership are not callable prior to maturity.

Department means the Indiana Department of Transportation, established under Indiana Code 8-23-2.

DTC means The Depository Trust Company.

Fiduciary or Fiduciaries means any or all, as appropriate, of the Trustee, the Bond Registrar, the Paying Agent and any authorized depository under the Indenture.

Fiscal Year means the twelve-month period commencing on July 1 of each year and ending on the succeeding June 30, or such other fiscal year of the State as may be mandated by law.

Funded Interest Date for any Project means the date through which interest has been funded by the Authority for such Project as set forth in the Supplemental Agreement covering such Project.

Funds means the funds created under the Indenture.

Gross Revenues means all fees, charges, revenues or receipts derived by the Authority from the operation or leasing of the Projects or any portions thereof pursuant to the terms and provisions of the Master Lease Agreements or otherwise, or from the sale, transfer or conveyance (whether voluntary or involuntary) of the Projects or any portions thereof; and includes any rental payments received with respect to the Projects or any portions thereof from whatever sources (including, but not limited to, rent loss insurance) and receipts therefrom.

Hedge Agreement means an agreement (including the terms and conditions incorporated by reference in the agreement) which is a rate swap agreement, basis swap, forward rate agreement, interest rate option, rate cap agreement, rate floor agreement, rate collar agreement, or any other similar agreement (including any option to enter into any such agreement) or any combination of the agreements described in the foregoing clause, each as authorized under Indiana Code 8-9.5-9 or any successor or supplemental statutory provision.

Hedge Payment Obligations means all payments due from the Authority to the Hedge Provider pursuant to the Hedge Agreement (including, without limitation, any Hedge Termination Payment due from the Authority to the Hedge Provider).

Hedge Provider means the financial institution, corporation or other counterparty entering into a Hedge Agreement with the Authority with respect to a series of Bonds. The long-term credit rating of the Hedge Provider or the guarantor of the obligations of the Hedge Provider under the Hedge Agreement must at least be equal to the Authority Rating by a Nationally Recognized Rating Agency; provided a Hedge Provider need not satisfy such long-term credit rating requirement if the Hedge Provider collateralizes its obligations under the Hedge Agreement with Investment Securities described in clauses (i) and (iii) of the definition of Investment Securities, such collateral is held in the manner required to provide a perfected security interest therein for the benefit of the Authority, and the collateral level is sufficient to satisfy the criteria of a Nationally Recognized Rating Agency for obligations bearing at least the Authority Rating.

Hedge Termination Payment means the amount, if any, payable upon a termination of the Hedge Agreement prior to its scheduled termination date.

I-69 Additional Portion means any portion of the I-69 Project that becomes available for use subsequent to the date of execution of the 2017 Master Lease Agreement.

I-69 Available Portion means, collectively, the portions of the I-69 Project that are available for use as of the date of execution of the 2017 Master Lease Agreement.

I-69 Project means I-69 Section 5 Project, which consists generally of the upgrading of approximately 21 miles of State Road 37 which is a four-lane median divided highway between Bloomington, Indiana and Martinsville, Indiana, as described in the 2017 Master Lease Agreement.

Indenture means the Amended and Restated Indenture, as partially amended and restated by the Amendatory Indenture No. 1, and as supplemented and amended by the Series 1998A Indenture, the Series 2004B Indenture, the Series 2004C Indenture, the Series 2007A Indenture, the Series 2010A Indenture, the Series 2016C Indenture, and the Series 2017A Indenture as further supplemented and amended from time to time.

Independent Insurance Consultant means a firm (i) which does not have a partner, director, officer or substantial stockholder who is either an employee, director or officer of the Authority and (ii) which is appointed by the Authority and is qualified to survey risks and to recommend insurance coverage for the type or types of activities conducted and facilities operated by the Authority and may be a broker or agent with whom the Authority transacts business so long as the other qualifications set forth in the Indenture are satisfied.

Interest Payment Date means as to the 2017A Bonds each December 1 and June 1, commencing on June 1, 2018.

Investment Securities means and includes any of the following securities, if and to the extent the same are at the time legal for investment of the Authority's funds:

(i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the Federal agencies set forth in clause (iii) of this definition to the extent unconditionally guaranteed by the United States of America;

(ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) of this definition, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate, and (c) as to which the principal of and interest on bonds or other obligations of the character described in clause (i) of this definition which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate;

(iii) bonds, debentures or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an act of Congress as an agency or instrumentality of the United States of America;

(iv) obligations issued by the Resolution Funding Corporation;

(v) New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an Annual Contributions Contract or Contracts with the United States of America, or Project Notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(vi) direct and general obligations of any state of the United States of America, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, provided that at the date of purchase such obligations are rated at least the Authority Rating by a Nationally Recognized Rating Agency;

(vii) obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision which are rated at the date of purchase at least the Authority Rating by a Nationally Recognized Rating Agency;

(viii) certificates or other instruments that evidence ownership of the right to payments of principal of or interest on obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision, provided that such obligations are held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Trustee under the Indenture, and provided further that the payments of all principal of and interest on such certificates or such obligations are fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which are rated at the date of purchase at least the Authority Rating by a Nationally Recognized Rating Agency, or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal

of and interest on municipal bonds, such insurance policy results in such municipal bonds being rated at the date of purchase at least the Authority Rating by a Nationally Recognized Rating Agency;

(ix) certificates that evidence ownership of the right to payments of principal of or interest on obligations described in clause (i) of this definition, provided that such obligations are held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Trustee under the Indenture;

(x) certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances of any of the 50 largest banks in the United States of America which are rated at the date of purchase at least the Authority Rating by a Nationally Recognized Rating Agency;

(xi) commercial paper, other than that issued by bank holding companies, rated at the date of purchase in the highest short-term Rating Category by a Nationally Recognized Rating Agency;

(xii) written repurchase contracts or securities lending agreements (collateralized by cash or securities) with any securities dealer that is registered as a dealer under the Securities Exchange Act of 1934, as amended, and is monitored by, reports to and is recognized as a primary dealer by the Federal Reserve Bank of New York, having a net capital of at least \$200,000,000, for obligations of, or unconditionally guaranteed as to the payment of principal and interest by, the United States of America or obligations of, or unconditionally guaranteed as to the payment of principal and interest by, any Federal Home Loan Bank, the Farmers Home Administration, the Government National Mortgage Association, the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or any other agency or instrumentality of, or corporation wholly owned by, the United States of America, provided that (a) (A) the market value as determined by such primary dealer (the "market value") of the obligations subject to any such repurchase contract, (based on a daily valuation) is at least equal to 102% of the purchase price specified in such contract, or (B) the market value of the collateral for any such securities lending agreement (based on a daily valuation) is at least equal to 102% of the market value of the securities lent, however, in either case the valuation of the collateral may be less frequent than daily if the collateral level satisfies the criteria of a Nationally Recognized Rating Agency for obligations bearing at least the Authority Rating, and (b) such obligations or collateral are held by the Trustee or by a Depository satisfactory to the Trustee in such manner as may be required to provide a perfected security interest in such obligations or collateral for the benefit of the Authority;

(xiii) shares of an investment company organized under the Investment Company Act of 1940, as amended, which either (a) is rated at the date of purchase in the highest Rating Category by a Nationally Recognized Rating Agency or (b) invests its assets exclusively in obligations of the type described in clause (i) of this definition, provided that the average maturity of such obligations shall not exceed 90 days;

(xiv) any agreement for an investment of money with a Qualified Institution (as defined below) (an "Investment Agreement"). Such Investment Agreements (or the debt of the Qualified Institution) must (a) be rated at least the Authority Rating by a Nationally Recognized Rating Agency, at the time such Investment Agreement is entered into, or (b) be collateralized with cash or securities such that the market value of the collateral (based on a daily valuation) is at least 102% of the principal amount of the Investment Agreement or at less frequent intervals if the collateral level satisfies the criteria of a Nationally Recognized Rating Agency for obligations bearing at least the Authority Rating. For purposes of this clause (xiv), "Qualified Institution" means a bank, trust company, national banking association or a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956, as amended, federal or state-branch of a foreign bank pursuant to the International Banking Act of 1978, as amended, a savings and loan association, an insurance company or association or any other entity, the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by such institution, are rated at least the Authority Rating by a Nationally Recognized Rating Agency;

In lieu of the investment of moneys in obligations described in the first paragraph of this clause (xiv), moneys held under the Indenture may, to the extent permitted by law, be invested in interest-bearing time deposits or certificates of deposit which are (a) issued by banks, trust companies, savings banks and savings and loan associations whose debt obligations are rated at least the Authority Rating by a Nationally Recognized Rating Agency, or, with respect to certificates of deposit maturing in less than one year, whose short-term debt obligations are rated in the highest short-term Rating Category by a Nationally Recognized Rating Agency, or (b) fully insured by the Federal Deposit Insurance Corporation; and

(xv) any obligations rated at the date of purchase at least the Authority Rating by a Nationally Recognized Rating Agency.

Master Lease Agreements means the 1993 Master Lease Agreement, the 1998 Master Lease Agreement, the 2000 Master Lease Agreement, the 2003 Master Lease Agreement, the 2004 Master Lease Agreement and the 2017 Master Lease Agreement.

Nationally Recognized Rating Agency means Fitch Ratings, Moody's Investors Service, Inc., or Standard & Poor's Credit Market Services and the successors and assigns of each of the foregoing; provided, that in the event that any of the foregoing are dissolved or liquidated or the Authority determines that such entity no longer performs the function of a securities rating agency, such other national recognized securities rating agency or agencies as the Authority may from time to time designate.

Note Trust Indenture means the Note Trust Indenture dated as of July 1, 2017, between the Authority and the Trustee, as the same may be from time to time supplemented or amended in accordance with the Indenture.

Parity Hedge Payment Obligations means all payments due from the Authority to the Hedge Provider pursuant to the Hedge Agreement, which the Authority has identified in a Supplemental Indenture as being paid on a parity with Debt Service on the Bonds. The Authority may not designate any Hedge Termination Payment to be paid on a parity with Debt Service on the Bonds.

Pledged Funds means, collectively, the Construction Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Expense Fund and the General Fund (except that the Trust Estate for the 1998A Bonds, the 2004B Bonds, the 2004C Bonds, the 2007A Bonds, the 2010A Bonds, the 2016C Bonds, the 2017A Bonds and any Additional Bond does not include the Debt Service Reserve Fund).

Principal Installment means, as of any date of calculation and with respect to any series of Bonds, so long as any Bonds thereof are outstanding, (i) the principal amount of Bonds of such series due on a certain future date for which no sinking fund installments have been established, or (ii) the unsatisfied balance (determined as provided in the Indenture) of any sinking fund installments due on a certain future date for Bonds of such series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such sinking fund installments, or (iii) if such future dates coincide as to different Bonds of such series, the sum of such principal amount of Bonds and of such unsatisfied balance of sinking fund installments due on such future date plus such applicable redemption premiums, if any.

Prior Bonds means the 1993A Bonds, the 1998A Bonds, the 2004B Bonds, the 2004C Bonds, the 2007A Bonds, the 2010A Bonds and the 2016C Bonds.

Prior Master Lease Agreements means the 1993 Master Lease Agreement, the 1998 Master Lease Agreement, the 2000 Master Lease Agreement, the 2003 Master Lease Agreement and the 2004 Master Lease Agreement.

Prior Projects means the Projects, as defined in the 1993 Master Lease Agreement, the 1998 Master Lease Agreement, the 2000 Master Lease Agreement, the 2003 Master Lease Agreement or the 2004 Master Lease Agreement which projects are covered by supplemental agreements to the 1993 Master Lease Agreement, the 1998 Master Lease Agreement, the 2000 Master Lease Agreement, the 2003 Master Lease Agreement and the 2004 Master



Lease Agreement, and the construction of which projects has been or will be financed from the proceeds of the Prior Bonds.

Projected Lease Commencement Date for any Project means the projected Commencement Date for such Project, as set forth in the supplemental agreement to the Underlying Lease covering such Project.

Projects means the Prior Projects and any additional projects which are leased from the Authority to the Department pursuant to any Master Lease Agreement, including the 2017 Master Lease Projects.

Put Bonds means Bonds which by their terms may be tendered by and at the option of the holder thereof for payment by the Authority prior to the stated maturity thereof.

Rating Category means, with respect to long-term debt obligations, any full rating category, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, and means, with respect to short-term debt obligations, any rating category, with regard to qualification of such rating by symbols such as “+” or “-” or numerical notation.

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

Refunding Bonds means all Bonds, of one or more series, authenticated and delivered on original issuance pursuant to the Indenture to refund any series or portion of series of any outstanding Bonds or portions thereof.

Reimbursement Agreement means any agreement between the Authority and the issuer of any Credit Facility or any Reserve Fund Credit Facility.

Reimbursement Obligation means any obligation of the Authority to reimburse the issuer of any Credit Facility or Reserve Fund Credit Facility for any payment made by such issuer under such instrument pursuant to, or any other obligation of the Authority to pay amounts to such issuer pursuant to, any Reimbursement Agreement.

Reserve Fund Credit Facility means an insurance policy, guaranty or surety bond or irrevocable letter of credit which may be deposited in the Debt Service Reserve Fund in lieu of or in partial substitution for cash or Investment Securities to be on deposit therein. The company providing such policy, guaranty or surety bond must be an insurer which, at the time of issuance of such policy, guaranty or bond, has been assigned at least the Authority Rating by a Nationally Recognized Rating Agency, and such policy, guaranty or bond must be subject to the irrevocable right of the Trustee to draw thereon in a timely fashion as needed and provided in the Indenture upon satisfaction of any conditions set forth in the Indenture. Any irrevocable letter of credit must be made payable to and deposited with the Trustee and must be issued by a banking institution which has, or the parent of which has, or the holding corporation of which it is the principal bank has, at the time of issuance, a credit rating at least equal to the Authority Rating by a Nationally Recognized Rating Agency. If the rating of any such banking institution, parent or holding corporation is downgraded below the Authority Rating or the letter of credit is terminated or not renewed by the Authority, then the Authority will immediately either (i) direct the Trustee to draw on such letter of credit and deposit the proceeds of such drawing to the Debt Service Reserve Fund in satisfaction of the Debt Service Reserve Fund Requirement or (ii) provide funds for deposit into the Debt Service Reserve Fund in satisfaction of the Debt Service Reserve Fund Requirement.

Series 1998A Indenture means the Series 1998A Supplemental Trust Indenture dated as of June 15, 1998, between the Authority and the Trustee, as the same may be from time to time supplemented or amended in accordance with the Indenture.

Series 2004B Indenture means the Series 2004B Supplemental Trust Indenture dated as of July 1, 2004, between the Authority and the Trustee, as the same may be from time to time supplemented or amended in accordance with the Indenture.

Series 2004C Indenture means the Series 2004C Supplemental Trust Indenture dated as of July 1, 2004, between the Authority and the Trustee, as the same may be from time to time supplemented or amended in accordance with the Indenture.

Series 2007A Indenture means the Series 2007A Supplemental Trust Indenture dated as of March 1, 2007, between the Authority and the Trustee, as the same may be from time to time supplemented or amended in accordance with the Indenture.

Series 2010A Indenture means the Series 2010A Supplemental Trust Indenture dated as of August 1, 2010, between the Authority and the Trustee, as the same may be from time to time supplemented or amended in accordance with the Indenture.

Series 2016C Indenture means the Series 2016C Supplemental Trust Indenture dated as of September 1, 2016, between the Authority and the Trustee, as the same may be from time to time supplemented or amended in accordance with the Indenture.

Series 2017A Indenture means the Series 2017A Supplemental Trust Indenture dated as of September 1, 2017, between the Authority and the Trustee, as the same may be from time to time supplemented or amended in accordance with the Indenture.

Subordinated Hedge Payment Obligation means the payments due from the Authority to the Hedge Provider pursuant to the Hedge Agreement which the Authority has identified in a Supplemental Indenture as being paid on a subordinated basis to the payment of Debt Service on the Bonds and includes any Hedge Termination Payment.

Supplemental Agreement means, with respect to the Master Lease Agreement, the meaning given to such term in the Master Lease Agreement and, with respect to the Underlying Lease Agreement, the meaning given to such term in the Underlying Lease Agreement.

Supplemental Indenture means any supplemental indenture adopted by the Authority in accordance with the Indenture.

Surety Bond means the Surety Bond issued by Ambac Assurance Corporation guaranteeing certain payments into the Debt Service Reserve Fund with respect to the 1993A Bonds, as provided therein and subject to limitations set forth therein.

Trust Estate means (i) the proceeds of the sale of all series of Bonds, (ii) the Gross Revenues and (iii) the Pledged Funds (except that the Trust Estate for the 1998A Bonds, the 2004B Bonds, the 2004C Bonds, the 2007A Bonds, the 2010A Bonds, the 2016C Bonds, the 2017A Bonds and any Additional Bonds does not include the Debt Service Reserve Fund) including the investments, if any, thereof pledged and assigned under the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purpose and on the terms and conditions set forth in the Indenture.

Trustee means The Bank of New York Mellon Trust Company, N.A., a national banking association, or its successors and assigns, as successor trustee under the Indenture.

Underlying Leases means the 1993 Underlying Lease, the 1998 Underlying Lease, the 2000 Underlying Lease, the 2003 Underlying Lease, the 2004 Underlying Lease and the 2017 Underlying Lease.

Variable Interest Rate means a variable interest rate to be borne by a series of Bonds or any one or any one or more maturities within a series of Bonds. The methods of computing such variable interest rate will be specified in the Supplemental Indenture authorizing such series of Bonds. Such Supplemental Indenture will also specify either (i) the particular period or periods of time for which such variable interest rate will remain in effect or (ii) the time or times upon which any change in such variable interest rate will become effective.

Variable Interest Rate Bonds means Bonds which bear a Variable Interest Rate.

APPENDIX G

**FORM OF BOND COUNSEL OPINION**

September \_\_, 2017

Indiana Finance Authority  
Indianapolis, Indiana

Re: Indiana Finance Authority Highway Revenue Refunding Bonds, Series 2017A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Indiana Finance Authority (the "Authority") of \$176,240,000 aggregate principal amount of its Indiana Finance Authority Highway Revenue Refunding Bonds, Series 2017A (the "Bonds"), under and pursuant to (i) the Amended and Restated Trust Indenture dated as of March 1, 1993, as heretofore supplemented and amended (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"); and (ii) the Series 2017A Supplemental Trust Indenture dated as of September 1, 2017 (the "Series 2017A Supplement"), by and between the Authority and Trustee, pursuant to which the terms of the Bonds are set forth.

We have examined (a) a certified transcript of proceedings relating to the authorization, issuance and sale of the Bonds, the execution and delivery of the Master Lease Agreement dated as of September 1, 2017 (the "Master Lease Agreement") and the prior Master Lease Agreements dated as of June 1, 1993, June 15, 1998, November 1, 2000, September 1, 2003 and the June 1, 2004, each by and between the Indiana Department of Transportation (the "Department") and the Authority and all supplements thereto; the execution and delivery of the Underlying Lease Agreement dated as of September 1, 2017 (the "Underlying Lease Agreement") and the prior Underlying Lease Agreements dated as of June 1, 1993, June 15, 1998, November 1, 2000, September 1, 2003 and June 1, 2004, each by and between the State of Indiana (the "State") and the Authority, and all supplements thereto; the authorization and execution of the Series 2017A Supplement; and the approval of the Authority's Official Statement dated August 23, 2017 (the "Official Statement"); (b) the non-arbitrage certificate of the Authority dated the date of this opinion letter (the "Non-Arbitrage Certificate"); (c) executed counterparts of the Series 2017A Supplement, the Master Lease Agreement and the Underlying Lease Agreement; (d) an opinion of the Chief Counsel of Advisory in the office of the Attorney General of the State; and (e) certificates as to the execution, authentication and delivery of the Bonds and no litigation pending as of the date of this opinion letter.

We have examined the constitution and statutes of the State, including particularly Indiana Code 4-4-11, 8-14.5 and 8-15.5, and such other documents, statutes, certifications, records and matters of law as we have deemed necessary for purposes of this opinion.

We have relied upon the certified transcript of proceedings and certificates of public officials, including the tax covenants and representations of the Authority and Department (collectively, the "Tax Covenants"), and we have not undertaken to verify any facts by independent investigation.

Based upon the examinations referred to above, we are of the opinion as of the date of this opinion letter that:

1. The Authority is a body politic and corporate, not a state agency but an independent instrumentality, exercising essential public functions, duly organized and validly existing under the laws of the State, pursuant to Indiana Code 4-4-10.9- and 11, as supplemented and amended, with full power and authority to execute and deliver the Indenture, the Series 2017A Supplement, the Master Lease Agreement and the Underlying Lease Agreement and to issue and sell the Bonds.

2. The Bonds have been duly authorized, executed, issued and delivered by the Authority and constitute legal, valid and binding obligations of the Authority, enforceable in accordance with their terms. The principal of and premium, if any, and interest on the Bonds are payable solely from (and secured exclusively by) a pledge of the Trust Estate (defined in the Indenture). The Bonds do not constitute an indebtedness of the State within the meaning or application of any constitutional provision or limitation.

3. The Indenture and the Series 2017A Supplement have been duly authorized, executed and delivered by the Authority and constitute legal, valid and binding obligations of the Authority, enforceable in accordance with their respective terms. The Indenture creates the valid pledge and assignment which it purports to create of the Trust Estate.

4. The Master Lease Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation thereof, enforceable in accordance with its terms.

5. The Underlying Lease Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation thereof, enforceable in accordance with its terms.

6. Under existing laws, regulations, judicial decisions and rulings existing on this date, interest on the Bonds is exempt from income taxation in the State. This opinion relates only to the tax exemption of interest on the Bonds from State income taxes.

7. Under federal statutes, decisions, regulations and rulings existing on this date, the interest on the Bonds is excludable from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. This opinion is conditioned on continuing compliance by the Authority and the Department with their respective Tax Covenants. Failure to comply with the Tax Covenants could cause interest on the Bonds to lose the exclusion from gross income for purposes of federal income taxation retroactive to the date of issuance of the Bonds.

With respect to the enforceability of the Bonds, the Indenture, the Series 2017A Supplement, the Underlying Lease Agreement and the Master Lease Agreement, this opinion letter is subject to the qualifications that: (a) the enforceability of any such document or instrument may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the enforcement of creditors' rights generally; and (b) the enforceability of equitable rights and remedies is subject to judicial discretion and may be limited by general principles of equity. It is to be further understood that the rights of the owners of the Bonds and Trustee, and the enforceability thereof and of the Indenture, the Series 2017A Supplement, the Underlying Lease Agreement and the Master Lease Agreement, may be subject to the valid exercise of the constitutional powers of the State and the United States of America.

Very truly yours,

APPENDIX H

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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**CONTINUING DISCLOSURE AGREEMENT**

**by and between**

**INDIANA FINANCE AUTHORITY**

**and**

**STATE OF INDIANA, ACTING BY AND THROUGH  
THE OFFICE OF MANAGEMENT AND BUDGET**

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**INDIANA FINANCE AUTHORITY**

**\$176,240,000**

**HIGHWAY REVENUE REFUNDING BONDS, SERIES 2017A**

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**Dated as of September 1, 2017**

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## CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (this “Agreement”), is made as of this 1<sup>st</sup> day of September, 2017 by and between the INDIANA FINANCE AUTHORITY (the “Finance Authority”) and the STATE OF INDIANA, ACTING BY AND THROUGH THE OFFICE OF MANAGEMENT AND BUDGET (the “State”), for the purpose of permitting Goldman Sachs & Co. LLC, acting on behalf of itself and the other underwriters listed in Exhibit B to the Bond Purchase Agreement (as defined herein) (collectively, the “Underwriters”), to purchase the Bonds (as defined herein) in compliance with the Securities and Exchange Commission (the “SEC”) Rule 15c2-12, as amended (the “SEC Rule”).

Section 1. Definitions. The words and terms defined in this Agreement shall have the meanings herein specified, unless the context or use clearly indicates another or different meaning or intent. Those words and terms not expressly defined herein and used herein with initial capitalization, where rules of grammar do not otherwise require capitalization, shall have the meanings assigned to them in the SEC Rule.

(a) “Beneficial Owner” shall mean any person which has or shares 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).

(b) “Bond” shall have the meaning ascribed to it in Section 2 hereof.

(c) “Bondholder” shall mean any registered owner or Beneficial Owner of any Bond.

(d) “Bond Purchase Agreement” shall mean the Bond Purchase Agreement, dated August 23, 2017, between the Finance Authority and the Underwriters.

(e) “Final Official Statement” shall mean the Official Statement, dated August 23, 2017, relating to the Bonds, including any document included therein by specific reference, which is available to the public on the MSRB’s Website or filed with the SEC.

(f) “MSRB” shall mean the Municipal Securities Rulemaking Board.

(g) “Obligated Person” shall mean any person, including the Finance Authority and the State, who is either generally or through an enterprise, fund or account of such person committed by contract or other arrangement to support payment of all or a part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit or other liquidity facilities). All Obligated Persons with respect to the Bonds currently are identified in Section 4 hereof.

Section 2. Bonds. This Agreement applies to the Indiana Finance Authority Highway Revenue Refunding Bonds, Series 2017A (the “Series 2017A Bonds” or the “Bonds”), dated the date hereof, and issued by the Finance Authority in the aggregate principal amounts of \$176,240,000.

Section 3. Term. The term of this Agreement is from the date of delivery of the Bonds by the Finance Authority to the earlier of: (a) the date of the last payment of the principal or redemption price (if any) of, and interest to accrue on, all the Bonds; (b) the date the Bonds are defeased under the Amended and Restated Trust Indenture between the Finance Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “Trustee”), dated as of March 1, 1993, as supplemented and amended to date, including a Series 2017A Supplemental Trust Indenture dated as of September 1, 2017, and as further supplemented or amended from time to time (collectively, the “Indenture”); or (c) with respect to the State only, the date upon which the State shall no longer be an Obligated Person.

Section 4. Obligated Persons.

(a) The Finance Authority hereby represents and warrants as of the date hereof that the Finance Authority and the State are the only Obligated Persons with respect to the Bonds. If the Finance Authority and/or the State is no longer committed by contract or other arrangement to support payment of the obligations on the Bonds, such person shall no longer be considered an Obligated Person within the meaning of the SEC Rule and the continuing obligation under this Agreement to provide annual financial information and notices of events shall terminate with

respect to such person. Upon such determination, the Finance Authority or the State will file, or cause to be filed, with the MSRB, in an electronic format as prescribed by the MSRB, a written notice that such person or entity is no longer an Obligated Person.

(b) In the event that any entity subsequently becomes an Obligated Person with respect to the Bonds, the Finance Authority agrees to use its best efforts (so long as it continues to be an Obligated Person with respect to the Bonds) to cause such other entity to enter into a written undertaking to comply with the disclosure requirements of Obligated Persons set forth herein.

Section 5. Provision of Annual Information.

(a) The Finance Authority and the State hereby undertake to provide to the MSRB, in an electronic format as prescribed by the MSRB, either directly or indirectly through a designated agent, for the Finance Authority and/or the State, the following annual financial information:

(i) when and if available, the audited financial statements of the State for each fiscal year of the State, beginning with the fiscal year ending June 30, 2017, together with the independent auditor's report and all notes thereto; and

(ii) within 210 days of the close of each fiscal year of the State, beginning with the fiscal year ending June 30, 2017, annual financial information for the State for such fiscal year, other than the audited financial statements described in subsection (a)(i) above, including (A) unaudited financial statements of the State, if audited financial statements are not then available, and (B) operating data (excluding any demographic information or forecasts) of the general type included under the caption "INDIANA HIGHWAY SYSTEM – Summary of Department Financial Resources and Spending Requirements" and in APPENDIX A, "FINANCIAL AND ECONOMIC STATEMENT FOR STATE OF INDIANA" to the Final Official Statement (collectively, the "Annual Information").

(b) If any Annual Information or audited financial statements relating to the State referred to in subsection (a) above no longer can be generated because the operations to which they related have been materially changed or discontinued, a statement to that effect, provided by the Finance Authority or the State to the MSRB, in an electronic format as prescribed by the MSRB, along with any other Annual Information or audited financial statements required to be provided under this Agreement, shall satisfy the undertaking to provide such Annual Information or audited financial statements. To the extent available, the Finance Authority or State shall cause to be filed along, with the other Annual Information or audited financial statements, operating data similar to that which can no longer be provided.

(c) The Finance Authority agrees to make a good faith effort to obtain Annual Information; provided, however, that failure to provide any component of Annual Information, because it is not available to the Finance Authority on the date by which Annual Information is required to be provided hereunder, shall not be deemed to be a breach of this Agreement; provided, further, that in the event such Annual Information is not available to the Finance Authority, the Finance Authority or State will provide to the MSRB, in an electronic format as prescribed by the MSRB, (i) a description of the Annual Information that is not available, (ii) any replacement or substitute information, (iii) whether such Annual Information is expected to be available and (iv) if known by the Finance Authority or the State, the date such Annual Information will be made available to the Finance Authority or the State. The Finance Authority or the State further agree to supplement the Annual Information filing when such data is available.

(d) Annual Information or audited financial statements required to be provided pursuant to this Section may be set forth in a document or set of documents, or may be included by specific reference to documents available to the public on the MSRB's Website or filed with the SEC.

Section 6. Accounting Principles. The accounting principles pursuant to which the State's financial statements will be prepared shall be generally accepted accounting principles, as in effect from time to time, as described in the independent auditors' report and the notes accompanying the audited financial statements of the State included in APPENDIX A, "FINANCIAL AND ECONOMIC STATEMENT FOR STATE OF INDIANA" to the Final Official Statement or those mandated by State law from time to time.

Section 7. Notice of Certain Events.

(a) The Finance Authority and the State undertake to provide to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
  - (ii) Non-payment related defaults, if material;
  - (ii) Unscheduled draws on debt service reserves reflecting financial difficulties;
  - (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
  - (v) Substitution of credit or liquidity providers, or their failure to perform;
  - (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
  - (vii) Modifications to rights of security holders, if material;
  - (viii) Bond calls (other than mandatory, scheduled redemptions, not otherwise contingent upon the occurrence of an event, the terms of which redemptions are set forth in detail in the Final Official Statement), if material, and tender offers;
  - (ix) Defeasances;
  - (x) Release, substitution or sale of property securing repayment of the securities, if material;
  - (xi) Rating changes;
  - (xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;
  - (xiii) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (ix) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) For the purpose of the event set forth in subsection (a)(xii) above, such event is considered to occur when any of the following occur:

- (i) the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority; or
- (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.



(c) The Finance Authority or the State may from time to time choose to provide notice of the occurrence of any other event, in addition to those listed above, if, in the judgment of the Finance Authority or the State, such other event is material with respect to the Bonds and should be disclosed, but neither the Finance Authority nor the State commits to provide any such notice of the occurrence of any material event, except those events set forth above.

Section 8. Provision of Documents to the MSRB. All documents provided to the MSRB under this Agreement shall be accompanied by identifying information as prescribed by the MSRB.

Section 9. Failure to Disclose. If, for any reason, the Finance Authority or the State fails to provide the Annual Information as required by this Agreement, the Finance Authority or the State shall provide notice of such failure in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB.

Section 10. Remedies.

(a) The purpose of this Agreement is to enable the Underwriters to purchase the Bonds by providing for an undertaking by the Finance Authority and the State in satisfaction of the SEC Rule. This Agreement is solely for the benefit of the Bondholders and creates no new contractual or other rights for the SEC, underwriters, brokers, dealers, municipal securities dealers, potential customers or any other third party. The sole remedy against the Finance Authority or the State for any failure to carry out any provision of this Agreement shall be for specific performance of the Finance Authority's or the State's disclosure obligations hereunder and not for money damages of any kind or in any amount or for any other remedy. The Finance Authority's or the State's failure to honor its covenants hereunder shall not constitute a breach or default of the Bonds, the Indenture or any other agreement to which the Finance Authority is a party.

(b) Subject to subsection (c) below, in the event the Finance Authority or the State fails to provide any information required of it by the terms of this Agreement, any Bondholder may pursue the remedy set forth in subsection (a) above in any court of competent jurisdiction in the State. An affidavit to the effect that such person is a Bondholder supported by reasonable documentation of such claim shall be sufficient to evidence standing to pursue this remedy.

(c) Prior to pursuing any remedy under this Agreement, a Bondholder shall give notice to the Finance Authority and the State, via registered or certified mail, of such breach and its intent to pursue such remedy. A Bondholder may pursue such remedy under this Agreement if and to the extent the Finance Authority or the State has failed to cure such breach within fifteen (15) days after the mailing of such notice, and not before.

Section 11. Modification of Agreement.

(a) The Finance Authority and the State may, from time to time, amend or modify this Agreement without the consent of or notice to the Bondholders if either: (i)(A) 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 Finance Authority or the State, or type of business conducted or in connection with the Projects (as defined in the Indenture), (B) this Agreement, as so amended or modified, would have complied with the requirements of the SEC Rule on the date hereof, after taking into account any amendments or interpretations of the SEC Rule, as well as any change in circumstances, and (C) such amendment or modification does not materially impair the interests of the Bondholders, as determined either by (I) any person selected by the Finance Authority and the State that is unaffiliated with the Finance Authority and the State (including the Trustee) or (II) the consent of the holders of Outstanding (as defined in the Indenture) Bonds as required under Section 1104 of the Indenture at the time of such amendment or modification; or (ii) such amendment or modification (including an amendment or modification which rescinds this Agreement) is permitted by law or the SEC Rule, as then in effect.

(b) The Annual Information or audited financial statements for the fiscal year during which any such amendment or modification occurs that contains the amended or modified Annual Information or audited financial statements shall explain, in narrative form, the reasons for such amendment or modification and the impact of the change in the type of Annual Information or audited financial statements being provided.

Section 12. Interpretation Under Indiana Law. It is the intention of the parties hereto that this Agreement and the rights and obligations of the parties hereunder shall be governed by and construed and enforced in accordance with the laws of the State.

Section 13. Severability Clause. In case any provision in this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 14. Successors and Assigns. All covenants and agreements in this Agreement made by the State and the Finance Authority shall bind their successors and assigns, whether so expressed or not.

Section 15. Notices. All notices required to be given under this Agreement shall be made at the following addresses:

If to the  
Finance Authority:                    Indiana Finance Authority  
   One North Capitol, Suite 900  
   Indianapolis, Indiana 46204  
   Attn: Public Finance Director of the State of Indiana

If to the State:                        Office of Management and Budget  
   State of Indiana  
   Statehouse, Room 212  
   Indianapolis, Indiana 46204  
   Attn: Director

IN WITNESS WHEREOF, the Finance Authority and the State have caused this Agreement to be executed  
this \_\_\_\_ day of \_\_\_\_\_, 2017.

INDIANA FINANCE AUTHORITY,

By: \_\_\_\_\_  
Micah G. Vincent, Chairman

Attest:

\_\_\_\_\_  
Dan Huge, Public Finance Director  
of the State of Indiana

*[Signature page to Indiana Finance Authority  
Highway Revenue Refunding Bonds, Series 2017A Continuing Disclosure Agreement]*

The undersigned, the State, acting by and through the Office of Management and Budget and the duly appointed and acting Director of the Office of Management and Budget for the State, hereby agrees with the Finance Authority that the State will provide, or cause to be provided to the Finance Authority or its designee, at the times and in the manner set forth in this Agreement so as to allow the Finance Authority to fulfill its obligations thereunder, any information (including information required pursuant to Sections 5, 7 and 9 of this Agreement) regarding the State, which the Finance Authority is required to provide pursuant to the terms of this Agreement.

STATE OF INDIANA (acting by and through the  
Office of Management and Budget)

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Micah G. Vincent, Director

*[Signature page to Indiana Finance Authority  
Highway Revenue Refunding Bonds, Series 2017A Continuing Disclosure Agreement]*

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