

In the opinion of Barnes & Thornburg LLP, Indianapolis, Indiana, under existing laws, interest on the Bonds (as hereinafter defined) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Bonds. In the opinion of Barnes & Thornburg LLP, Indianapolis, Indiana, under existing laws, interest on the Bonds is exempt from income taxation in the State of Indiana (the "State"), except for the financial institutions tax. See "TAX MATTERS" and Appendix C herein.

\$308,570,000
INDIANA BOND BANK
Special Program Gas Revenue Bonds, Series 2007

\$158,765,000
Fixed Rate
Special Program
Gas Revenue Bonds,
Series 2007 A

\$22,500,000
Index Rate
Special Program
Gas Revenue Bonds,
Series 2007 B-1
(LIBOR Index Rate)

\$49,710,000
Index Rate
Special Program
Gas Revenue Bonds,
Series 2007 B-2
(BMA Index Rate)

\$77,595,000
Index Rate
Special Program
Gas Revenue Bonds,
Series 2007 B-3
(CPI Index Rate)

Dated: Date of Delivery

Due: as shown on the inside cover

The Fixed Rate Special Program Gas Revenue Bonds, Series 2007 A (the "Fixed Rate Bonds") of each maturity will bear interest at the fixed rate set forth inside the cover page and the Index Rate Special Program Gas Revenue Bonds, Series 2007 B-1 (LIBOR Index Rate) (the "Libor Index Rate Bonds"), the Index Rate Special Program Gas Revenue Bonds, Series 2007 B-2 (BMA Index Rate) (the "BMA Index Rate Bonds") and the Index Rate Special Program Gas Revenue Bonds, Series 2007 B-3 (CPI Index Rate) (the "CPI Index Rate Bonds," and together with the LIBOR Index Rate Bonds and the BMA Index Rate Bonds, the "Index Rate Bonds"; the Index Rate Bonds together with the Fixed Rate Bonds are referred to herein as the "Bonds") of each maturity will bear interest as specified in Appendix F, and thereafter at variable rates equal to a fixed spread above the Index Rate (as defined herein) as determined at pricing and described inside the cover page. Interest on the Bonds of each series will accrue from their delivery date. Interest on the Fixed Rate Bonds is payable on each April 15 and October 15, commencing April 15, 2008. Interest on the Index Rate Bonds will be payable as specified in Appendix F. The Bank of New York Trust Company, N.A. is the Trustee, Paying Agent and Registrar.

The Bonds to be issued by the Indiana Bond Bank (the "Bond Bank") pursuant to a Trust Agreement, dated as of August 1, 2007 (the "Trust Agreement") between the Bond Bank and The Bank of New York Trust Company, N.A., as trustee (the "Trustee") will be issued only as fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof. When issued, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interest in the Bonds will be made in book-entry-only form. Purchasers of beneficial interests in the Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds. Principal and interest on the Bonds will be paid directly to DTC so long as the Bonds are held in book-entry-only form. The disbursement of such payments to the Beneficial Owners of the Bonds will be the responsibility of the Direct Participants and the Indirect Participants, all as defined and more fully described herein. See "DESCRIPTION OF THE BONDS—Book-Entry-Only System."

The Bonds are subject to optional and extraordinary mandatory redemption.

The Bonds are authorized by a resolution adopted by the Board of Directors of the Bond Bank and are issued under and secured by the Trust Agreement, all pursuant to the laws of the State, particularly Indiana Code 5-1.5 (the "Act"), for the purpose of providing funds to acquire the Gas Revenue Note, Series 2007 (the "Qualified Obligation") issued by the Indiana Municipal Gas Purchasing Authority, Inc. (the "Authority") pursuant to the Loan and Security Agreement, dated as of August 1, 2007, (the "Loan Agreement") between the Bond Bank and the Authority. The principal of and interest on the Bonds are payable from the proceeds of payments from the Qualified Obligation and other moneys held under the Trust Agreement (the "Trust Estate").

The Authority will use the proceeds loaned to it by the Bond Bank to finance the cost of acquisition of the Project (as defined herein), which consists of a prepayment for a 15-year supply of natural gas pursuant to an Agreement for Purchase and Sale of Natural Gas (the "Gas Purchase Agreement") between the Authority and J.P. Morgan Ventures Energy Corporation (the "Gas Supplier"), and to fund other funds or accounts. The Gas Supplier is obligated to deliver specified daily quantities of gas to the Authority, to make payments for any gas not delivered or taken, to remarket gas not taken and to make a termination payment upon any early termination of the Gas Purchase Agreement. An early termination of the Gas Purchase Agreement will result in extraordinary mandatory redemption of the Bonds. The payment obligations of the Gas Supplier under the Gas Purchase Agreement are unconditionally guaranteed by JPMorgan Chase & Co. (the "Guarantor").

The Authority is organized as an instrumentality, exclusively for the benefit of the City of Indianapolis acting by and through the Board of Directors for Utilities of its Department of Public Utilities, a municipal corporation of the State, and successor trustee of a public charitable trust, doing business as Citizens Gas & Coke Utility ("Citizens Gas"), the Town of Lapel and the City of Batesville (each a "Member" and together, the "Members"). The Authority has entered into substantially identical gas supply agreements (the "Gas Supply Agreements") with each of the Members (in such capacity, each Member or any other municipality or gas distribution system, which, with the consent of the Customer Insurance Policy Provider (as defined herein), assumes, in whole or in part, the obligations of the foregoing under a Gas Supply Agreement, is referred to herein as a "Customer"), each dated as of August 1, 2007, for the sale of all of the natural gas to be delivered under the Gas Purchase Agreement.

The Bonds are limited obligations of the Bond Bank payable solely out of the revenues and funds of the Bond Bank pledged therefor under the Trust Agreement, as more fully described herein. The Bonds do not constitute a general or moral obligation of the Bond Bank. Although the Operating Reserve Fund will be established for the Bonds, it will not constitute a reserve fund under Indiana Code 5-1.5-5. Consequently, the Bond Bank will not seek an appropriation from the Indiana General Assembly to pay debt service on the Bonds in the event the Authority fails to make timely payments on the Qualified Obligation. The Bonds do not constitute a debt, liability or loan of the credit of the State or any political subdivision thereof, including the Authority or any Members, under the constitution and laws of the State or a pledge of the faith, credit and taxing power of the State or any political subdivision thereof, including the Authority or any Members. The Bond Bank has no taxing power. Further, the payment of the Bonds is not guaranteed by the Gas Supplier, the Guarantor, the Commodity Swap Counterparty (as defined herein) or the Customer Insurance Policy Provider. Purchases of Bonds involve certain investment risks as described herein.

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 making an informed investment decision.

The Bonds are being offered when, as and if issued by the Bond Bank and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel. Certain legal matters will be passed upon for the Authority and the Members by their counsel, Ice Miller LLP and for the Underwriter by Mayer, Brown, Rowe & Maw LLP. It is expected that the Bonds will be available for delivery to DTC in New York, New York, on or about August 14, 2007.

August 1, 2007

\$308,570,000
INDIANA BOND BANK
Special Program Gas Revenue Bonds, Series 2007

MATURITY SCHEDULE, INTEREST RATES AND PRICES OR YIELDS

\$158,765,000
Fixed Rate Special Program
Gas Revenue Bonds,
Series 2007 A

<u>DUE</u> <u>OCTOBER 15</u>	<u>PRINCIPAL</u> <u>AMOUNT</u>	<u>INTEREST</u> <u>RATE</u>	<u>YIELD</u>
2008	12,475,000	5.000%	4.080%
2015	7,670,000	5.250%	4.500%
2016	18,860,000	5.250%	4.550%
2017	20,260,000	5.000%	4.600%
2018	21,850,000	5.250%	4.670%
2019	23,715,000	5.250%	4.720%
2020	25,955,000	5.250%	4.760%
2021	27,980,000	5.250%	4.790%

\$22,500,000⁽¹⁾
Index Rate Special Program
Gas Revenue Bonds,
Series 2007 B-1
(LIBOR Index Rate)

<u>DUE</u> <u>OCTOBER 15</u>	<u>PRINCIPAL</u> <u>AMOUNT</u>	<u>SPREAD TO 67% OF</u> <u>LIBOR</u>	<u>PRICE</u>
2022	\$22,500,000	0.97%	100%

\$49,710,000⁽¹⁾
Index Rate Special Program
Gas Revenue Bonds,
Series 2007 B-2
(BMA Index Rate)

<u>DUE</u> <u>OCTOBER 15</u>	<u>PRINCIPAL</u> <u>AMOUNT</u>	<u>SPREAD TO BMA</u>	<u>PRICE</u>
2009	\$16,405,000	0.48%	100%
2010	\$17,615,000	0.50%	100%
2022	\$15,690,000	0.66%	100%

\$77,595,000⁽¹⁾
Index Rate Special Program
Gas Revenue Bonds,
Series 2007 B-3
(CPI Index Rate)

<u>DUE</u> <u>OCTOBER 15</u>	<u>PRINCIPAL</u> <u>AMOUNT</u>	<u>SPREAD TO CPI</u>	<u>INITIAL INTEREST</u> <u>RATE</u>	<u>PRICE</u>
2011	\$17,080,000	1.31%	3.997%	100%
2012	\$16,920,000	1.34%	4.027%	100%
2013	\$16,665,000	1.37%	4.057%	100%
2014	\$16,930,000	1.38%	4.067%	100%
2015	\$10,000,000	1.40%	4.087%	100%

⁽¹⁾The Index Rate Bonds of each maturity will bear interest for each interest rate period at a per annum rate equal to (a) a specified index rate (based on LIBOR, BMA or CPI, each as further defined in Appendix F, the "Index Rate") (b) plus the applicable per annum spread as described in Appendix F, except that (i) the interest rate will never exceed the Maximum Interest Rate (as defined in Appendix F) and (ii) for the initial interest period as specified in Appendix F, such Bonds will bear interest at the following respective rates per annum. For terms and provisions of the Index Rate Bonds bearing interest at such variable rates, including a description of each index rate, see "THE BONDS – General" and Appendix F.

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE BOND BANK OR BY THE UNDERWRITER TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE FOREGOING. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, AND THERE SHALL NOT BE ANY SALE OF ANY OF THE SECURITIES DESCRIBED HEREIN BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE INFORMATION SET FORTH HEREIN HAS BEEN PROVIDED BY THE BOND BANK AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE BOND BANK OR ANY OTHER PERSON SUBSEQUENT TO THE DATE AS OF WHICH SUCH INFORMATION IS PRESENTED.

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

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

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OFFICIAL STATEMENT

\$308,570,000

INDIANA BOND BANK

Special Program Gas Revenue Bonds, Series 2007

\$158,765,000	\$22,500,000	\$49,710,000	\$77,595,000
Fixed Rate	Index Rate	Index Rate	Index Rate
Special Program	Special Program	Special Program	Special Program
Gas Revenue Bonds,	Gas Revenue Bonds,	Gas Revenue Bonds,	Gas Revenue Bonds,
Series 2007 A	Series 2007 B-1	Series 2007 B-2	Series 2007 B-3
	(LIBOR Index Rate)	(BMA Index Rate)	(CPI Index Rate)

INTRODUCTION

The purpose of this Official Statement, including the cover page and the appendices, is to set forth certain information concerning the issuance and sale by the Indiana Bond Bank (the "Bond Bank") of its \$158,765,000 aggregate principal amount of Fixed Rate Special Program Gas Revenue Bonds, Series 2007 A (the "Fixed Rate Bonds") and its \$22,500,000 Index Rate Special Program Gas Revenue Bonds, Series 2007 B-1 (LIBOR Index Rate) (the "Libor Index Rate Bonds"), its \$49,710,000 Index Rate Special Program Gas Revenue Bonds, Series 2007 B-2 (BMA Index Rate) (the "BMA Index Rate Bonds") and its \$77,595,000 Index Rate Special Program Gas Revenue Bonds, Series 2007 B-3 (CPI Index Rate) (the "CPI Index Rate Bonds," and together with the LIBOR Index Rate Bonds and the BMA Index Rate Bonds, the "Index Rate Bonds;" the Index Rate Bonds together with the Fixed Rate Bonds, the "Bonds"). The Bonds are authorized by a resolution adopted by the Board of Directors of the Bond Bank on July 10, 2007, and are issued under and secured by a Trust Agreement dated as of August 1, 2007 (the "Trust Agreement"), between the Bond Bank and The Bank of New York Trust Company, N.A., as trustee, registrar and paying agent (the "Trustee"), all pursuant to the laws of the State of Indiana (the "State"), particularly Indiana Code 5-1.5 (the "Act").

The Bond Bank

The Bond Bank is a separate body corporate and politic, constituting an instrumentality of the State for the public purposes set forth in the Act. The Bond Bank is not an agency of the State, but is separate from the State in its corporate and sovereign capacity and has no taxing power. The Bond Bank is governed by a Board of seven Directors, including the Treasurer of the State, who serves as Chairman Ex Officio, and the Public Finance Director of the State, who serves as a Director Ex Officio and five additional Directors, each appointed by the Governor of the State.

Under separate trust indentures and other instruments authorized under the Act, the Bond Bank has previously issued and had outstanding as of July 1, 2007, an aggregate principal amount of approximately \$2,383,230,000 in separate program obligations. Additionally, as of the date of this Official Statement, the Bond Bank is considering undertaking other types of financing for the Qualified Entities (as defined herein) for purposes authorized by and in

accordance with the procedures set forth in the Act. The obligations issued by the Bond Bank in connection with any and all such financings, if any, will be secured separately from the Bonds and will not constitute Bonds under the Trust Agreement or for purposes of this Official Statement.

The Act

Pursuant to the Act, the purpose of the Bond Bank is to assist “Qualified Entities”, defined in the Act to include, in part: (1) political subdivisions, as defined in Indiana Code 36-1-2-13, which, in particular, includes, in part, cities, towns and special taxing districts; (2) any commissions, authorities or authorized bodies of any Qualified Entity; and (3) any organizations, associations or trusts with members, participants or beneficiaries that are all individually Qualified Entities. The Bond Bank provides such assistance through programs of, among other things, purchasing the bonds, notes or evidences of indebtedness of such Qualified Entities. The Indiana Municipal Gas Purchasing Authority, Inc. (the “Authority”) is a “Qualified Entity” within the meaning of the Act.

The Prepaid Gas Funding Program

The Bond Bank has established a program (the “Prepaid Gas Funding Program”) to purchase revenue obligations issued by certain political subdivisions of the State or other Qualified Entities. The Prepaid Gas Funding Program provides a mechanism for financing the prepayment of supplies of natural gas to be delivered over time. The Bond Bank will use the proceeds from the sale of the Bonds to acquire the Gas Revenue Note, Series 2007 (the “Qualified Obligation”) dated August 1, 2007, issued by the Authority in the aggregate principal amount of \$308,570,000 pursuant to the Loan and Security Agreement, dated as of August 1, 2007 (the “Loan Agreement”), between the Bond Bank and the Authority. The Authority will use the proceeds of the Qualified Obligation to pay or fund, as applicable, all or a portion of (i) capitalized interest on the Bonds for the period from and including the date of issuance of the Bonds to but excluding November 1, 2007, net of any accrued but unpaid Interest Rate Swap Payment (as defined in Appendix B) and Interest Rate Swap Receipt (as defined in Appendix B) for such period; (ii) the Operating Reserve Fund; (iii) the Project Fund; (iv) the premium for the Customer Insurance Policies; and (v) the costs of issuance of the Bonds and the Qualified Obligation. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — The Authority and the Qualified Obligation” herein for a discussion of the Authority and “SUMMARY OF CERTAIN LEGAL DOCUMENTS” in Appendix B. The Authority, a not-for-profit organization established under the laws of the State, whose members include (i) the City of Indianapolis, acting by and through its Board of Directors for Utilities of its Department of Public Utilities, a municipal corporation of the State, and successor trustee of a public charitable trust, doing business as Citizens Gas & Coke Utility (“Citizens Gas”), (ii) the City of Batesville, Indiana, and (iii) the Town of Lapel, Indiana (each a “Member” and together, the “Members”), was created to accomplish the Members’ joint and cooperative action with respect to the acquisition, financing and management of supplies of natural gas for sale to the Customers (as defined herein).

The Project

A portion of the proceeds from the sale of the Qualified Obligation will be used by the Authority to acquire a fixed quantity of natural gas (the “Project”) to be delivered over 15 years by J.P. Morgan Ventures Energy Corporation (the “Gas Supplier”) pursuant to an Agreement for Purchase and Sale of Natural Gas, dated as of August 1, 2007 (the “Gas Purchase Agreement”) between the Gas Supplier and the Authority. The Gas Supplier has agreed to deliver specified daily quantities of gas each month, and the Authority has agreed to make a lump sum prepayment to the Gas Supplier for the cost of the Project. The Gas Supplier’s payment obligations under the Gas Purchase Agreement have been unconditionally guaranteed by JPMorgan Chase & Co. (the “Guarantor”) under a guaranty agreement (the “Guaranty”).

The Authority has entered into substantially identical gas supply agreements (the “Gas Supply Agreements”) with each of the Members (in such capacity, each Member or any other municipality or gas distribution system, which, with the consent of Assured Guaranty Corp. (the “Customer Insurance Policy Provider”), assumes, in whole or in part, the obligations of the foregoing under a Gas Supply Agreement, is referred to herein as a “Customer”), each dated as of August 1, 2007, for the sale of all of the natural gas to be delivered under the Gas Purchase Agreement. Each Gas Supply Agreement is for a term of 15 years. The total quantity of gas to be delivered by the Gas Supplier over the term of the Gas Purchase Agreement is approximately 58 billion cubic feet (“Bcf”). Citizens Gas is expected to purchase approximately 94.5% of the total gas purchased by the Authority from the Gas Supplier.

In connection with the Project, the Authority will enter into a commodity price hedge transaction (the “Authority Commodity Swap”) with BNP Paribas (the “Commodity Swap Counterparty”) relating to the gas to be delivered to the Authority by the Gas Supplier under the terms of the Gas Purchase Agreement. Pursuant to the Authority Commodity Swap, the Authority will pay a floating price to, in exchange for the receipt by the Authority of a fixed price from, the Commodity Swap Counterparty. The Gas Supplier will enter into a reciprocal Commodity Swap (the “Gas Supplier Commodity Swap” and, together with the Authority Commodity Swap, the “Commodity Swaps”) with the Commodity Swap Counterparty under which the Gas Supplier will pay specified fixed natural gas prices over a 15-year period and receive a floating natural gas price for the same notional quantities at the same pricing point.

The Bonds

The Fixed Rate Bonds of each maturity will bear interest at the fixed rate set forth inside the cover page, the LIBOR Index Rate Bonds and the BMA Index Rate Bonds of each maturity will bear interest to October 15, 2007 and the CPI Index Rate Bonds of each maturity will bear interest to September 15, 2007, each at a fixed rate, and thereafter at variable rates equal to a specified index rate determined at pricing (the “Index Rate”). For a description of each index rate, see “THE BONDS – General.” Interest on the Bonds of each series will accrue from their delivery date. Interest on the Fixed Rate Bonds is payable on each April 15 and October 15, commencing April 15, 2008. Interest on the Index Rate Bonds will be payable as specified in Appendix F.

The principal of, and interest on, the Bonds are payable solely from and secured solely by the Trust Estate pledged under the Trust Agreement, which consists of: (a) the proceeds from the sale of the Bonds; (b) all rights, titles and interests of the Bond Bank in the Loan Agreement, including the pledge of the Pledged Property (as defined in Appendix B) (except for the Unassigned Rights (as defined in Appendix B)) and the Qualified Obligation, all moneys obligated to be paid to the Bond Bank pursuant to the Loan Agreement, the Qualified Obligation and the Interest Rate Swap (as defined in Appendix B) and the earnings thereon; (c) all right, title and interest of the Bond Bank in the moneys and securities from time to time held in the Project Fund, the Purchase Fund, the Costs of Issuance Fund, the Revenue Fund, the Debt Service Fund, the Operating Reserve Fund and the General Fund under the Trust Agreement, including, without limitation, funds held pursuant to the Investment Agreement (as defined in Appendix B), Interest Rate Swap Receipts (as defined in Appendix B), any Interest Rate Swap Termination Payment (as defined in Appendix B) received by the Bond Bank pursuant to the Interest Rate Swap and any amount paid to the Bond Bank by a Replacement Interest Rate Swap Counterparty (as defined in Appendix B) in connection with the replacement by the Bond Bank of the Interest Rate Swap pursuant to the Trust Agreement, except to the extent disbursed from the respective Fund in the manner provided in the Trust Agreement; (d) all other property of any kind hereafter mortgaged, pledged or hypothecated at any time as and for additional security under the Trust Agreement by the Bond Bank or by anyone on behalf of the Bond Bank; and (e) all proceeds and products of the foregoing. The payment of the Bonds is not guaranteed by the Bond Bank, the Gas Supplier, the Guarantor, the Commodity Swap Counterparty, the Customer Insurance Policy Provider or the Members. Purchases of Bonds involve certain investment risks as described herein. See “RISK FACTORS”.

When issued, the Bonds will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). Purchases of beneficial interests in the Bonds will be made in book-entry-only form. Purchasers of beneficial interests in the Bonds (the “Beneficial Owners”) will not receive physical delivery of certificates representing their interest in the Bonds. For so long as the Bonds are held in book-entry-only form, interest on the Bonds, together with principal of the Bonds, will be paid by the Trustee directly to DTC. Neither the Bond Bank nor the Trustee will have any responsibility for a Beneficial Owner’s receipt from DTC or its nominee, or from any Direct Participant (as hereinafter defined) or Indirect Participant (as hereinafter defined), of any payments of principal of or interest on any of the Bonds. See “DESCRIPTION OF THE BONDS — Book-Entry-Only System.”

If the Bonds are no longer registered in the name of DTC or its nominee, the Bonds may be transferred or exchanged by any Bondholder or any Bondholder’s duly authorized attorney at the designated corporate trust office of the Trustee, to the extent and upon the conditions set forth in the Trust Agreement, including the payment of a sum sufficient to cover any tax or other governmental charge for any such transfer or exchange that may be imposed upon the Bond Bank or the Trustee. See “DESCRIPTION OF THE BONDS — Transfer or Exchange of the Bonds.” For so long as the Bonds are registered in the name of DTC or its nominee, the Trustee will transfer and exchange the Bonds only on behalf of DTC or its nominee. Neither the Bond Bank nor the Trustee will have any responsibility for transferring or exchanging any Beneficial Owner’s interests in the Bonds. See “DESCRIPTION OF THE BONDS — Book-Entry-Only System.”

The Official Statement; Additional Information

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

The information contained under the caption "INTRODUCTION" is qualified by reference to this entire Official Statement, including the Appendices hereto. This introduction is only a brief description and a full review should be made of this entire Official Statement, including the Appendices hereto, as well as the documents summarized or described in this Official Statement. The summaries of and references to all documents, statutes and other instruments referred to in this Official Statement do not purport to be complete and are qualified in their entirety by reference to the full text of each such document, statute or instrument. Copies of the Trust Agreement, the Loan Agreement, the Gas Purchase Agreement and the Gas Supply Agreements may be obtained from the Indiana Bond Bank, 2980 Market Tower, 10 West Market Street, Indianapolis, Indiana 46204. The Bond Bank's telephone number is (317) 233-0888.

THE BONDS

General

Fixed Rate Bonds. The Fixed Rate Bonds of each maturity will bear interest at the respective rates per annum set forth inside the cover page. Interest on the Fixed Rate Bonds will be payable on each April 15 and October 15, commencing April 15, 2008. Interest on the Fixed Rate Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

Index Rate Bonds. The Index Rate Bonds of each maturity will bear interest for each interest period between Interest Payment Dates (as defined in Appendix B) at the Index Rate for such period plus (b) the per annum spread specified in Appendix F, except that the Index Rate Bonds of each maturity will bear interest in the first interest period as specified in Appendix F, at the respective fixed rates referred to inside the cover page and may not bear interest in any interest period at more than the Maximum Interest Rate (as defined in Appendix F).

Interest on the Index Rate Bonds will be computed and payable as specified in Appendix F. If an Interest Payment Date is not a Business Day (as defined in Appendix B), interest will be paid on the following Business Day but for the same number of days as if paid on the Interest Payment Date.

Redemption

Optional Redemption – Fixed Rate Bonds. The Fixed Rate Bonds are subject to redemption at the option of the Bond Bank, at the direction of the Authority, in whole or in part, on any Interest Payment Date, at a Redemption Price (as defined in Appendix B) equal to (i) the greater of (A) the Amortized Value (as defined in Appendix B) thereof and (B) the Market Yield Value (as defined in Appendix B) thereof as of such redemption date, plus (ii) accrued and unpaid interest on the Fixed Rate Bonds as of such redemption date.

Optional Redemption – Index Rate Bonds. The Index Rate Bonds are subject to redemption, as described in Appendix F, at the option of the Bond Bank, at the direction of the

Authority, in whole or in part, on any date prior to their stated maturity, at a Redemption Price specified in Appendix F.

In the case of a partial optional redemption of Bonds, the Bonds shall be redeemed on a pro rata basis from the Outstanding (as defined in Appendix B) maturities of the Bonds in inverse order of maturity. If less than all of the Bonds within a single maturity shall be called for redemption, the Bonds within the maturity to be redeemed shall be selected in such manner as is determined by the Securities Depository.

Extraordinary Redemption:

(i) In the event the Gas Purchase Agreement is terminated in whole or in part as a result of a Termination Event (as defined in Appendix B) or a Partial Termination Event (as defined in Appendix B), the Bonds are subject to extraordinary redemption, in whole or in part, upon payment of a Redemption Price equal to (A)(1) in the case of Fixed Rate Bonds, the greater of (a) 100% of the principal amount thereof and (b) the Amortized Value thereof as of the redemption date and (2) in the case of Index Rate Bonds, 100% of the principal amount thereof, plus (B) accrued and unpaid interest on the Bonds as of such redemption date, and provided funds sufficient to redeem such Bonds have been deposited with the Trustee.

(ii) In the case of a partial extraordinary redemption of the Bonds as a result of a Partial Termination Event, the Bonds shall be redeemed on a pro rata basis from the Outstanding maturities of the Bonds in an amount for each Outstanding maturity equal to the portion of the amount payable by the Gas Supplier upon such Partial Termination Event allocable to such maturity. If less than all of the Bonds within a single maturity shall be called for redemption, the Bonds within the maturity to be redeemed shall be selected in such manner as is determined by the Securities Depository.

For a description of the Termination Events and Partial Termination Events, see “THE GAS PURCHASE AGREEMENT – Termination Provisions” and a further description of the circumstances under which the Bonds may be subject to extraordinary redemption, see “RISK FACTORS – Extraordinary Redemption.”

Selection of Bonds for Redemption

If less than all of the Bonds are to be redeemed, the Bonds or portions thereof to be redeemed shall be selected by DTC or any successor Securities Depository or, if no Securities Depository is in effect, by the Trustee by lot. The portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof, and, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000. If a portion of a Bond shall be called for redemption, a new Bond in principal amount equal to the unredeemed portion thereof shall be issued to the registered owner upon the surrender thereof.

Debt Service Requirements

The following table shows the pro forma debt service requirements on the Bonds:

	Fixed Rate Bonds		LIBOR Index Rate Bonds		BMA Index Rate Bonds		CPI Index Rate Bonds		Total Debt Service
	Principal	Interest	Principal	Interest*	Principal	Interest*	Principal	Interest*	
	Year ending								
10/15/2007				180,331		361,434		554,836	1,096,602
10/15/2008	12,475,000	9,651,805		1,064,250		2,133,055		3,274,444	28,598,554
10/15/2009		7,629,575		1,064,250	16,405,000	2,133,055		3,274,444	30,506,323
10/15/2010		7,629,575		1,064,250	17,615,000	1,473,574		3,274,444	31,056,842
10/15/2011		7,629,575		1,064,250		753,120	17,080,000	3,274,444	29,801,389
10/15/2012		7,629,575		1,064,250		753,120	16,920,000	2,572,456	28,939,401
10/15/2013		7,629,575		1,064,250		753,120	16,665,000	1,865,200	27,977,145
10/15/2014		7,629,575		1,064,250		753,120	16,930,000	1,158,604	27,535,549
10/15/2015	7,670,000	7,629,575		1,064,250		753,120	10,000,000	434,000	27,550,945
10/15/2016	18,860,000	7,226,900		1,064,250		753,120			27,904,270
10/15/2017	20,260,000	6,236,750		1,064,250		753,120			28,314,120
10/15/2018	21,850,000	5,223,750		1,064,250		753,120			28,891,120
10/15/2019	23,715,000	4,076,625		1,064,250		753,120			29,608,995
10/15/2020	25,955,000	2,831,588		1,064,250		753,120			30,603,958
10/15/2021	27,980,000	1,468,950		1,064,250		753,120			31,266,320
10/15/2022			22,500,000	1,064,250	15,690,000	753,120			40,007,370
	158,765,000	90,123,393	22,500,000	16,144,081	49,710,000	15,138,557	77,595,000	19,682,872	449,658,903

* Interest payments reflect fixed swap rates in Index Rate Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds related to acquiring the Qualified Obligation and paying costs incidental to the sale and delivery of the Bonds are estimated as shown below:

Sources of Funds:

Principal Amount of Bonds	\$308,570,000
Original Issue Premium	<u>6,934,595</u>
 TOTAL SOURCES	 \$315,504,595

Uses of Funds:

Deposit to the Interest Account of the Debt Service Fund ⁽¹⁾	\$ 3,149,829
Deposit to the Operating Reserve Fund	7,905,000
Deposit to the Project Fund for Prepayment of Gas	300,777,359
Costs of Issuance ⁽²⁾	<u>3,672,407</u>
 TOTAL USES	 \$315,504,595

⁽¹⁾ Capitalized interest to be used to pay the interest on the Bonds through November 1, 2007.

⁽²⁾ Includes Underwriter's discount, rating agency fees, legal fees and Customer Insurance Policies premium.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

The Bonds are limited obligations of the Bond Bank payable only out of the Trust Estate. The Trust Agreement creates a continuing pledge of and lien upon the Trust Estate to secure the full and final payment of the principal of, and interest on, all of the Bonds. The Bonds do not constitute a debt, liability or loan of the credit of the State or any political subdivision thereof, including the Authority or its Members, under the constitution of the State or a pledge of the faith, credit and taxing power of the State or any political subdivision thereof, including the Authority or its Members. The Bond Bank has no taxing power. The Bonds do not constitute a general or moral obligation of the Bond Bank. Although the Operating Reserve Fund will be established for the Bonds, it will not constitute a reserve fund under Indiana Code 5-1.5-5. Consequently, the Bond Bank will not seek an appropriation from the Indiana General Assembly to pay debt service on the Bonds in the event the Authority fails to make timely payments on the Qualified Obligation.

The Trust Estate

Under the Trust Agreement, the Bonds are secured by a pledge to the Trustee of the Trust Estate, which consists of: (a) the proceeds from the sale of the Bonds; (b) all rights, titles and interests of the Bond Bank in the Loan Agreement, including the pledge of the Pledged Property (except for the Unassigned Rights) and the Qualified Obligation, all moneys obligated to be paid to the Bond Bank pursuant to the Loan Agreement, the Qualified Obligation and the Interest Rate Swap and the earnings thereon; (c) all right, title and interest of the Bond Bank in the moneys and securities from time to time held in the Project Fund, the Purchase Fund, the Costs of Issuance Fund, the Revenue Fund, the Debt Service Fund, the Operating Reserve Fund and the General Fund under the Trust Agreement, including, without limitation, funds held pursuant to the Investment Agreement, Interest Rate Swap Receipts, any Interest Rate Swap Termination Payment received by the Bond Bank pursuant to the Interest Rate Swap and any amount paid to the Bond Bank by a Replacement Interest Rate Swap Counterparty in connection with the replacement by the Bond Bank of the Interest Rate Swap pursuant to the Trust Agreement, except to the extent disbursed from the respective Fund in the manner provided in the Trust Agreement; (d) all other property of any kind hereafter mortgaged, pledged or hypothecated at any time as and for additional security under the Trust Agreement by the Bond Bank or by anyone on behalf of the Bond Bank; and (e) all proceeds and products of the foregoing. The application of the Revenues (as defined in Appendix B) under the Trust Agreement is subject to the application of the Revenues upon the terms and for the purposes specified in the Loan Agreement and the Trust Agreement.

The Authority and the Qualified Obligation

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

The Authority has agreed under the Loan Agreement to report to the Bond Bank on its compliance with certain covenants which the Authority will make regarding various actions and conditions necessary to preserve the tax-exempt status of interest paid on the Qualified Obligation. See "TAX MATTERS." The Bond Bank has also determined to consult with the Authority, as necessary from time to time, with regard to the actions needed to be taken by the Authority to preserve the excludability of the interest on the Bonds from the gross income of the holders of the Bonds for federal income tax purposes.

Funds and Accounts

Pursuant to the Trust Agreement, the Bond Bank has established the following Funds and Accounts within such Funds:

- (a) the Project Fund;
- (b) the Purchase Fund;

- (c) the Costs of Issuance Fund;
- (d) the Revenue Fund;
- (e) the Debt Service Fund, and within such Fund;
 - (i) an Interest Account; and
 - (ii) a Principal Account;
- (f) the Operating Reserve Fund;
- (g) the General Fund; and
- (h) the Rebate Fund.

Within such Funds and Accounts the Trustee or the Bond Bank, as applicable, may create such further accounts or subaccounts as may facilitate the administration of the Trust Agreement.

Project Fund. Earnings on amounts on deposit in the Project Fund will be transferred to the Revenue Fund. Moneys in the Project Fund will be disbursed to pay the acquisition cost of the Project. All moneys remaining in the Project Fund following receipt by the Trustee of a certificate of an Authorized Officer of the Authority (as defined in Appendix B) that payment for the Project has been completed will be transferred to the Revenue Fund.

Purchase Fund. Moneys in the Purchase Fund will be disbursed to purchase the Qualified Obligation, upon the submission of a requisition of the Bond Bank signed by an Authorized Officer of the Bond Bank (as defined in Appendix B) stating that all requirements with respect to such financing set forth in the Trust Agreement and the Loan Agreement have been or will be complied with. After the purchase of the Qualified Obligation, the entire amount of the proceeds of the Bonds will be applied in accordance with Section 2.13 of the Trust Agreement.

Costs of Issuance Fund. Amounts on deposit in the Costs of Issuance Fund will be disbursed by the Trustee, upon receipt of written instructions from an Authorized Officer of the Bond Bank, to pay the premiums for the Customer Insurance Policies and the costs of issuance incurred in connection with the issuance of the Bonds. Any amounts remaining on deposit in the Costs of Issuance Fund 180 days following the issuance of the Bonds, a portion of the proceeds of which were deposited therein, will be transferred to the Revenue Fund.

Revenue Fund.

(a) In accordance with the Loan Agreement and pursuant to the Trust Agreement, the Authority and the Bond Bank are obligated to deposit all Revenues upon receipt thereof for credit to the Revenue Fund. On each Commodity Settlement Date (as defined in Appendix B) or as soon thereafter as possible, but, in no event, later than the 29th of each month, commencing in October 2007, the Trustee will disburse the Revenues from the Revenue Fund in the following order and priority:

- (i) any Commodity Swap Payment due on a Commodity Settlement Date;
- (ii) any amounts required to be deposited in the Rebate Fund;

(iii) to the Debt Service Fund, for the purpose of paying the principal of and interest on the Bonds and any Interest Rate Swap Payment next coming due, (A) the amount corresponding to the same date as that of the deposit, or, if such date is not the same, the following date under the heading “Debt Service Fund Combined Interest and Principal Accounts” set forth on Exhibit D attached to the Trust Agreement, with such deposit to be allocated to the Interest Account and the Principal Account in the Debt Service Fund in the amounts shown on such Exhibit D, plus (B) the aggregate amount of any Interest Rate Swap Termination Payment due and payable by the Bond Bank following the early termination of the Interest Rate Swap as a result of an Event of Default (as defined in Appendix B) or Termination Event thereunder, with respect to which the Bond Bank is the Defaulting Party (as defined in Appendix B) or the sole Affected Party (as defined in Appendix B);

(iv) any Operating Expenses (as defined in Appendix B) owed on or prior to that date upon submission of a disbursement request by an Authorized Officer of the Authority or an Authorized Officer of the Bond Bank pursuant to the Loan Agreement;

(v) to the Operating Reserve Fund, to the extent that the balance in the Operating Reserve Fund is less than the Required Operating Reserve (as defined in Appendix B), the amount needed to be deposited in the Operating Reserve Fund until the Operating Reserve Fund is equal to the Required Operating Reserve; and

(vi) any moneys remaining in the Revenue Fund following payment of the sums described under clauses (i) through (v) above will be transferred to the General Fund.

(b) Upon receipt of payments from the Authority, the Gas Supplier or the Guarantor, the Trustee will administer and disburse such moneys in the manner provided in the Loan Agreement and the Trust Agreement. In the event any moneys are remaining in the Revenue Fund after the payment of the Bonds in full, the remaining moneys will be disbursed as provided in the Trust Agreement.

Notwithstanding any provision described under this subsection, if the Customer Insurance Policy Provider has paid a Customer Shortfall Amount and, subsequently thereto, the Customer to which such Customer Shortfall Amount relates pays any amount to or at the direction of the Authority or the Trustee, such amount will be applied first, upon receipt, to reimburse the Customer Insurance Policy Provider for such Customer Shortfall Amount, plus accrued interest thereon as provided in the related Gas Supply Agreement and, second, to the Trustee for deposit into the Revenue Fund.

Operating Reserve Fund.

(a) There will be deposited in the Operating Reserve Fund out of the proceeds of the Bonds an amount equal to the amount required to fund the Operating Reserve Fund up to the Required Operating Reserve. The Operating Reserve Fund will be used to make transfers to the Revenue Fund to the extent amounts therein are insufficient to pay Commodity Swap Payments

or Operating Expenses. The Operating Reserve Fund also will be used to make transfers to the Debt Service Fund to the extent necessary, if monthly Revenues are insufficient therefor, or to pay the principal of and interest on the Bonds, the Interest Rate Swap Payments and any Interest Rate Swap Termination Payments, as the same become due, if the amounts on deposit in the Debt Service Fund are insufficient therefor after transfers thereto from the Revenue Fund and the General Fund.

(b) The Trustee will transfer amounts in the Operating Reserve Fund to the Revenue Fund for the payment of Commodity Swap Payments when due without any written direction and Operating Expenses upon receipt of a disbursement request pursuant to the Loan Agreement, but will notify the Bond Bank and the Authority in writing of such transfer promptly thereafter. The Trustee will transfer amounts in the Operating Reserve Fund to the Debt Service Fund as hereinabove described without any directive from the Bond Bank, but will notify the Bond Bank and the Authority in writing of such transfer promptly thereafter.

(c) If, on October 15 of each year, the balance in the Operating Reserve Fund is below the Required Operating Reserve, the Trustee will transfer funds to the Operating Reserve Fund to restore the Required Operating Reserve, as provided in the Trust Agreement, from the Revenue Fund and the Debt Service Fund in the manner provided in the Trust Agreement and then from the General Fund. In the event the balance in the Operating Reserve Fund exceeds the Required Operating Reserve on October 15 of each year, the excess will be transferred to the Interest Account of the Debt Reserve Fund.

(d) When the balances in the Debt Service Fund and the Operating Reserve Fund, plus the earnings thereon, are sufficient to pay at maturity all Bonds then Outstanding, all interest to accrue thereon prior to maturity (net of any anticipatory Interest Rate Swap Receipts) and all Interest Rate Swap Payments, the balance in the Operating Reserve Fund will be transferred to the Debt Service Fund for use as provided in the Trust Agreement.

THE INTEREST RATE SWAP

Set forth below is a summary of certain provisions of the Interest Rate Swap. This summary does not purport to be a complete description of the terms and conditions of the Interest Rate Swap and accordingly is qualified by reference to the full text thereof.

General

In order to hedge debt service on the Index Rate Bonds, which varies with changes in the Index Rate, the Bond Bank has entered into the Interest Rate Swap with JPMorgan Chase Bank, National Association, as Interest Rate Swap Counterparty. Under the Interest Rate Swap, the Bond Bank will be obligated to make payments at a fixed rate of interest, and the Interest Rate Swap Counterparty will be obligated to make payments at a variable rate of interest equal to the rate of interest borne by the Index Rate Bonds, in each case applied to a notional amount equal to the principal amount of Index Rate Bonds scheduled to remain outstanding in each period.

Payment and Credit

If the Interest Rate Swap Counterparty has a net accrued unpaid payment obligation under the Interest Rate Swap (based on the relative values of the fixed rate and variable rate), it will be obligated to pay the net obligation on the last business day before each Interest Payment Date for Index Rate Bonds (a “Rate Swap Receipt”). If the Bond Bank has a net accrued unpaid payment obligation under the Interest Rate Swap (based on relative values of the fixed rate and variable rate), it will be obligated to pay the net obligation on each Interest Payment Date for the Index Rate Bonds (a “Rate Swap Payment”).

The Bond Bank’s obligations under the Interest Rate Swap, with respect to (1) to Rate Swap Receipts and (2) the aggregate amount of any Interest Rate Swap Termination Payment due and payable by the Bond Bank following the early termination of the Interest Rate Swap as a result of an Event of Default or Termination Event thereunder, with respect to which the Bond Bank is the Defaulting Party or the sole Affected Party, will be secured under the Trust Agreement equally and ratably with the Bonds. The Interest Rate Swap does not alter the Bond Bank’s obligation to pay principal and interest on the Index Rate Bonds. The holders of the Index Rate Bonds have no preferential rights to Rate Swap Receipts or any claims against the Interest Rate Swap Counterparty. Rather, all Rate Swap Receipts are to be deposited to and applied as part of the Revenue Fund under the Trust Agreement.

THE GAS PURCHASE AGREEMENT

Set forth below is a summary of certain provisions of the Gas Purchase Agreement. This summary does not purport to be a complete description of the terms and conditions of the Gas Purchase Agreement and accordingly is qualified by reference to the full text thereof.

Purchase and Sale of Gas

Under the Gas Purchase Agreement, the Gas Supplier has agreed to deliver specified daily quantities of gas each month over 15 years at a fixed price, and the Authority has agreed to make a lump sum advance payment to the Gas Supplier for all of the cost of gas to be delivered. The total quantity of gas to be delivered by the Gas Supplier over the term of the Gas Purchase Agreement is approximately 58 Bcf.

Delivery of Gas

The Gas Supplier is required to deliver a fixed quantity of gas at the delivery points set forth in the Gas Purchase Agreement. The Authority determined these delivery points based on its delivery point obligations under the Gas Supply Agreements and on available gas transportation. The aggregate fixed quantity of gas to be delivered at all delivery points on each day during the term of the Gas Purchase Agreement varies based on the quantities of gas the Authority has agreed to deliver to the Members under the Gas Supply Agreements. The approximate aggregate daily quantities of gas to be delivered under the Gas Purchase Agreement range from a high of approximately 569,780 million British thermal units (“MMBtu”) in some months to a low of approximately 155,400 MMBtu in other months. Citizens Gas is expected to purchase approximately 94.5% of the total gas purchased by the Authority.

Failure to Deliver or Receive Gas

Because the Authority will have prepaid for all gas to be delivered under the Gas Purchase Agreement, the Gas Supplier will be required to pay the Authority for any gas that the Gas Supplier fails to deliver or the Authority fails to receive for any reason, including events of *force majeure*. The amount the Gas Supplier is required to pay is equal to the quantity that was not delivered or received multiplied by a price that is determined in a different manner depending upon the reason for such failure:

1. If the Gas Supplier fails to deliver gas for reasons other than *force majeure*, the Gas Supplier is required to pay the greater of (i)(a) the actual price per MMBtu for replacement gas purchased by the Authority or (b) the Spot Price for any or all replacement gas not able to be purchased by the Authority; and (ii) the monthly market index price, plus, in all cases, an administrative fee of \$0.02/MMBtu.
2. If the Authority fails to take gas for reasons other than *force majeure*, the Gas Supplier is required to pay the lesser of (a) the price at which the Gas Supplier resells the gas, or if the Gas Supplier is not able to resell the gas, the daily low market index price or (b) the monthly market index price, less in both cases \$0.02/MMBtu.
3. If either the Gas Supplier fails to deliver gas or the Authority fails to receive gas due to *force majeure*, the Gas Supplier is required to pay the monthly market index price.

Gas Remarketing

The Authority has the right to require the Gas Supplier, upon prior notice, to remarket to other purchasers any gas that the Authority does not need under the Gas Supply Agreements. For all gas specified in a notice delivered by the Authority sufficiently in advance of the month of remarketing, the Gas Supplier is required to pay the Authority the monthly market index price less a remarketing fee of \$0.02/MMBtu. For all gas specified in a notice delivered on a day within a month, the Gas Supplier is required to pay the Authority the price at which the Gas Supplier resells the gas or, if the Gas Supplier is not able to resell the gas, the lesser of the daily low market index price or the monthly market index price.

Termination Provisions

The Authority will have the right, but not the obligation, to terminate the Gas Purchase Agreement prior to its stated expiration, upon prior notice following the occurrence of any of the following Termination Events thereunder:

1. Persistent Delivery Default, defined as delivery by the Gas Supplier of (a) less than 95% of the Daily Contract Quantities (as defined in Appendix B) to the Authority for five (5) or more consecutive Days (as defined in the Gas Purchase Agreement) during any 30-day period; (b) less than 95% of the Daily Contract Quantities to the Authority for eight (8) or more Days, in the aggregate, during any 90-day period; or (c) less than 95% of the Daily Contract Quantities to the

Authority for twelve (12) Days, in the aggregate during any consecutive twelve (12) month period.

2. A reduction in the long-term senior, unsecured, unenhanced debt rating of the Commodity Swap Counterparty to below “A2” by Moody’s or below “A” by Fitch (unless, within sixty (60) days of the rating downgrade, the Gas Supplier obtains a substantially similar replacement agreement with a Replacement Commodity Swap Counterparty (as defined in Appendix B) reasonably acceptable to Authority and Gas Supplier).
3. Gas Supplier or Guarantor is “Bankrupt,” which, with respect to either entity, is defined as such entity (i) filing a petition or otherwise commencing, authorizing or acquiescing in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it; (ii) making an assignment or any general arrangement for the benefit of creditors; (iii) otherwise becoming bankrupt or insolvent; (iv) having a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets; or (v) being generally unable to pay debts as they fall due.
4. Either (i) the Guarantor’s senior unsecured long-term debt (“Debt”) is rated less than “A-” by Fitch, “A3,” by Moody’s or “A-” by S&P or (ii) Guarantor’s Debt is not rated by Fitch, Moody’s or S&P, and in either case the Gas Supplier fails to deposit and maintain with the Custodian in the manner provided in Gas Purchase Agreement Collateral (as defined in the Gas Purchase Agreement) with a market value equal to or in excess of the present value of the aggregate savings from the Project yet to be realized by the Members at such time. The Collateral is solely for the benefit of the Authority and is excluded from Revenues and the Trust Estate.
5. Gas Supplier fails to make, when due, any payment required pursuant to the Gas Purchase Agreement if such failure is not remedied within one (1) Business Day after written notice.

In addition, (i) the Authority must terminate the Gas Purchase Agreement in part in the event the aggregate amount of gas not taken by the Authority and remarketed by the Gas Supplier to third parties and used for other than a Qualifying Use exceeds the thresholds specified in the Gas Purchase Agreement and (ii) the Gas Purchase Agreement will terminate automatically upon any termination, without replacement, of either of the Commodity Swaps or the Interest Rate Swap.

Termination Payment

If the Gas Purchase Agreement is terminated before the expiration of its term for any reason, the Gas Supplier will be required to make a payment to the Authority of an amount sufficient to redeem the Bonds and pay termination related expenses. Such payment is guaranteed by the Guarantor under the Guaranty.

Assignment

Neither party may assign its rights under the Gas Purchase Agreement without the other party's express written consent, which consent shall not be unreasonably withheld. Any such assignment is conditioned on the Guaranty being applicable to the Gas Purchase Agreement after the assignment.

THE GAS SUPPLIER AND THE GUARANTOR

Set forth below is certain publicly available information with respect to the Gas Supplier and Guarantor. The obligations of the Gas Supplier are limited to those set forth in the Gas Purchase Agreement, and the obligations of the Guarantor are limited to those set forth in the Guaranty. Neither the Gas Supplier nor the Guarantor has guaranteed, nor is either responsible for the payment of, the Bonds.

The Gas Supplier, J.P. Morgan Ventures Energy Corporation, is an indirect subsidiary of the Guarantor, JPMorgan Chase & Co. The payment obligations of the Gas Supplier under the Gas Purchase Agreement are guaranteed by the Guarantor. The Guarantor is a diversified financial services holding company, which is subject to the information requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "SEC"). For further information concerning the Gas Supplier and the Guarantor, see the consolidated financial statements of the Guarantor and its subsidiaries included in the Annual Report on Form 10-K of JPMorgan Chase & Co. for the fiscal year ended December 31, 2006, which are hereby incorporated by reference into this Official Statement and shall be deemed a part hereof. Any documents which are publicly available, including any financial statements of the Guarantor and its subsidiaries that are included therein or attached as exhibits thereto, filed by JPMorgan Chase & Co. pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the most recent Annual Report on Form 10-K, and prior to the termination of the offering of the Bonds, shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. JPMorgan Chase & Co. files annual, quarterly and special reports, information statements and other information with the Securities and Exchange Commission (the "SEC") under File No. 333-130051. Copies of JPMorgan Chase & Co.'s SEC filings (including JPMorgan Chase & Co.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2006) are available over the Internet at the SEC's web site at <http://www.sec.gov>, and at the SEC's public reference room in Washington, D.C.

THE GUARANTY

Set forth below is a summary of certain provisions of the Guaranty. This summary does not purport to be complete, and reference is made to the definitive form of the Guaranty for a more complete description thereof. A copy of the Guaranty is available from the Trustee upon written request made to the Trustee.

Pursuant to the Guaranty, the Guarantor unconditionally guarantees to the Authority the due and punctual payment of any and all amounts payable by the Gas Supplier under the terms of

the Gas Purchase Agreement including, in the case of default, interest on any amount due, when and as the same shall become due and payable, whether on the scheduled payment dates, at maturity, upon termination (in whole or in part) or otherwise, according to the terms thereof. In case of the failure of the Gas Supplier punctually to make any such payment, the Guarantor agrees to make such payment, or cause such payment to be made, promptly upon demand by the Authority to the Guarantor; provided, however, that delay in giving such demand will in no event affect the Guarantor's obligations under the Guaranty. The Guaranty will remain in full force and effect or be reinstated (as the case may be) if at any time any payment guaranteed thereunder, in whole or in part, is rescinded or must otherwise be returned by the Authority upon the insolvency, bankruptcy or reorganization of the Gas Supplier or otherwise, all as through such payment had not been made.

The obligations of the Guarantor under the Guaranty are unconditional, irrespective of the validity, regularity or enforceability of the Gas Purchase Agreement, the absence of any action to enforce the same, any waiver or consent by the Authority concerning any provisions thereof, the rendering of any judgment against the Gas Supplier or any action to enforce the same, or any other circumstances that might otherwise constitute a legal or equitable discharge of a guarantor or a defense of a guarantor. The Guarantor covenants pursuant to the Guaranty that the Guaranty will not be discharged except by the complete payment of the amounts payable under the Gas Purchase Agreement.

THE COMMODITY SWAPS

Set forth below is a summary of certain provisions of the Commodity Swap Agreements. This summary does not purport to be a complete description of the terms and conditions of the Commodity Swap Agreements and accordingly is qualified by reference to the full text of the Commodity Swap Agreements.

General

In connection with its acquisition of the Gas Supply, the Authority will enter into the Authority Commodity Swap under which the Authority will pay a floating monthly market index price over a 15-year period and receive fixed specified natural gas prices for the specified monthly quantities of gas at the delivery points. The Commodity Swap payments and receipts will be netted. Periodic payments required to be made by the Authority under the Authority Commodity Swap are payable prior to the payment of the Bonds, and periodic receipts by the Authority under the Authority Commodity Swap are included in the Pledged Property pledged to the payment of the Bonds.

The Gas Supplier will enter into the Gas Supplier Commodity Swap under which the Gas Supplier will pay specified fixed natural gas prices over a 15-year period and receive a floating natural gas price for the same notional quantities at the same pricing point.

Form of Commodity Swaps

Each of the Commodity Swaps has been entered into as confirmations under a 1992 ISDA Master Agreement (Multicurrency-Cross Border) with certain amendments and elections under the master agreement that have been agreed to by the respective parties.

Payment

For each month, each party to the respective Commodity Swap with a net obligation under such Commodity Swap (based on the relative values of the fixed prices and relevant index prices) will pay that net obligation to the other party to the respective Commodity Swap no later than the 26th day of the following month, unless the 26th is not a Business Day, in which case, such payment is due the following Business Day.

Termination of the Commodity Swaps

Upon the occurrence of a default or termination event under either of the Commodity Swaps, including, without limitation, any reduction in the long-term, senior, unsecured, unenhanced debt rating of the Commodity Swap Counterparty to below “A2” by Moody’s or below “A” by Fitch (unless, within 60 days of the rating downgrade, the Gas Supplier obtains substantially similar Commodity Swaps with a Replacement Commodity Swap Counterparty reasonably acceptable to the Authority and the Gas Supplier), which, in any case, results in the termination thereof, then, in such case, the Gas Purchase Agreement will terminate.

THE COMMODITY SWAP COUNTERPARTY

BNP Paribas (“BNPP”), headquartered in Paris, France, is the second largest banking group in France and among the top 10 largest banking groups in the world. As of December 31, 2006, BNPP had consolidated total assets of approximately \$1.90 trillion and consolidated total equity of \$72.35 billion (based on a December 31, 2006 exchange rate of €1.00 = \$1.32). BNPP offers a broad range of corporate and investment banking, retail and private banking and asset management products and services, is active in more than 85 countries and has more than 138,000 employees, 15,100 of whom are based in North America. BNPP is currently rated Aa1 (Stable Outlook) by Moody’s, AA+ (Stable Outlook) by Standard & Poor’s, and AA (Stable Outlook) by Fitch.

The Commodity Derivatives group has 20 years of experience in offering cash settled swaps, forwards, futures and options linked to commodities and related products, including natural gas, oil and base and precious metals. Within Commodity Derivatives, the Commodity-Indexed Transactions group (“CIT”) offers many of the cash settled derivatives including transacting over-the-counter commodity derivatives as principal on underlying commodities such as crude oil and oil products, natural gas, base and precious metals and, in Europe only, power, coal, freight and emissions. CIT works out of centers located in New York, Houston, London, Paris, Singapore, Tokyo and Sydney.

As part of Commodity Derivatives, BNPP engages in commodity brokerage services in the United States through BNP Paribas Commodity Futures, Inc. (“CFI”), a Delaware corporation incorporated in 1985 with its principal place of business in New York City, which was organized to provide clearing and execution services to customers in connection with listed commodity futures and options. Commodity brokerage services in Europe, Asia and Africa, including margin finance services, are conducted primarily through a U.K. affiliate, BNP Paribas Commodity Futures Limited (“CFL”). CFI and CFL hold memberships in many of the world’s largest commodity exchanges, including the New York Mercantile Exchange, the New York

Board of Trade, the Intercontinental Exchange, the London International Financial Futures Exchange and the London Metals Exchange. CFI is a futures commission merchant regulated by the Commodity Futures Trading Commission and is a member of the National Futures Association. CFL is regulated by the U.K. Financial Services Authority.

THE GAS SUPPLY AGREEMENTS

General

Under the Gas Supply Agreements, the Authority must tender on a firm basis for delivery to each of the Members at the points of delivery identified in the Gas Supply Agreements and each Member must purchase and receive on a firm basis from the Authority at the applicable Delivery Point or Points, the Daily Contract Quantity of gas for each month pursuant to the applicable Gas Supply Agreement. The Gas Supply Agreement entered into with each of Citizens Gas, the City of Batesville and the Town of Lapel is for a term of 15 years.

The Gas Supply Agreements will remain in full force and effect for a primary term ending no later than the maturity date of the Bonds; *provided, however*, that if the Gas Purchase Agreement terminates earlier, each of the Gas Supply Agreements will terminate on such date.

The following table sets forth the average annualized Daily Contract Quantity of gas that each Member has agreed to purchase from the Authority under the Gas Supply Agreements and each Member’s percentage of the total average annualized Daily Contract Quantity.

Average Daily Contract Quantity of Gas To Be Purchased by each Member Under the Gas Supply Agreements

<u>MEMBER</u>	<u>AVERAGE DAILY CONTRACT QUANTITY (DTH)⁽¹⁾</u>	<u>PERCENTAGE BY PARTICIPANT</u>
City of Batesville	458	4.3%
Citizens Gas	10,038	94.5%
Town of Lapel	127	1.2%
<u>TOTAL</u>	10,623	100.0%

(1) The average Daily Contract Quantity is calculated over the term of the applicable Gas Supply Agreement.

Contract Price

A Member must pay the Authority the applicable Index Price (as defined herein), less a fixed discount per MMBtu (the “Contract Price”) for gas delivered by the Authority. The “Index Price” means a charge per MMBtu equal to the monthly market index price for the month of delivery reported in the first issue for such month, or the revised edition, if applicable, of the

publication Platts Inside FERC's Gas Market Report, under the heading "Prices of Spot Gas Delivered to Pipelines," for deliveries at the applicable Delivery Point, or such other index as may be determined pursuant to the Gas Supply Agreements. At the end of each Contract Year (as defined in the Gas Supply Agreements), the Authority will distribute, on a *pro rata* basis, any excess revenues to the Members in the form of a refund.

Billing and Payment

Following the end of the month of delivery of gas, the Authority must provide a monthly billing statement of the amount due for such gas. The due date for payment by the Members will be the 23rd day of the month (and if the 23rd day of the month is not a Business Day, the next preceding day that is a Business Day). If a Member disputes the appropriateness of any charge or calculation in any billing statement, such Member, within the time provided for payment, must notify the Authority of the existence of and basis for such dispute and must pay all amounts billed by the Authority, including any amounts in dispute. If it is ultimately determined that such Member did not owe the disputed amount, the Authority must pay such Member the disputed amount plus interest.

Revenue Obligations

Each Customer's obligations under its Gas Supply Agreement are payable exclusively from the revenues received by that Customer from its gas utility system and there is no right of the Authority or the Trustee to seek payment of such obligations from any other revenues or assets of that Customer.

Transportation; Title to Gas

Except as otherwise provided in the Gas Supply Agreements, the Authority must make arrangements for all transportation services required to effect and must bear all costs and expenses of transportation prior to the delivery of the Daily Contract Quantity at each Delivery Point. Each Member must make all arrangements for all transportation services required to receive its Daily Contract Quantity at the applicable Delivery Point and to ship it from such Delivery Point to its intended destination and must bear all costs of transportation downstream of such Delivery Point.

The Authority warrants the title to all gas sold under the Gas Supply Agreements. Transfer of custody of the gas and title to such gas sold will pass to and vest in a Member at the applicable Delivery Point. The Authority will be deemed to be in exclusive control and possession of gas prior to the time of delivery to a Member at the Delivery Point, and a Member will be deemed to be in exclusive control and possession of gas thereafter.

Failure to Perform

Except in cases of a Gas Supply Agreement *force majeure*, for each MMBtu that the Authority is obligated to deliver to a Member but fails to deliver, the Authority must pay to such Member an amount equal to the difference between the Contract Price per MMBtu which would have been applicable to the undelivered gas and any higher cost per MMBtu which such Member actually incurred to obtain an equivalent quantity of replacement gas. In the event of *force*

majeure, the Customer is not obligated to pay for the undelivered gas, in which case either the Authority is obligated to remarket the gas or require the Gas Supplier to remarket the gas.

Event of Default

Failure by a Customer to make when due any payment to the Authority under the Gas Supply Agreement will constitute a default by such Customer. In the event of any such default, the Trustee will draw upon the Customer Insurance Policy, and the Authority will have the right to (i) bring any suit, action, or proceeding at law or in equity, including without limitation mandamus and action for specific performance, to recover from such Member any amount in default (ii) sell such Member's Gas to any other Member, other municipal utilities or to other purchasers, (iii) upon one day's written notice to the Member, cease and discontinue providing delivery of all or any portion of the gas otherwise to be delivered to such Member; and/or (iv) terminate the Gas Supply Agreement with such Member.

After a Member commits an event of default, the Authority may require the Member to provide payment in advance at the beginning of each month of amounts estimated to be due to the Authority for each future delivery of Gas for such month.

THE CUSTOMER INSURANCE POLICIES

The obligations of each Customer to pay to the Authority amounts due for gas delivered under its respective Supply Contract will be guaranteed by the Customer Insurance Policy Provider pursuant to separate Customer Insurance Policies to be issued by the Customer Insurance Policy Provider in favor of the Authority. For a description of the Customer Insurance Policy Provider, see "APPENDIX E." Such amounts will be paid by the Customer Insurance Policy Provider upon a properly completed notice of claim if nonpayment is not remedied within one (1) business day after such amount is due under the related Supply Agreement. The aggregate amount payable by the Customer Insurance Policy Provider pursuant to a Customer Insurance Policy is limited to the lesser of (i) the Policy Limit (as defined in the respective Customer Insurance Policy) and (ii) the amounts required to be paid by such Customer for gas actually delivered under the related Supply Agreement for a maximum duration of three (3) consecutive Months (as defined in the related Supply Agreement) but for which payment has not been received by the Authority. The Policy Limit for each Customer Insurance Policy represents an amount which approximates 90 days of gas deliveries to the related Customer at a price of \$30/MMbtu.

The Customer Insurance Policies insure only the payments required to be made by the Customers for gas delivered under the related Supply Agreement and do not insure any other payments, including but not limited to penalties, interest accruing at a default rate, amounts payable in respect of indemnification, Imbalance Charges, or transportation costs, or to any other additional amounts payable which may be payable by the Customer to the Authority under the respective Supply Agreement. The Customer Insurance Policies do not constitute a guarantee of the Authority's obligations with respect to the Bonds.

RISK FACTORS

Purchasers of the Bonds are advised of certain risk factors with respect to the payment of the Qualified Obligation by the Authority, and payment of the Bonds at maturity. This discussion is not intended to be all-inclusive, and other risks may also be present.

Limited Obligations

The ability of the Bond Bank to pay principal of, and interest on, the Bonds depends primarily upon the receipt by the Bond Bank of payments pursuant to the Qualified Obligation, including interest at the rates provided therein, from the Authority, which is obligated to make such payments to the Bond Bank, together with earnings on the amounts in the Funds and Accounts sufficient to make such payments. The Bonds are payable solely from the Revenues and the funds pledged under the Trust Agreement. Although the Operating Reserve Fund will be established for the Bonds, it will not constitute a reserve fund under Indiana Code 5-1.5-5. Consequently, the Bond Bank will not seek an appropriation from the Indiana General Assembly to pay debt service on the Bonds in the event the Authority fails to make timely payments on the Qualified Obligation.

The Authority has no substantial assets or revenues other than those that are pledged to the payment of the Bonds. Accordingly, no financial or operating information with respect to the Authority is included in this Official Statement. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — The Authority and the Qualified Obligation.” There is no source of funds available to make up for any deficiencies in the event of default by the Authority in such payments on the Qualified Obligation. The Authority is created solely for the purpose of financing the Project or similar gas prepayment projects. However, in the event that the Authority should become bankrupt, the continuing pledge and security interest by the Authority of its right to receive payments from the Customers under the Gas Supply Agreements for future deliveries of Gas may be set aside or limited as a result of the Authority's bankruptcy.

Each Customer's obligations under the respective Gas Supply Agreement are payable solely from the revenues received by its gas utility system, and no right exists to collect against any other revenues or assets of such Customer. There can be no representation or assurance that Customers will receive sufficient revenues or otherwise have sufficient funds available to make their required payments due under the Gas Supply Agreements or that the Customer Insurance Policy Provider will be able to make payments, when and if necessary, under the respective Customer Insurance Policies. The receipt of such revenues by the Customers is subject to, among other things, future economic conditions, actions by creditors and other conditions which are variable and not certain of prediction. For a description of procedures for providing for the payment of Qualified Obligation, see the captions “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — The Authority and the Qualified Obligation” and “INTRODUCTION — The Prepaid Gas Funding Program”.

Structure of the Gas Project

The Bonds are limited obligations of the Bond Bank and are payable solely from the Trust Estate. The Gas Purchase Agreement, the Gas Supply Agreements, the Commodity

Swaps, the Investment Agreement, the Interest Rate Swap, the Trust Agreement, the Loan Agreement, the Bonds and the related agreements have been structured so that, assuming timely performance and payment by the Gas Supplier, the Customers, the Customer Insurance Policy Provider, if applicable, the Commodity Swap Counterparty and the Interest Rate Swap Counterparty of their respective obligations, the Revenues available to the Authority from the Project, together with the amounts required by the Trust Agreement to be deposited in certain Funds and Accounts held by the Trustee, will be sufficient at all times to provide for the timely payment of Operating Expenses and the scheduled debt service requirements on the Bonds. These arrangements include:

- The Gas Supplier is required to deliver gas under the Gas Purchase Agreement in specified daily quantities at designated delivery points that correspond to the daily quantities of gas and delivery points that the Authority has committed to serve under the Gas Supply Agreements. In the event the Gas Supplier fails to deliver gas for any reason, including *force majeure* events, it is required to pay specified damages to the Authority in an amount at least equal to the payment that would have been received from the Customers if the Gas Supplier had delivered the gas.
- The Customers have agreed to pay for gas tendered for delivery under the Gas Supply Agreements at prices based upon a monthly market index price and to pay specified damages to the Authority for their failure to accept gas tendered for delivery by the Authority in an amount at least equal to the payment that would have been received if the Customers had accepted gas tendered for delivery.
- In the event that any Customer fails to pay for gas delivered by the Authority or fails to pay damages for gas tendered by the Authority but not taken, the Authority has covenanted in the Loan Agreement to exercise its right under the Customer Insurance Policy to make a draw and under the Gas Supply Agreement to suspend further deliveries of gas to the defaulting Customer.
- In the event of a suspension of gas deliveries, the Authority may itself remarket the defaulting Customer's contract quantities of gas or may give notice to the Gas Supplier to remarket such quantities of gas pursuant to the Gas Purchase Agreement.
- The Trustee will enter into the Investment Agreement with Transamerica Occidental Life Insurance Company for the purpose of investing moneys held by the Trustee under the Trust Agreement in the Debt Service Fund and the Operating Reserve Fund.

The performance of the obligations and the payment of the required amounts described above are calculated to provide sufficient Revenues to enable the Authority to make timely payments to the Commodity Swap Counterparty under the Authority Commodity Swap and to the Bond Bank pursuant to the Qualified Obligation and to enable the Bond Bank to make timely payments to the Interest Rate Swap Counterparty under the Interest Rate Swap and to pay the debt service on the Bonds, when due.

The Bond Bank's ability to make debt service payments on the Bonds will depend materially upon the full and timely performance by the Gas Supplier of its gas delivery and other obligations under the Gas Purchase Agreement and, in the event of nonperformance by the Gas Supplier, upon the performance by the Guarantor of its payment obligations under the Guaranty.

Extraordinary Redemption

In the event the Gas Purchase Agreement is terminated early, the Gas Supplier or the Guarantor is required to make a payment to the Authority thereunder which will be used to redeem all or an allocable portion of the Bonds prior to maturity. The Authority may terminate the Gas Purchase Agreement prior to the expiration in whole upon the occurrence of the Termination Events described under "THE GAS PURCHASE AGREEMENT – Termination Provisions," and must terminate the Gas Purchase Agreement upon the termination of either of the Commodity Swaps or the Interest Rate Swap. The Authority must terminate the Gas Purchase Agreement in part in the event the aggregate amount of gas not taken by the Authority and remarketed by the Gas Supplier to third parties and used for other than a Qualifying Use exceeds the thresholds specified in the Gas Purchase Agreement and described therein. Upon early termination of the Gas Purchase Agreement, the Gas Supplier will be obligated to make a termination payment to the Authority in an amount, together with the amounts required to be on deposit in certain Funds and Accounts held by the Trustee, sufficient to redeem the Bonds and pay termination-related expenses. See "THE GAS PURCHASE AGREEMENT." Upon termination, the Bonds are subject to extraordinary redemption. See "THE BONDS – Redemption."

To the extent the Trustee does not have sufficient funds on deposit under the Trust Agreement to pay the entire amount of interest and principal coming due on the Bonds, the Trustee is directed to pay debt service on all Bonds to the holders of the Bonds in accordance with the provisions therefor in the Trust Agreement. See "SUMMARY OF CERTAIN LEGAL DOCUMENTS – Summary of Certain Provisions of the Trust Agreement – Events of Default and Remedies – Application of Moneys" in Appendix B.

Gas Remarketing

Under the Gas Supply Agreements, the Authority has agreed, at the request of a Customer, to use commercially reasonable efforts to remarket gas that will not be scheduled for delivery by such Customer. See "THE GAS SUPPLY AGREEMENTS." Under the Gas Purchase Agreement, the Gas Supplier has agreed, upon prior notice, to use commercially reasonable efforts to remarket or cause to be remarketed, any gas the Authority does not need under the Gas Supply Agreements. See "THE GAS PURCHASE AGREEMENT." Both the Authority and the Gas Supplier have agreed to use commercially reasonable efforts to remarket gas pursuant to provisions that are intended to maintain the tax-exempt status of interest on the Bonds, and, if the Gas Purchase Agreement will partially terminate in an amount necessary to maintain such status, there shall be a partial extraordinary redemption of the Bonds in a corresponding amount. See "THE BONDS – Redemption."

Limitations on Exercise of Remedies

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

Index Rate Bonds

An investment in the Index Rate Bonds involves risks not associated with an investment in ordinary floating rate securities, which prospective investors should consider before purchasing the Index Rate Bonds. Tax-exempt municipal securities bearing interest at an index rate are relatively new investment instruments. There can be no assurance that a secondary market for the Index Rate Bonds will develop or, if a secondary market does develop, that it will continue or that it will provide owners of the Index Rate Bonds with liquidity for their investment. In addition, the Index Rate Bonds may not be widely traded or as well understood as fixed rate securities or ordinary floating rate securities. Lesser liquidity and fewer market participants may result in larger spreads between bid and asked prices for the Index Rate Bonds than the bid-asked spreads for fixed rate securities or ordinary floating rate securities of the same maturity as the Index Rate Bonds. Larger bid-asked spreads normally result in higher transaction costs and/or lower overall returns. The liquidity of the Index Rate Bonds may be enhanced over time as other issuers of tax-exempt bonds issue similar securities, or as more entities participate in the market for such securities, generally; but, there can be no assurance that either or both of these phenomena will occur. See Appendix F for other risk factors related specifically to the CPI Index Rate Bonds (as defined in Appendix F).

PROJECT MANAGEMENT

General

Management of the Project will be provided by ProLiance Energy, LLC, an Indiana limited liability company (the “Manager”). Certain information regarding the Manager and the Project management and gas supply services provided by the Manager on behalf of the Authority and the Members is set forth below.

Information Regarding ProLiance Energy, LLC

The Manager is a limited liability company with its headquarters in Indianapolis, Indiana and regional offices located in Indiana, Ohio, Kentucky, Illinois and Missouri. In 1996, Indiana Energy Services, Inc. and Citizens By-Products Coal Company, subsidiaries of Vectren Corporation (“Vectren”) and Citizens Gas (two utility industry leaders headquartered in Indiana), founded the Manager in an effort to achieve lower natural gas and transportation costs for their customers. Since its inception, the Manager has evolved from an energy marketer focusing primarily on providing natural gas to Vectren and Citizens Gas and their customers, into a

leading energy resource manager and marketing and services company serving over 1,300 municipalities, utilities and industrial customers in the midwest and southeast markets. The Manager's dedication to quality service is supported by a senior management team aggregating more than 100 years of industry experience and employees who are knowledgeable across all operational areas. Today, the Manager is a wholly owned subsidiary of ProLiance Holdings, LLC.

Project Management Agreement

Management services relating to the Project will be provided by the Manager on behalf of the Authority pursuant to a Natural Gas Consulting, Administration and Agency Agreement, dated as of August 1, 2007 (the "Project Management Agreement"), between the Authority and the Manager. The Project Management Agreement has a term of three (3) years from the date thereof, subject to (i) termination at the option of the Authority at the end of the second contract year or (ii) the automatic extension of such term by one (1) year on each anniversary date unless either party elects not to extend. Notwithstanding the foregoing, the Project Management Agreement will automatically terminate in the event that the Gas Purchase Agreement or the Gas Supply Agreements are terminated.

Under the terms of the Project Management Agreement, the Manager agrees to perform the administrative tasks necessary to carry out the duties of the Authority and to serve as the Authority's duly authorized agent under the Gas Purchase Agreement:

(i) in the event that on any Day, for any reason, the Authority fails or is unable to accept delivery at a particular Delivery Point the Daily Contract Quantity of Gas to be received at such Delivery Point from Gas Supplier on such Day;

(ii) in the event that the Authority determines that it will be unable to either (a) use all or some portion of the Gas to be delivered for a Qualifying Use or (b) resell all or a portion of such Gas not so used to another Qualified User for a Qualifying Use, and in connection with the Authority's efforts to remarket or a request by the Authority that Gas Supplier remarket such Gas;

(iii) related to Billing and Payments under the Gas Purchase Agreement;

(iv) in connection with the delivery of the Daily Contract Quantity to the Delivery Points or as established pursuant to the Gas Purchase Agreement;

(v) in connection with any failure of either party to perform any of the covenants or obligations under the Gas Purchase Agreement, which failure shall result from *force majeure*; and

(vi) in the event that on any Day, for any reason, the Gas Supplier fails or is unable to deliver at a particular Delivery Point, the Daily Contract Quantity of Gas to be delivered at such Delivery Point to the Authority on such Day.

In addition, under the terms of the Project Management Agreement, the Manager agrees to perform the administrative tasks necessary to carry out the duties of the Authority and to serve as the Authority's duly authorized agent under each of the Gas Supply Agreements:

- (i) in connection with the Authority's obligation to sell to each of the Members its Daily Contract Quantity of Gas;
- (ii) in connection with the Authority's nomination activities;
- (iii) in connection with the Authority's efforts to avoid and resolve any imbalance charges;
- (iv) in connection with a request by a Member to reduce its Daily Contract Quantity of Gas;
- (v) in connection with the failure or inability of a Member to meet its obligation to accept delivery and purchase at a particular Delivery Point of the Daily Contract Quantity of Gas;
- (vi) in connection with the Authority's inability to meet its obligations to deliver and sell to the Members the Daily Contract Quantities of Gas;
- (vii) in connection with Billing and Payments under the Gas Supply Agreements; and
- (viii) in connection with a failure of any of the parties to perform any of the covenants or obligations under the Gas Supply Agreements, which failure shall result from *force majeure*.

THE INDIANA BOND BANK

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

Powers Under the Act

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

1. Make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the Bond Bank or pertaining to a loan to or a lease or an agreement with a qualified entity, a purchase, acquisition or a sale of qualified obligations or other investments or the performance of its duties and execution of its powers under the Act;
2. Purchase, acquire or hold qualified obligations or other investments for the Bond Bank's own account or for a qualified entity at such prices and in a manner as the

Bond Bank considers advisable, and sell or otherwise dispose of the qualified obligations or investments at prices without relation to cost and in a manner the Bond Bank considers advisable;

3. Fix and establish terms and provisions upon which a purchase or loan will be made by the Bond Bank;
4. Prescribe the form of application or procedure required of a qualified entity for a purchase or loan and enter into agreements with qualified entities with respect to each purchase or loan;
5. Render and charge for services to a qualified entity in connection with a public or private sale of any qualified obligation, including advisory and other services;
6. Charge a qualified entity for costs and services in review or consideration of a proposed purchase, regardless of whether a qualified obligation is purchased, and fix, revise from time to time, charge and collect other program expenses properly attributable to qualified entities;
7. To the extent permitted by the indenture or other agreements with the owners of bonds or Bonds of the Bond Bank, consent to modification of the rate of interest, time and payment of installments of principal or interest, security or any other term of a bond, note, contract or agreement of any kind to which the Bond Bank is a party;
8. Appoint and employ general or special counsel, accountants, financial advisors or experts, and all such other or different officers, agents and employees as it requires;
9. In connection with any purchase, consider the need for and desirability or eligibility of the qualified obligation to be purchased, the ability of the qualified entity to secure financing from other sources, the costs of such financing and the particular public improvement or purpose to be financed or refinanced with the proceeds of the qualified obligation to be purchased by the Bond Bank;
10. Temporarily invest moneys available until used for making purchases, in accordance with the indenture or any other instrument authorizing the issuance of bonds or Bonds; and
11. Issue bonds or notes of the Bond Bank in accordance with the Act bearing fixed or variable rates of interest in aggregate principal amounts considered necessary by the Bond Bank to provide funds for any purposes under the Act; provided, that the total amount of bonds or notes of the Bond Bank outstanding at any one time may not exceed any aggregate limit imposed by the Act, currently fixed at \$1,000,000,000. Such aggregate limit of \$1,000,000,000 does not apply to (i) bonds or notes issued to fund or refund bonds or notes of the Bond Bank; (ii) bonds or notes issued for the purpose of purchasing an agreement executed by the Authority under Indiana Code 20-49-4; (iii) bonds, notes, or other obligations not

secured by a reserve fund under Indiana Code 5-1.5-5; and (iv) bonds, notes, or other obligations if funds and investments, and the anticipated earned interest on those funds and investments, are irrevocably set aside in amounts sufficient to pay the principal, interest, and premium on the bonds, notes, or obligations at their respective maturities or on the date or dates fixed for redemption.

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

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

Organization and Membership of the Bond Bank

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

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

Directors

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

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

Cristopher R. Johnston, Public Finance Director of the State, June 1, 2007 to present. Residence: Indianapolis, Indiana. Office of Management and Budget, Division of Government Efficiency and Financial Planning, February 16, 2005 to present; Crowe Chizek and Company LLC, 1992 to 2005; Indiana State Treasurer's Office, 1988 to 1992; Michigan National Corporation, 1987 to 1988; Merchants National Corporation, 1982 to 1987.

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

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

Russell Breeden, III, Director; term expired July 1, 2003. Residence: Indianapolis, Indiana. Chairman of the Board and CEO, Community First Financial Group, Inc., 1993 to 2002. Director, English State Bank, 1993 to present; Chairman, Peoples Trust Bank Company, 1994 to present; Chairman, Peninsula Banking Group, 1995 to present; Chairman, Bay Cities National Bank, 1995 to present; Director and President, Bettenhausen Motorsports, Inc., 1988 to present.

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

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

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

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

DESCRIPTION OF THE BONDS

General Description

The Bonds will be issued under the Trust Agreement as fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof. The Fixed Rate Bonds of each maturity will bear interest at the fixed rate set forth inside the cover page and the Index Rate Bonds of each maturity will bear interest as specified in Appendix F, and thereafter at variable rates equal to a fixed spread above the Index Rate. For a description of each index rate, see “THE BONDS – General.” Interest on the Fixed Rate Bonds will be payable on each April 15 and October 15, commencing on April 15, 2008. Interest on the Index Rate Bonds will be payable as specified in Appendix F.

When issued, all of the Bonds will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). Purchases of beneficial interests from DTC in the Bonds will be made in book-entry only form (without certificates) in the denomination of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Bonds (the “Beneficial Owners”) will not receive physical delivery of certificates representing their interests in the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made directly by the Trustee by wire transfer of funds to Cede & Co., as nominee for DTC. Disbursement of such payments to the participants of DTC will be the sole responsibility of DTC, and the ultimate disbursement of such payments to the Beneficial Owners of the Bonds will be the responsibility of the Direct Participants and the Indirect Participants, as defined herein. See “Book-Entry-Only System” in this section.

The Bonds are subject to optional and extraordinary redemption.

Book-Entry-Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The 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 Fixed Rate Bond and Index Rate Bond will be issued for each maturity of such Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

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

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

To facilitate subsequent transfers, all Bonds deposited by 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 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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.

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Bond Bank or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Bond Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Bank or the Trustee, disbursements of such payments to Direct Participants will be the responsibility of DTC, and disbursements of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Bond Bank believes to be reliable, but the Bond Bank takes no responsibility for the accuracy thereof.

Revision of Book-Entry-Only System

In the event that either (i) the Bond Bank receives notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities as a clearing agency for the Bonds or (ii) the Bond Bank elects to discontinue its use of DTC as a clearing agency for the Bonds, then the Bond Bank and the Trustee will do or perform or cause to be done or performed all acts or things, not adverse to the rights of the holders of the Bonds, as are necessary or appropriate to

discontinue use of DTC as a clearing agency for the Bonds, and to transfer the ownership of each of the Bonds, in accordance with the Trust Agreement. See “—Payment of the Bonds” and “—Transfer or Exchange of the Bonds” in this section.

Payment of the Bonds

If DTC or its nominee is not the registered owner of the Bonds, the principal of the Bonds shall be payable to the Holders (as defined in Appendix B) thereof upon the surrender of such Bonds at the corporate trust office of the Trustee in Syracuse, New York, and interest on the Bonds shall be payable by check dated and mailed on the Interest Payment Date by the Trustee to the Holders as of the Record Date (as defined in Appendix B), at their addresses as they appear on the registration books kept by the Trustee. Principal and interest are payable in lawful money of the United States of America.

Transfer or Exchange of the Bonds

Except as provided under “Book-Entry-Only System” in this section, any Bond or Bonds may be exchanged for new Bonds of the same type at the designated corporate trust office of the Trustee in accordance with the Trust Agreement. No service charge or payment will be required to transfer or exchange any Bond, but the Bond Registrar (as defined in Appendix B) at the request of the Bond Bank will require payment of a sum sufficient to cover any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange.

THE BONDS AS LEGAL INVESTMENTS

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

LITIGATION

Bond Bank

There is not now pending or, to the Bond Bank’s knowledge, threatened any litigation (1) restraining or enjoining the issuance, sale, execution or delivery of the Bonds, (2) prohibiting the Bond Bank from purchasing the Qualified Obligation with the proceeds of such Bonds, (3) in any way contesting or affecting the validity of the Bonds or (4) restraining or enjoining any proceedings of the Bond Bank taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Bonds. Neither the creation, organization or existence of the Bond Bank nor the title of any of the present Directors or other officers of the Bond Bank to their respective offices is being contested.

Authority

Upon the issuance of the Qualified Obligation, the Bond Bank will receive a certification from the Authority described in Appendix A to the effect that there is not now pending or, to the best knowledge of the Authority, threatened any litigation restraining or enjoining (i) the

execution of the Qualified Obligation or the Loan Agreement or (ii) any proceedings of the Authority taken with respect to the Qualified Obligation or the pledge or application of any moneys or security provided for the payment of the Qualified Obligation, or in any way contesting or affecting the validity of the Qualified Obligation or the Loan Agreement.

TAX MATTERS

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

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

The interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

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

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

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

expresses no opinion regarding any other such tax consequences. Prospective purchasers of the Bonds should consult their own tax advisors with regard to the other tax consequences of owning the Bonds.

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

LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Bonds by the Bond Bank are subject to the approval of Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel, whose approving opinion will be delivered with the Bonds. Bond Counsel will render a further opinion that representatives of such firm have reviewed the information contained under the captions, "INTRODUCTION" (other than information under the headings "The Bond Bank" and "The Official Statement; Additional Information"), "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" (other than information under the heading "The Authority and the Qualified Obligation"), "DESCRIPTION OF THE BONDS" (other than information under the heading "Book-Entry-Only System"), "TAX MATTERS," "SUMMARY OF CERTAIN LEGAL DOCUMENTS" in Appendix B and "PROPOSED FORM OF BOND COUNSEL OPINION" in Appendix C, and insofar as such statements purport to summarize certain provisions of the Act, the Bonds, the Trust Agreement, the Loan Agreement and Bond Counsel's legal opinion with respect to the Bonds, they present, in all material respects, an accurate summary thereof. Bond Counsel has not undertaken to review the accuracy or completeness of statements under any other heading of this Official Statement, and expresses no opinion thereon and assumes no responsibility in connection therewith. Certain legal matters will be passed upon for the Underwriter by its counsel, Mayer, Brown, Rowe & Maw LLP, Chicago, Illinois, and for the Authority and the Members, by their counsel, Ice Miller LLP, Indianapolis, Indiana.

The remedies available to the Trustee, to the Bond Bank or to the owners of the Bonds upon an Event of Default under the Trust Agreement, under the terms of the Qualified Obligation purchased by the Bond Bank are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the United States Bankruptcy Code), the remedies provided in the Trust Agreement and under the Qualified Obligation or the Loan Agreement may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally (regardless of whether such enforceability is considered in a proceeding in equity or in law), by general principles of equity (regardless of whether such proceeding is considered in a proceeding in equity or at law) and by the valid exercise of the constitutional powers of the State and the United States of America. These exceptions would encompass any exercise of any of the Authority's and the Customers' police powers in a manner consistent with the public health and welfare. Enforceability of the Trust Agreement, the Qualified Obligation or the Agreements in situations where such enforcement may adversely affect public health and welfare may be subject to the police powers of the State or any of the Authority.

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Aa2" to the Bonds and Fitch Ratings, Ltd ("Fitch") has assigned a rating of "AA-" to the Bonds. These ratings reflect only the view of Moody's and Fitch, respective, and an explanation thereof may be obtained from Moody's at 7 World Trade Center at 250 Greenwich Street, Public Finance Group, 23rd Floor, New York, NY 10007 and Fitch at 1 State Street Plaza, New York, NY 10004. The ratings are not a recommendation to buy, sell or hold the Bonds. There is no assurance that such ratings will remain in effect for any given period of time or that the rating will not be lowered or withdrawn entirely by Moody's or Fitch if, in judgment of either, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect upon the market price or marketability of the Bonds.

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the Authority at a price equal to the aggregate initial offering prices shown (or resulting from the yields shown) on the inside cover page. The Authority has agreed to pay the Underwriter an Underwriter's discount totaling \$1,774,277.50 and to reimburse certain expenses incurred by them. The obligation of the Underwriter to purchase the Bonds is subject to certain terms and conditions set forth in the purchase contract entered into between the Underwriter and the Authority relating to the Bonds. The Underwriter is obligated to purchase all the Bonds if any are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than the initial offering prices, and such initial offering prices may be changed from time to time by the Underwriter.

CONTINUING DISCLOSURE

General

Pursuant to the disclosure requirements set forth in Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC") and the terms of the Continuing Disclosure Agreement of the Bond Bank (the "Bond Bank Continuing Disclosure Agreement"), the Bond Bank, while the Bonds are outstanding under the Trust Agreement, has agreed to provide to each nationally recognized municipal securities information repository ("NRMSIR") or to the Municipal Securities Rulemaking Board (the "MSRB"), and to the Indiana State Information Depository then in existence, if any (the "State Depository"), the following event notices with respect to the Bonds, if material, and in a timely manner:

- 1) principal and interest payment delinquencies;
- 2) non-payment related defaults;
- 3) unscheduled draws on debt service reserves reflecting financial difficulties;
- 4) unscheduled draws on credit enhancements reflecting financial difficulties;
- 5) substitution of credit or liquidity providers, or their failure to perform;
- 6) adverse tax opinions or events affecting the tax-exempt status of the security;
- 7) modifications to rights of security holders;

- 8) Bond calls (other than mandatory, scheduled redemptions, not otherwise contingent upon the occurrence of an event, the terms of which are set forth in detail in this Official Statement);
- 9) defeasances;
- 10) release, substitution or sale of property securing repayment of the securities; and
- 11) rating changes.

The Authority, while the Qualified Obligation remains outstanding, has agreed to provide to the Bond Bank the preceding event notices with respect to its Qualified Obligation if material, and in a timely manner. Pursuant to the Gas Supply Agreements, each Customer has agreed, if requested by the Bond Bank, to enter into a continuing disclosure agreement with respect to annual operating and financial information in a form that will enable the Underwriter to comply with the Rule, as soon as reasonably practicable after such request, including, if requested by the Bond Bank, on the date of issuance of the Bonds. Any Customer requested by the Bond Bank to enter into such a continuing disclosure agreement shall constitute a Major Customer (as hereinafter defined). Pursuant to such a request by the Bond Bank, Citizens Gas has agreed to provide the following information:

Financial Information: An update of the financial information and operating data relating to Citizens Gas contained in Appendix A to each NRMSIR, to the State Depository, if any, to the Authority and to the Bond Bank, within 180 days after each September 30, commencing with the one year period ending September 30, 2007.

Audited Financial Statements: To each NRMSIR, to the State Depository, if any, to the Authority and to the Bond Bank, when and if available, its financial statements audited and prepared in accordance with generally accepted accounting principles for each one year period ending September 30, commencing with the one year period ending September 30, 2007, together with the opinion of such accountants and all notes thereto, within 60 days of receipt of such statements from its independent auditors.

(The Financial Information and the Audited Financial Statements above are collectively referred to as the "Annual Information.")

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

A "Major Customer" shall mean each Customer, which, on any date, is required, on and after such date, pursuant to its Gas Supply Agreement, to acquire 20% or more of the aggregate of the natural gas to be acquired by all Customers on and after such date pursuant to the Gas Supply Agreements. Initially, the only Major Customer shall be Citizens Gas, and it has entered

into the continuing disclosure agreement described above (the "Major Customer Continuing Disclosure Agreement"). Thereafter, in accordance with the Bond Bank Continuing Disclosure Agreement, as of each January 1, commencing in 2008, the Bond Bank will determine which of the Customers are Major Customers.

If there are changes from the previous year, the Bond Bank, on or before January 31 of the immediately succeeding year, will notify, if applicable, those Customers, which are no longer Major Customers (and whose Gas Supply Agreements are still in effect) of the termination of their reporting requirements under their respective Major Customer Continuing Disclosure Agreements until notified otherwise by the Bond Bank, and, if applicable, those Customers, which have become Major Customers, of the requirement under their respective Gas Supply Agreements to enter into a Major Customer Continuing Disclosure Agreement, which, together with all other continuing disclosure agreements applicable to the Bonds, then meet the requirements of the Rule. The Bond Bank shall then enforce its right under the applicable Gas Supply Agreement to require such Major Customer to enter into such Major Customer Continuing Disclosure Agreement. Thereupon, such new Major Customers shall enter into the Major Customer Continuing Disclosure Agreements, pursuant to which they will be required to provide the Annual Information for the year commencing in that calendar year in the manner described above.

Failure to Disclose

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

Remedies

The Bond Bank Continuing Disclosure Agreement and the Major Customer Continuing Disclosure Agreement (collectively, the "Continuing Disclosure Agreements") are solely for the benefit of the holders and beneficial owners of the Bonds and create no new contractual or other rights for the SEC or any underwriters, brokers, dealers, municipal securities dealers, potential customers or other obligated persons. The sole remedy against the Bond Bank or any Major Customer for any failure to carry out any provision of their respective Continuing Disclosure Agreements shall be for specific performance of their respective obligations thereunder. Failure on the part of the Bond Bank to honor its covenants under the Bond Bank Continuing Disclosure Agreement shall not constitute a breach or default of the Bonds, the Indenture or any other agreement to which the Bond Bank is a party. Failure on the part of a Major Customer to honor its covenants under its Major Customer Continuing Disclosure Agreement shall not constitute a breach or default of its Gas Supply Agreement or any other agreement to which the Major Customer is a party. This remedy may be exercised by any holder or beneficial owner of the Bonds who may seek specific performance by court order to cause the Bond Bank or a Major Customer to comply with their respective obligations thereunder.

Modification of Bond Bank Continuing Disclosure Agreement

The Bond Bank may, from time to time, amend or modify any provision of the Bond Bank Continuing Disclosure Agreement, without the consent of the holders or the beneficial owners of the Bonds if either: (a) (i) such amendment or modification is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Bond Bank, or type of business conducted by the Bond Bank, (ii) the Bond Bank Continuing Disclosure Agreement, as so amended or modified, would have complied with the requirements of the Rule on the date of the Bond Bank Continuing Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (iii) such amendment or modification does not materially impair the interest of the holders or beneficial owners of the Bonds, as determined either by (A) any person selected by the Bond Bank that is unaffiliated with the Bond Bank, the Authority or any Customer (such as the Trustee), or (B) an approving vote of the holders of the requisite percentage of outstanding Bonds as required under the Trust Agreement at the time of such amendment; or (b) such amendment is otherwise permitted by the Rule.

Copies of the Bond Bank Continuing Disclosure Agreement are available from the Bond Bank upon request.

Modification of Major Customer Continuing Disclosure Agreement

A Major Customer may, from time to time, amend any provision of the Major Customer Continuing Disclosure Agreement without the consent of the holders or the beneficial owners of the Bonds if either: (a) (i) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Major Customer, or type of business conducted by the Major Customer, (ii) the Major Customer Continuing Disclosure Agreement, as so amended, would have complied with the requirements of the Rule on the date of the Major Customer Continuing Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (iii) such amendment does not materially impair the interest of the holders or beneficial owners of the Bonds, as determined either by (A) any person selected by the Major Customer that is unaffiliated with the Major Customer, the Bond Bank or the Authority (such as the Trustee) or (B) an approving vote of the holders of the requisite percentage of outstanding Bonds as required under the Trust Agreement at the time of such amendment; or (b) such amendment is otherwise permitted by the Rule.

Copies of the Major Customer Continuing Disclosure Agreement are available from the Bond Bank upon request.

Compliance with Previous Undertakings

Except as described below, in the previous five years, each of the Bond Bank and Citizens Gas has never failed to comply, in all material respects, with any previous undertakings in a written contract or agreement that either of them entered into pursuant to subsection (b)(5) of the Rule. Citizens Gas filed its fiscal year 2006 information in July 2007, after the date required

in its continuing disclosure undertakings entered into with respect to its revenue bonds. Citizens Gas is currently in compliance with all of its continuing disclosure undertakings.

CERTAIN RELATIONSHIPS

J.P. Morgan Ventures Energy Corporation, which is the Gas Supplier, J.P. Morgan Securities Inc., which is the Underwriter, and JPMorgan Chase Bank, National Association, which is the Interest Rate Swap Counterparty, are wholly-owned by the Guarantor. The financial obligations of the Gas Supplier under the Gas Purchase Agreement are unconditionally guaranteed by the Guarantor under the Guaranty. The various relationships described above could create an actual or apparent conflict of interest. Neither the Gas Supplier nor the Guarantor has guaranteed or is responsible for the payment of the Bonds. The obligations of the Gas Supplier and, by virtue of the Guaranty, the Guarantor are limited to those set forth in the Gas Purchase Agreement.

MISCELLANEOUS

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

All quotations from, and summaries and explanations of, the Act, the Trust Agreement and the Loan Agreement contained in this Official Statement do not purport to be complete and reference is made to each such document or instrument for full and complete statements of its provisions. The attached Appendices are an integral part of this Official Statement and must be read together with all of the foregoing statements. Copies in a reasonable quantity of the Act, the Trust Agreement, the form of Agreement and the supplemental materials furnished to the Bond Bank by the Authority may be obtained upon request directed to the Bond Bank.

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

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

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

INDIANA BOND BANK

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

APPENDIX A

A-1 SUMMARY OF INFORMATION REGARDING THE AUTHORITY

A-2 SUMMARY OF INFORMATION REGARDING CITIZENS GAS

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APPENDIX A-1

SUMMARY OF INFORMATION REGARDING THE AUTHORITY

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THE AUTHORITY

The Authority is a not-for-profit organization established under the Indiana Nonprofit Corporation Act of 1991, as amended. The Authority was incorporated in the State in June of 2007 and is classified as a public benefit corporation. The Authority's Members are each political subdivisions of the State. Membership in the Authority is limited to state or local governmental units, instrumentalities, or political subdivisions. The Authority has two classes of members: (a) voting members, which include only the Members, and (b) associates, which consist of individuals that pay annual dues established by the Authority's Board of Directors. There are currently no associates in the Authority. The Authority is governed by a Board of three (3) Directors, each representing one of the Members. The Board of Directors is made up of the following individuals:

- Michael Strohl, President. Michael Strohl is the representative for Citizens Gas and currently serves as Treasurer for Citizens.
- Elmer M. Vonderheide, Vice President. Elmer M. Vonderheide is the representative for the City of Batesville, Indiana and currently serves as the Water & Gas Utility Manager for the City of Batesville.
- Thomas Tudor, Secretary/Treasurer. Thomas Tudor is the representative for the Town of Lapel, Indiana and currently serves as the Clerk-Treasurer for the Town of Lapel.

The Authority was organized, exclusively for the benefit of, and to support and perform the functions of the Members through, among other means, acquiring, financing and managing supplies of natural gas for sale to the Members. The Authority is operated for governmental purposes and its activities are conducted in such a manner that no part of its net earnings inure to the benefit of any director, officer or private person. The Authority is a single purpose entity, meaning, along with other restrictions, the Authority has not and will not engage in any business unrelated to the purchase or acquisition of natural gas under the Gas Purchase Agreement or other similar projects to purchase or acquire natural gas for sale and delivery to one or more members.

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APPENDIX A-2

SUMMARY OF INFORMATION REGARDING CITIZENS GAS

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CITIZENS GAS

Definitions

In this Appendix, the following terms shall have the meanings ascribed to them below:

“Income and Revenues of the Gas Utility Distribution System” means all revenues and other income of the City of Indianapolis from the ownership or operation of the gas utility distribution system entered on Citizens Gas’ books for the gas utility distribution system in accordance with (in accordance with accounting principles prescribed by the Indiana Utility Regulatory Commission), including income and revenues of the gas utility system applied by Citizens Gas as a subsidy against rates for service, but excluding (a) extraordinary items; (b) income on moneys or securities earned under certain prior indentures.

“Operating Expenses of the Gas Utility Distribution System” means all necessary and proper expenses of Citizens Gas entered on Citizens Gas’ books (in accordance with accounting principles prescribed by the Indiana Utility Regulatory Commission) in connection with the ownership, operation and maintenance of the gas utility distribution system, but excluding interest (other than interest on customers’ deposits), depreciation and amortization charges.

Introduction

Citizens Gas is managed by the Board of Directors ("Board of Directors") for Utilities of the Department of Public Utilities of the City of Indianapolis (the "City"), Indiana's largest city and its capital. As described under History, the City is successor trustee of a public charitable trust.

Powers

Under Indiana law, the Board of Directors is given "the exclusive government, management, regulation, and control of all public utilities" acquired by the City for the service of the public, and has the duty and the power to furnish and sell service and products of and "make all necessary construction, reconstruction, repairs, renewals, enlargements, extensions, or additions" to the plant or property of any such utility. The Board of Directors has the power to set gas rates, subject to Indiana Utility Regulatory Commission approval. In addition, the Board of Directors has the power to condemn property, to contract for and construct extensions or additions, to sell products or by-products and enter into contracts for such sale, to operate any such plant or plants, to receive moneys, and to employ necessary personnel. The Board of Directors has the power to issue revenue obligations, including long-term revenue bonds and short-term certificates of indebtedness.

History

In 1908, Citizens Gas Company began construction of a foundry coke oven battery because foundry coke was more profitable to manufacture than other types of coke. Profits from

Citizens Gas Company's foundry coke sales were used to reduce the cost of gas service, giving Citizens Gas Company an advantage in the Indianapolis gas market. In 1913, the Indianapolis Gas Company leased its distribution system to Citizens Gas Company for 99 years. As a result, Citizens Gas Company became the sole gas distributor in the City.

In 1929, the Indiana General Assembly enacted legislation which created the Board of Directors. In 1935, all the assets of Citizens Gas Company, including the 99-year lease of the competing gas company and the stock of the former Milburn By-Products Coal Company – now Citizens By-Products Coal Company – were conveyed to the City, as successor trustee. In 1942, the City "bought out" the 99-year lease. The assets that were conveyed to the City in 1935 are subject to a public charitable trust for which the City is successor trustee. The purposes of the public charitable trust are:

- to establish and operate a gas utility that is not controlled by private ownership *and*
- to provide light, heat and power to the City and its inhabitants;

The City, as successor trustee, has two express duties:

- to engage in the gas business *and*
- to supply the City and its inhabitants with light, heat and power.

The gas utility system, including the gas utility distribution system, has been operated by the City since 1935 under the Citizens Gas & Coke Utility trade name.

Financial Information

The Board of Directors operates several divisions, one of which is the Gas Utility Distribution System, the division that purchases and delivers natural gas to customers in Marion County, Indiana, the county in which Indianapolis is located. Citizens Gas has outstanding revenue bonds payable from the Income and Revenues of the Gas Utility Distribution System after application for payment of Operating Expenses. The payments due to the Authority from Citizens Gas under its Gas Supply Agreement are Operating Expenses of the Gas Utility Distribution System of Citizens Gas. The obligations due from Citizens Gas under its Gas Supply Agreement are payable solely from the Income and Revenues of the Gas Utility Distribution System. Each of such terms is more fully defined in the indentures supporting such revenue bond issuances. Financial information of the type reported by Citizens Gas under its continuing disclosure agreements with respect to the revenue bonds of the Gas Utility Distribution System is included below.

In addition to the Gas Utility Distribution System, the Board of Directors also operates the Citizens Thermal Division, consisting of the Steam and Chilled Water Systems the Board of Directors acquired in 2001. The Board of Directors recently announced the closure of its Manufacturing Division, which has now become effective. The Manufacturing Division used to produce gas and other by-products, including various types of coke for sale to customers. None

of the income and revenues or assets of the Thermal or Manufacturing Divisions are available to pay the obligations of Citizens Gas under its Gas Supply Agreement.

The City serves industrial, commercial and residential gas customers — shown by classification on Table 1 — in a variety of ways. For example, residential customers effectively purchase a bundle of gas commodity, interstate transportation and local distribution services from the City, while some large industrial and commercial customers purchase local distribution services from the City and the gas commodity and interstate transportation from ProLiance Energy, LLC, an affiliate of the City, or another gas marketer. The number of large industrial and commercial customers classified as "transportation customers" changes from time to time depending upon the difference between the City's rates and the other gas marketer's rates for the gas commodity. As a result, the number of transportation customers shown on Table 1 may represent transportation customers for only a portion of the Fiscal Year indicated. Similarly, the number of industrial and commercial customers shown on Table 1 may include industrial and commercial customers purchasing the gas commodity from a gas marketer at one time or another during the Fiscal Year.

TABLE 1

GAS CUSTOMERS

(Average for each Fiscal Year as of September 30, 2006)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Residential	239,471	241,967	241,522	243,554	242,700
Commercial	21,226	21,097	21,139	21,392	21,405
Industrial	611	620	1,244	1,269	1,286
Off-peak, interruptible	<u>21</u>	<u>17</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotals	261,329	261,701	263,905	266,215	265,391
Transportation	<u>340</u>	<u>394</u>	<u>421</u>	<u>428</u>	<u>448</u>
Totals	<u>261,699</u>	<u>264,095</u>	<u>264,326</u>	<u>266,643</u>	<u>265,839</u>

Tables 2 and 3 show gas sales and gas revenues for Fiscal Years 2002 through 2006. Material variations in gas sales and gas revenues from Fiscal Year to Fiscal Year largely reflect significant variations in weather — that is, warmer or colder than normal temperatures. Substantially warmer than normal temperatures in Fiscal Years 2002, 2004, 2005 and 2006 resulted in reduced gas sales and gas transportation in those Fiscal Years. Although volumes declined, gas revenues increased as a result of rising commodity costs. Fiscal Year 2002 reflects a year in which large industrial customers bought more gas than usual from gas marketers resulting in less gas commodity sold by the City, but more of the gas commodity transported through the gas utility distribution system. Gas revenues also reflect these patterns or trends.

TABLE 2
GAS SOLD, TRANSPORTED

	(Expressed in MDths)				
	<u>Fiscal Year Ended September 30,</u>				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Residential	22,154	25,777	23,314	22,113	20,318
Commercial	11,188	14,229	12,419	11,416	10,844
Industrial	1,339	2,903	2,730	2,443	2,423
Off-peak, interruptible	1,039	1,583	0	0	0
Net change in accrued Unbilled sales	(382)	160	(79)	(35)	(4)
Gas Utility Distribution System losses, metering Variations	<u>499</u>	<u>178</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotals	35,837	44,830	38,386	35,937	33,582
Gas transported	<u>14,891</u>	<u>12,497</u>	<u>13,423</u>	<u>14,846</u>	<u>13,910</u>
Totals	<u>50,723</u>	<u>57,327</u>	<u>51,809</u>	<u>50,783</u>	<u>47,492</u>
Heating degree days					
Actual	4,680	5,807	5,002	5,005	4,999
Percent warmer/(colder) Than normal	16.56%	(5.3%)	8.62%	8.06%	9.45%

TABLE 3
GAS REVENUES

	(Expressed in thousands)				
	<u>Fiscal Year Ended September 30,</u>				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Residential	\$172,077	\$205,414	\$212,096	\$229,314	253,561
Commercial	71,605	104,080	106,314	111,985	128,474
Industrial	7,729	11,006	12,235	14,221	16,524
Off-peak, interruptible	3,960	7,791	0	0	0
Net change in accrued Unbilled sales	(3,941)	2,010	295	855	(1,772)
Other revenues ¹	<u>9,186</u>	<u>7,280</u>	<u>9,916</u>	<u>6,236</u>	<u>7,367</u>
Subtotals	\$260,616	\$337,581	\$340,856	\$362,611	\$404,154
Transportation ²	<u>16,283</u>	<u>10,557</u>	<u>10,293</u>	<u>10,495</u>	<u>9,596</u>
Totals ³	<u>\$276,899</u>	<u>\$348,138</u>	<u>\$351,149</u>	<u>\$373,106</u>	<u>\$413,750</u>

¹ Includes Unregulated System revenues returned to customers of \$4,177, \$3,199, \$2,540, \$679 and \$334 in Fiscal Years 2002 through 2006, respectively, as well as gas purchased for resale.

² Includes revenues from transportation of the gas commodity, but does not include the cost of the gas commodity.

³ Material variations from Fiscal Year to Fiscal Year generally reflect significant variations in weather — that is, warmer or colder than normal temperatures.

Table 4 describes the Income and Revenues of the Gas Utility Distribution System that would have been available to pay the Gas Utility Distribution System Bonds. That is, Table 4 assumes that only the Income and Revenues of the Gas Utility Distribution System were used to pay debt service on those bonds — that no income or revenues from any other source were available to pay debt service on such bonds.

TABLE 4
SUMMARY OF NET INCOME AND REVENUES OF
GAS UTILITY DISTRIBUTION SYSTEM
AVAILABLE FOR DEBT SERVICE, DEBT SERVICE COVERAGE

	(Expressed in thousands)				
	<u>Fiscal Year Ended September 30,</u>				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Income and Revenues: Gas Utility Distribution System	\$276,899	\$348,138	\$351,149	\$373,106	\$413,750
Operating Expenses: Gas Utility Distribution System ⁴	246,493	310,635	322,082	353,523	395,170
Net Income and Revenues of Gas Utility Distribution System Available for Debt Service	<u>\$30,406</u>	<u>\$37,503</u>	<u>\$29,067</u>	<u>\$19,583</u>	<u>\$18,580</u>
Maximum Annual Debt Service on Gas Utility Distribution System Bonds ⁵	\$26,435	\$23,812	\$25,671	\$25,580	\$26,400
Coverage on Gas Utility Distribution System Bonds ⁶	1.15	1.57	1.13	.77	.70 ⁷

⁴ Excludes depreciation.

⁵ Maximum annual debt service for each period is the maximum annual debt service on the Gas Utility Distribution System Bonds outstanding at the end of such period.

⁶ Net Income and Revenues of the Gas Utility Distribution System available for debt service for such period divided by maximum annual debt service on the Gas Utility Distribution System Bonds, which are outstanding at the end of such period.

⁷ In October 2006, the Indiana Utility Regulatory Commission approved a \$14.7 million base rate increase for the Gas Utility Distribution System. Consequently, had this rate increase been in effect during fiscal year 2006, Income and Revenues Available for Debt Service would have been \$33,280 and Coverage on Gas Utility Distribution System Bonds would have been 1.26 times.

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APPENDIX B

B-1 CERTAIN DEFINITIONS USED IN THE TRUST AGREEMENT AND LOAN AGREEMENT

B-2 SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

B-3 SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

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APPENDIX B-1

CERTAIN DEFINITIONS USED IN THE TRUST AGREEMENT AND LOAN AGREEMENT

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CERTAIN DEFINITIONS

“Account” means any of the accounts established, held and disbursed by the Trustee under the Trust Agreement.

“Act” means Indiana Code 5-1.5, as amended.

“Additional Payments” means amounts required to be paid by the Authority pursuant to the Loan Agreement.

“Affected Party” means any entity that is an “Affected Party” in connection with a Termination Event under the Interest Rate Swap.

“Amortized Value” with respect to a Fixed Rate Bond means an amount equal to the principal amount of such Bond, multiplied by the price of such Bond expressed as a percentage, calculated based on the industry standard method of calculating bond prices, with a delivery date of the date of redemption, a maturity date of the stated maturity date of such Bond and a yield equal to the original reoffering yield of such Bond.

“Annual Budget” means the budget prepared by the Authority as required by the Loan Agreement.

“Applicable Tax-Exempt Municipal Bond Rate” means the "Comparable AAA General Obligations" yield curve rate for the stated maturity date of a Fixed Rate Bond, as published by Municipal Market Data, five business days prior to the date of redemption. If no such yield curve rate is established for the applicable year, the "Comparable AAA General Obligations" yield curve rate for the two published maturities most closely corresponding to the applicable year will be determined, and the “Applicable Tax-Exempt Municipal Bond Rate” will be interpolated or extrapolated from those yield curve rates on a straight-line basis. This rate is made available daily by Municipal Market Data and is available to its subscribers through its internet address: www.tm3.com. In calculating the Applicable Tax-Exempt Municipal Bond Rate, should Municipal Market Data no longer publish the "Comparable AAA General Obligations" yield curve rate, then the Applicable Tax-Exempt Municipal Bond Rate will equal the Consensus Scale yield curve rate for the applicable year. The Consensus Scale yield curve rate is made available daily by Municipal Market Advisors and is available to its subscribers through its internet address: www.theconsensus.com. In the further event Municipal Market Advisors no longer publishes the Consensus Scale, the Applicable Tax-Exempt Municipal Bond Rate will be determined by JPMorgan Chase Bank, as the quotation agent, based upon the rate per annum equal to the semiannual equivalent yield to maturity of those tax-exempt general obligation bonds rated in the highest rating category by Fitch, Moody’s and Standard & Poor’s with a maturity date equal to the stated maturity date of such Bond having characteristics (other than the ratings) most comparable to those of such Bond in the judgment of the quotation agent. The quotation agent’s determination of the Applicable Tax-Exempt Municipal Bond Rate is final and binding in the absence of manifest error.

“Authority” means the Indiana Municipal Gas Purchasing Authority, Inc., a not-for-profit corporation organized under the laws of the State, whose members consist of the Members.

“Authorized Officer of the Authority” means the President, any Vice President, the Secretary/Treasurer or an Assistant Treasurer of the Authority or any other person or persons designated pursuant to the Loan Agreement to act on behalf of the Authority by written instrument furnished to the Bond Bank and the Trustee, containing the specimen signature of such person and signed by an Authorized Officer of the Authority. Such instrument may designate an alternate or alternates.

“Authorized Officer of the Bond Bank” means the Chairman, the Vice Chairman or the Executive Director of the Bond Bank or any other person or persons designated pursuant to the Loan Agreement to act on behalf of the Bond Bank by written instrument furnished to the Authority and the Trustee, containing the specimen signature of such person and signed by an Authorized Officer of the Bond Bank. Such instrument may designate an alternate or alternates.

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

“Bond Bank” means the Indiana Bond Bank, a public body corporate and politic, not a State agency, but an independent public instrumentality of the State, exercising essential public functions, organized under the provisions of the Act.

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

“Bondholder” or “Holder” means the registered Holder of any Bond.

“Bond Registrar” means the Trustee undertaking the activities specified in the Trust Agreement.

“Bonds” means the Fixed Rate Bonds and the Index Rate Bonds.

“Business Day” means Business Day as defined in the Trust Agreement.

“Citizens Gas” means the City of Indianapolis, acting by and through its Board of Directors for Utilities of its Department of Public Utilities, acting in its capacity as the official board and on behalf of the utility district established pursuant to Indiana Code 8-1-11.1-6.

“Code” means the Internal Revenue Code of 1986, as amended, including applicable regulations, rulings and revenue procedures promulgated thereunder.

“Commodity Settlement Date” means any settlement date with respect to the Commodity Swap Agreement as set forth in Exhibit B to the Trust Agreement, upon which Commodity Swap Payments or Commodity Swap Receipts are due.

“Commodity Swap Agreement” means that certain commodity price hedge agreement or agreements (including any schedule(s) and confirmation(s) included as a part thereof) entered into by the Authority with the Commodity Swap Counterparty in connection with the Project and for the term thereof, or any replacement agreement entered into by the Authority pursuant to the Loan Agreement, under the terms of which the Authority agrees, for each month of the term of the Gas Purchase Contract, to pay a floating price in exchange for the receipt by the Authority of a fixed price with respect to notional quantities of Gas for such month corresponding to the Daily Contract Quantities for such month.

“Commodity Swap Counterparty” means initially BNP Paribas (and any permitted successor or assign), as the counterparty under the Commodity Swap Agreement, following any replacement of the Commodity Swap Agreement by the Authority pursuant to the Loan Agreement, shall mean the Replacement Commodity Swap Counterparty under such replacement agreement.

“Commodity Swap Payment(s)” means any periodic, regularly scheduled floating payment required to be made by the Authority to the Commodity Swap Counterparty on each Commodity Settlement Date under the terms of the Commodity Swap Agreement.

“Commodity Swap Receipt(s)” means any periodic, regularly scheduled fixed payment required to be made by the Commodity Swap Counterparty to the Authority on each Commodity Settlement Date under the terms of the Commodity Swap Agreement.

“Contract Term” means the term of the Gas Supply Agreements, which term shall be 15 years commencing September 1, 2007 and ending August 31, 2022.

“Customer Insurance Policy” or “Customer Insurance Policies,” as applicable, means, individually, a financial guaranty insurance policy with respect to a Customer in favor of the Authority and its assigns, supporting the obligations of such Customer under the related Gas Supply Agreement and, collectively, the Customer Insurance Policies with respect to all Customers.

“Customer Insurance Policy Provider” means Assured Guaranty Corp. and its successors and assigns.

“Customers” means the City of Batesville, Indiana, Citizens Gas and the Town of Lapel, Indiana, and any other municipality or governmentally owned gas distribution system, which, with the consent of the Customer Insurance Policy Provider, assumes, in whole or in part, the obligations of one of the foregoing under a Gas Supply Agreement.

“Customer Shortfall Amount” means, for any month, the amount by which the total amount of any Customer invoice for such month allocable to Gas delivered to such Customer from Gas purchased by the Authority under the Gas Purchase Contract exceeds the amount paid by such Customer for such Gas under its respective Gas Supply Agreement.

“Daily Contract Quantities” means Daily Contract Quantities, as defined in the Gas Supply Agreements.

“Debt Service” means the principal and interest due on the Bonds on any Principal Payment Date or Interest Payment Date or any other date on which the principal of and interest on the Bonds may be due and any Interest Rate Swap Payment due under the Interest Rate Swap on any date, net of any Interest Rate Swap Receipt received on such date.

“Debt Service Fund” means the Debt Service Fund established pursuant to the Trust Agreement.

“Defaulting Party” shall have the meaning set forth in the Commodity Swap Agreement or the Interest Rate Swap, as applicable.

“Defeasance Obligations” means any of the following:

- (1) noncallable Government Obligations,
- (2) “Government Participations,” which shall mean evidences of ownership of a proportionate interest in specified noncallable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, and noncallable obligations of state or local government municipal bond issuers that are rated in the highest rating category established by Fitch, Moody’s and Standard & Poor’s, without regard to any refinement or gradation of such rating category by numerical modifier or otherwise, provision for the payment of the principal of and interest on which shall have been made by deposit with a trustee or escrow agent of (a) Government Obligations or (b) Government Participations, the maturing principal of and interest on such Government Obligations or Government Participations, when due and payable, shall provide sufficient money to pay the principal of and interest on such obligations of state or local government municipal bond issuers.

“Delivery Point” shall have the meaning set forth in the Gas Supply Agreements.

“Disclosure Agreement” means the Continuing Disclosure Agreement from each Major Customer to each Bondholder and Beneficial Holder, which contains certain promises, including a promise to provide certain continuing disclosure.

“Effective Date” means August 14, 2007.

“Event of Default” means, with respect to the Trust Agreement, the Loan Agreement or the Interest Rate Swap, the events enumerated therein.

“Fiscal Year” means the twelve-month period commencing on January 1 and ending on December 31 of each year.

“Fitch” means Fitch Ratings, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer issue ratings on obligations of a type similar to the Bonds, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Bond Bank by written notice to the Trustee.

“Fixed Rate Bonds” means the Fixed Rate Special Program Gas Revenue Bonds, Series 2007 A, issued by the Bond Bank in the original principal amount of \$158,765,000 pursuant to the Trust Agreement.

“Fund” means any of the funds established, held and disbursed by the Trustee under the Trust Agreement.

“Gas” has the meaning set forth in the Gas Supply Agreements.

“Gas Purchase Contract” means the Agreement for Purchase and Sale of Natural Gas, dated as of August 1, 2007, between the Authority, as purchaser, and the Seller, and any replacement agreement entered into by the Authority pursuant to the Loan Agreement.

“Gas Supply Agreements” means, collectively, the separate Natural Gas Supply Agreements entered into by the Authority with the Customers.

“General Fund” means the General Fund established pursuant to the Trust Agreement.

“Government Obligations” means: (1) direct obligations of the United States of America for the full and timely payment of which the full faith and credit of the United States of America is pledged; (2) obligations issued by an entity controlled or supervised by and acting as an instrumentality of the United States of America, the full and timely payment of the principal of, premium, if any, and interest on which is fully guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (1) or (2) issued or held in book-entry form on the books of the Department of Treasury of the United States of America), which obligations, in either case, are not subject to redemption prior to maturity at the option of anyone other than the holder thereof; and (3) defeased municipal bonds rated “AAA” by Fitch, “Aaa” by Moody’s or “AAA” by Standard & Poor’s.

“Guarantor” means JPMorgan Chase & Co., a Delaware corporation, and its successors and assigns under the Guaranty.

“Guaranty” means the Guaranty Agreement, dated August 1, 2007, from the Guarantor in favor of the Authority and its assigns.

“Index Rate Bonds” means the Index Rate Special Program Gas Revenue Bonds, Series 2007 B-1 (LIBOR Index Rate), issued by the Bond Bank in the original principal amount of \$22,500,000, the Index Rate Special Program Gas Revenue Bonds, Series 2007 B-2 (BMA Index Rate), issued by the Bond Bank in the original principal amount of \$49,710,000, and the Index Rate Special Program Gas Revenue Bonds, Series 2007 B-3 (CPI Index Rate), issued by the Bond Bank in the original principal amount of \$77,595,000, each pursuant to the Trust Agreement.

“Indiana Municipal Gas Participants” means the City of Batesville, Citizens Gas and the Town of Lapel.

“Interest Account” means the Interest Account in the Debt Service Fund established pursuant to the Trust Agreement.

“Interest Payment Date” means, (1) with respect to the Fixed Rate Bonds, each April 15 or October 15, beginning April 15, 2008, on which interest is payable on the Fixed Rate Bonds, and (2) with respect to the Index Rate Bonds, as described in Appendix F.

“Interest Rate Swap” means the interest rate swap agreement (including any schedules and confirmations included as a part thereof) entered into by the Bond Bank with the Interest Rate Swap Counterparty in connection with the Index Rate Bonds, or any replacement agreement entered into by the Bond Bank pursuant to the Trust Agreement, under the terms of which the Bond Bank agrees to make payments based on a fixed rate in exchange for the receipt by the Bond Bank from the Interest Rate Swap Counterparty of payments based on the actual floating rate of interest on the Index Rate Bonds.

“Interest Rate Swap Counterparty” means initially JPMorgan Chase Bank, National Association, and following any replacement of the Interest Rate Swap by the Bond Bank pursuant to the Trust Agreement, shall mean the Replacement Interest Rate Swap Counterparty under such replacement agreement.

“Interest Rate Swap Payment” means any periodic, regularly scheduled fixed payment required to be made by the Bond Bank to the Interest Rate Swap Counterparty on each Interest Payment Date for the Index Rate Bonds.

“Interest Rate Swap Receipt” means any periodic, regularly scheduled floating payment required to be made by the Interest Rate Swap Counterparty to the Bond Bank on each Interest Payment Date for the Index Rate Bonds.

“Interest Rate Swap Termination Payment” means any amount due by the Bond Bank to the Interest Rate Swap Counterparty or by the Interest Rate Swap Counterparty to the Bond Bank in connection with the early termination of the Interest Rate Swap.

“Investment Agreement” means the Funding Agreement, dated as of August 14, 2007, between the Trustee and Transamerica Occidental Life Insurance Company, as acknowledged and accepted by the Bond Bank, providing for the investment of moneys held by the Trustee hereunder in the Debt Service Fund and the Operating Reserve Fund.

“Investment Obligations” means any of the following:

- (1) direct obligations of the United States government or any of its agencies;
- (2) obligations guaranteed as to principal and interest by the United States government or any of its agencies;
- (3) certificates of deposit and other evidences of deposit at state and federally chartered banks, savings and loan institutions or savings banks, provided that, if such certificate or other evidence of deposit has a maturity of less than 90 days, such bank or institution is rated F1 and at least A by Fitch and P-1, and at least A1 by Moody’s;
- (4) repurchase agreements entered into with the United States or its agencies or with any bank, broker-dealer or other such entity so long as: (a) the obligation of the obligated party is

secured by a perfected pledge of full faith and credit obligations of the United States or its agencies; and (b) if such agreement is entered into with a bank, broker-dealer or other entity, such entity is rated: (i)(A) F1 and at least A by Fitch; or (B) at least AA- by Fitch, if it does not have a short-term rating by Fitch; and (ii) (A) P-1 and at least A1 by Moody's; or (B) at least Aa3 by Moody's, if it does not have a short-term rating by Moody's;

(5) guaranteed investment contracts or similar agreements providing for a specified rate of return over a specified time period with entities rated in one of the two highest rating categories by Fitch or Moody's, including, without limitation, the Investment Agreement;

(6) direct general obligations of a state of the United States or a political subdivision or instrumentality thereof having general taxing powers and rated in either of the two highest rating categories by Fitch or Moody's;

(7) obligations of any state of the United States or a political subdivision or instrumentality thereof, secured solely by revenues received by or on behalf of the state or a political subdivision or instrumentality thereof irrevocably pledged to the payment of the principal of and interest on such obligations, rated in the two highest rating categories by Fitch or Moody's; or

(8) shares of money market funds that invest only in Government Obligations that are rated in the highest category by Fitch or Moody's.

"Investment Providers" means any and all parties to investment agreements entered into by the Bond Bank, the Authority or the Trustee pertaining to the Pledged Property.

"LIBOR-Based Interest Accrual Period" has the meaning set forth in the Trust Agreement.

"LIBOR-Based Interest Rate" means a variable interest rate borne by the Index Rate Bonds and established in accordance with the Trust Agreement

"LIBOR-Based Interest Rate Period" means each period, with respect to the Index Rate Bonds, during which a LIBOR-Based Interest Rate is in effect.

"LIBOR Rate Determination Date" has the meaning set forth in the Trust Agreement.

"Loan" means the loan by the Bond Bank to the Authority of the proceeds of the sale of the Bonds.

"Loan Payments" means the amounts required to be paid by the Authority in repayment of the Loan pursuant to the provisions described in the Loan Agreement.

"Market Yield Value" of any Fixed Rate Bonds as of any redemption date therefor means the sum of the present values of the remaining unpaid payments of principal and interest to be paid on such Bonds to be redeemed from and including the date of redemption to the maturity date of such Bonds, discounted to the date of redemption on a semiannual basis at a discount rate equal to the Applicable Tax-Exempt Municipal Bond Rate for such Bond minus 0.25%.

“Members” means the City of Batesville, Indiana, Citizens Gas and the Town of Lapel, Indiana, and any other utility system or entity who will become a member of the Authority.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or no longer issues ratings on obligations of a type similar to the Bonds, “Moody’s” is deemed to refer to any other nationally recognized securities rating agency designated by the Bond Bank by written notice to the Trustee.

“Operating Expenses” means: (1) any reasonable and necessary costs and expenses of the Authority related to the Project or the Gas Supply Agreements, including, without limitation, (a) the Project Management Fee, (b) fees and expenses relating to the Authority’s annual audit relating to the Project or the Gas Supply Agreements and (c) any fees and expenses relating to the determination of annual distributions, if any, to any Customer under the terms of the Gas Supply Agreements; (2) any reasonable and necessary costs and expenses of the Bond Bank directly related to the administration and enforcement of this Trust Agreement, the Loan Agreement or the Qualified Obligation, including, without limitation, the costs directly related to (a) any redemption of the Bonds or prepayment of the Qualified Obligation, (b) any amendment to this Trust Agreement, the Loan Agreement or the Qualified Obligation, (c) any consent requested of or notice provided to the Bondholders, (d) any resignation of the Project Manager or the Trustee or appointment of a Replacement Commodity Swap Counterparty, Replacement Interest Rate Swap Counterparty, Project Manager or Trustee, (e) the occurrence of an Event of Default, a Termination Event or a Partial Termination Event, (f) the computation and payment of rebate, (g) monitoring the compliance by the Authority of its Tax Certificate and the Customers of their respective tax certificates, (h) complying with any continuing disclosure obligation and (i) complying with any investigatory request or defending against any enforcement action of any governmental agency or authority; (3) any reasonable and necessary fees and expenses of the Trustee to be paid by the Bond Bank; and (4) any amount paid by the Bond Bank to a Replacement Interest Rate Swap Counterparty in connection with the replacement by the Bond Bank of the Interest Rate Swap pursuant to the Trust Agreement, to the extent the Bond Bank has received a prior payment from the Interest Rate Swap Counterparty to make such replacement payment.

“Operating Reserve Fund” means the Operating Reserve Fund established pursuant to the Trust Agreement.

“Opinion of Counsel” means a written opinion of any attorney or firm of attorneys acceptable to the Trustee, who may be counsel to the Bond Bank, but shall not be a full time employee of either the Bond Bank or the Trustee.

“Outstanding” means, when used as descriptive of Bonds, that such Bonds have been issued under the Trust Agreement and have not been defeased, paid or had other obligations issued in exchange therefor. For purposes of actions to be taken by, or at the direction of, a specified amount or percentage of the Holders of Outstanding Bonds, “Outstanding” will not include any Bonds owned by the Bond Bank.

“Partial Termination Event” means an event described in the Gas Purchase Contract, which requires the partial termination thereof.

“Pledged Property” means the property described in the granting clauses of the Loan Agreement.

“Principal Account” means the Principal Account in the Debt Service Fund established pursuant to the Trust Agreement.

“Principal Payment Date” means Principal Payment Date as defined in the Trust Agreement.

“Project” means the acquisition of the natural gas supplies specified in the Gas Purchase Contract.

“Project Fund” means the Project Fund established pursuant to the Trust Agreement.

“Project Management Agreement” means the Natural Gas Consulting, Administration and Agency Agreement, dated as of August 1, 2007, between the Authority and the Project Manager.

“Project Management Fee” means all fees and charges owed by the Authority to the Project Manager pursuant to the Project Management Agreement in connection with the Project, the Gas Purchase Contract and the Gas Supply Agreements.

“Project Manager” means the Project Manager appointed pursuant to the Loan Agreement for the purpose of providing advisory and record keeping services, monitoring compliance with the terms of the Gas Purchase Contract and the Gas Supply Agreements and performing other administrative functions for or on behalf of the Authority. Initially, the Project Manager shall be ProLiance Energy, LLC, an Indiana limited liability company, or any affiliate thereof or successor thereto.

“Purchase Fund” means the Purchase Fund established pursuant to the Trust Agreement.

“Purchase Price” means the purchase price to be paid by the Authority to the Seller on the Effective Date (or such other date as may be agreed to by the Authority and the Seller) pursuant to the Gas Purchase Contract for the purchase of the entire aggregate gas supply to delivered by the Seller over the entire Contract Term.

“Qualified Obligation” means the Gas Revenue Note, Series 2007, issued by the Authority and delivered to the Bond Bank to evidence the Loan and any note issued in exchange therefor pursuant to the Loan Agreement.

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

“Rating Agency” means Fitch, Moody’s and Standard & Poor’s.

“Rebate Amount” means the excess of (1) the future value of all nonpurpose receipts with respect to the Bonds over (2) the future value of all nonpurpose payments with respect to the Bonds, in each case calculated under the Trust Agreement pursuant to the requirements of Section 148 of the Code, or such other amount of arbitrage required to be rebated to the United States of America under Section 148 of the Code.

“Rebate Amount Certificate” shall have the meaning set forth in the Trust Agreement.

“Rebate Fund” means the Rebate Fund established pursuant to the Trust Agreement.

“Record Date” means, (1) with respect to the Fixed Rate Bonds, each April 1 and October 1, beginning on April 1, 2008, and (2), with respect to the Index Rate Bonds, for any Interest Payment Date of the Index Rate Bonds, the first day of the month in which such Interest Payment Date falls or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a LIBOR-Based Interest Rate Period, that first day.

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

“Replacement Commodity Swap Counterparty” means any entity, with which the Authority enters into a replacement commodity price hedge, upon the early termination by the Authority of the Commodity Swap Agreement resulting from the occurrence of an Event of Default or Termination Event thereunder, with respect to which the Commodity Swap Counterparty is the Defaulting Party, which Replacement Commodity Swap Counterparty shall be rated A or better by Fitch or A2 or better by Moody’s.

“Replacement Interest Rate Swap Counterparty” means any entity, with which the Bond Bank enters into a replacement interest rate swap agreement, upon (1) the early termination by the Bond Bank of the Interest Rate Swap resulting from the occurrence of an Event of Default or Termination Event thereunder, with respect to which the Interest Rate Swap Counterparty is the Defaulting Party or the sole Affected Party or (2) the Bond Bank’s substitution of the Interest Rate Swap pursuant to the Trust Agreement, which, in each case, such Replacement Interest Rate Swap Counterparty shall (1) then be rated by Fitch or Moody’s no lower than the lower of (a) the then current rating on the Bonds by such Rating agency or (b) AA- or Aa2, respectively, or (2) be approved by the holders of 100% of the Bonds then Outstanding.

“Required Operating Reserve” means \$7,905,000, which is not greater than the least of: (1) 10% of the stated principal amount of the Bonds; provided, however, if the Bonds have more than a de minimis amount of original issue discount or premium, the issue price of the Bonds (net of preissuance accrued interest) shall be used to measure the 10% limitation in lieu of the Bonds’ stated principal amount; (2) the maximum annual principal and interest requirements on the Bonds; or (3) 125% of the average annual principal and interest requirements on the Bonds.

“Revenue Fund” means the Revenue Fund established pursuant to the Trust Agreement.

“Revenues” means (1) all revenues, income and receipts derived by the Authority under the Gas Supply Agreements, including any payments made by the Customer Insurance Policy Provider pursuant to a Customer Insurance Policy allocable to the Gas delivered or payments

made pursuant to the Gas Supply Agreements, but excluding any such revenues, income or receipts used to make payments to reimburse the Customer Insurance Policy Provider pursuant to the Trust Agreement, (2) all revenues, income and receipts derived by the Authority from the sale of gas constituting part of the Project to parties other than the Customers, (3) all revenues, income and receipts derived by the Authority under the Gas Purchase Contract or any security therefor (including the Guaranty), excluding, however, any Collateral (as defined in the Gas Purchase Contract) deposited in the Escrow Performance Fund (as defined in the Gas Purchase Contract) pursuant to the Gas Purchase Contract, (4) Commodity Swap Receipts, (5) Interest Rate Swap Receipts, (6) any Interest Rate Swap Termination Payment received by the Bond Bank pursuant to the Interest Rate Swap, (7) any amount paid to the Bond Bank by a Replacement Interest Rate Swap Counterparty in connection with the replacement by the Bond Bank of the Interest Rate Swap pursuant to the Trust Agreement and (8) any other payments made to the Authority in respect of any rights or volumes of natural gas acquired or held by the Authority as part of the Project.

“Seller” means J.P. Morgan Ventures Energy Corporation, as the seller, its successors and assigns under the Gas Purchase Contract.

“Standard & Poor’s” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation is dissolved or liquidated or no longer issues ratings on obligations of a type similar to the Bonds, “Standard & Poor’s” will be deemed to refer to any other nationally recognized securities rating agency designated by the Bond Bank by written notice to the Trustee.

“State” means the State of Indiana.

“Supplemental Loan Agreement” means an agreement supplemental to or amendatory of the Loan Agreement, executed by the Bond Bank and the Authority in accordance with the Trust Agreement.

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

“Tax Certificate” means the Tax Certificate of the Authority to be executed and delivered by the Authority to the Bond Bank in connection with the execution and delivery of the Qualified Obligation.

“Termination Event” shall have the meaning set forth in the Commodity Swap Agreement or the Interest Rate Swap or means an event described in the Gas Purchase Contract, which requires or authorizes the termination thereof, in each case, as applicable.

“Trust Agreement” means the Trust Agreement, dated as of August 1, 2007, between the Bond Bank and the Trustee, pursuant to which the Bonds are to be issued, and all amendments and supplements thereto.

“Trust Estate” shall have the meaning set forth in the Granting Clauses of the Trust Agreement.

“Trustee” means The Bank of New York Trust Company, N.A., Indianapolis, Indiana, or its successors serving as such under the Trust Agreement.

“Unassigned Rights” means the rights of the Bond Bank: (1) to make a disbursement request pursuant to the Loan Agreement; (2) to have none of the members of its Board of Directors nor any of its officers or employees to be personally liable on the Bonds, the Loan Agreement, the Qualified Obligation, the Gas Purchase Contract, the Gas Supply Agreements, the Commodity Swap Agreement, the Interest Rate Swap or the Trust Agreement or to be subject to personal liability or accountability by reason of the issuance of the Bonds or the Qualified Obligation pursuant to the Loan Agreement; and (3) to give or withhold consent to the execution and delivery of supplements and amendments to the Loan Agreement.

“Unearned Amount” has the meaning set forth in the Gas Purchase Contract.

APPENDIX B-2

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

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SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

The following is a brief description of certain provisions of the Trust Agreement and does not purport to comprehensively describe that document.

Granting Clauses

The Bond Bank, in order to secure the payment of the principal of and interest on the Bonds, the payment of any Interest Swap Payment or Interest Swap Termination Payment payable by the Authority or the Bond Bank, pursuant to the Interest Rate Swap, but subject to the priority of application described in the Trust Agreement, and for funds that may be advanced by the Trustee pursuant to the Trust Agreement, will execute and deliver the Trust Agreement, which provides for the Bond Bank to pledge and assign to the Trustee and its successors in trust the following:

- (a) The proceeds from the sale of the Bonds.
- (b) All rights, titles and interests of the Bond Bank in the Loan Agreement, including the pledge of the Pledged Property, except for the Unassigned Rights, and the Qualified Obligation acquired by the Bond Bank and held by the Trustee pursuant to the Trust Agreement, all moneys obligated to be paid to the Bond Bank pursuant to the Loan Agreement, the Qualified Obligation and the Interest Rate Swap and the earnings thereon.
- (c) All right, title and interest of the Bond Bank in the moneys and securities from time to time held in the Project Fund, the Purchase Fund, the Costs of Issuance Fund, the Revenue Fund, the Debt Service Fund, the Operating Reserve Fund and the General Fund under the terms of the Trust Agreement, including without limitation, Interest Rate Swap Receipts, any Interest Rate Swap Termination Payment received by the Bond Bank pursuant to the Interest Rate Swap and any amount paid to the Bond Bank by a replacement Interest Rate Swap Counterparty in connection with the replacement by the Bond Bank of the Interest Rate Swap pursuant to the Trust Agreement, except to the extent disbursed from the respective Fund in the manner provided in the Trust Agreement.
- (d) All other property of any kind hereafter mortgaged, pledged or hypothecated at any time as and for additional security under the Trust Agreement by the Bond Bank or by anyone on its behalf or with its consent in favor of the Trustee, which is hereby authorized to receive all such property at any time and to hold and apply it subject to the terms of the Trust Agreement.
- (e) All proceeds and products of the foregoing (collectively, the “Trust Estate”).

Structure of Trust Agreement Funds

Creation of Funds and Accounts. The Trust Agreement creates the following eight funds: (a) the Project Fund; (b) the Purchase Fund; (c) the Costs of Issuance Fund; (d) the

Revenue Fund; (d) the Debt Service Reserve Fund; (e) the Operating Reserve Fund; (f) the General Fund; and (g) the Rebate Fund. The Trust Agreement creates in the Debt Service Fund, an “Interest Account,” and a “Principal Account.”

Project Fund

(a) All earnings on amounts on deposit in the Project Fund will be transferred to the Revenue Fund.

(b) Moneys in the Project Fund will be disbursed to pay the acquisition cost of the Project upon receipt by the Trustee of a requisition certificate signed by an Authorized Officer of the Authority in accordance with the Loan Agreement setting forth and certifying (i) the purposes for which such amounts have been requested, (ii) the amount of the request, (iii) the party to whom such payment shall be made and (iv) a statement that such acquisition is for a purpose permitted by the Project Fund. All moneys remaining in the Project Fund once the Project is completed will be transferred to the Revenue Fund.

Purchase Fund. Moneys in the Purchase Fund will be disbursed to purchase the Qualified Obligation in accordance with the Trust Agreement. After the purchase of the Qualified Obligation, the entire amount of the proceeds of the Bonds will be applied in accordance with the Trust Agreement.

Costs of Issuance Fund. Amounts on deposit in the Costs of Issuance Fund will be disbursed by the Trustee, upon the direction of the Bond Bank, to pay the premiums for the Customer Insurance Policies and the costs of issuance incurred in connection with the issuance of the Bonds. Any amounts remaining on deposit in the Costs of Issuance Fund 180 days following the issuance of the Bonds will be transferred to the Revenue Fund.

Revenue Fund

(a) In accordance with the Loan Agreement and pursuant to the Trust Agreement, the Authority and the Bond Bank are obligated to deposit all Revenues upon receipt into the Revenue Fund. On each Commodity Settlement Date or as soon thereafter as possible, but, in no event later than the 29th of each month, commencing in October 2007, the Trustee will disburse the Revenues from the Revenue Fund in the following order and priority:

(i) any Commodity Swap Payment due on a Commodity Settlement Date;

(ii) any amounts required to be deposited in the Rebate Fund in accordance with the Trust Agreement;

(iii) to the Debt Service Fund, for the purpose of paying the principal of and interest on the Bonds and any Interest Rate Swap Payment next coming due, (A) the amount corresponding to the same date as that of the deposit, or, if such date is not the same, the following date as shown in the “TRUST AGREEMENT-EXHIBIT D,” with such deposit to be allocated to the Interest Account and the Principal Account in the Debt Service Fund in the amounts shown on “TRUST AGREEMENT-EXHIBIT D,” plus (B) the aggregate amount of any Interest Rate Swap Termination Payment due and payable by the Bond Bank following the early

termination of the Interest Rate Swap as a result of an Event of Default or Termination Event under the Interest Rate Swap, with respect to which the Bond Bank is the Defaulting Party or the sole Affected Party;

(iv) any Operating Expenses owed on or prior to that date upon submission of a disbursement request pursuant to the Loan Agreement;

(v) to the Operating Reserve Fund, to the extent that the balance in the Operating Reserve Fund is less than the Required Operating Reserve, the amount needed to be deposited in the Operating Reserve Fund until the Operating Reserve Fund is equal to the Required Operating Reserve; and

(vi) any moneys remaining in the Revenue Fund following payment of the sums described under clauses (i) through (v) above will be transferred to the General Fund.

(b) Upon receipt of payments described in the Trust Agreement from the Authority, the Seller or the Guarantor, the Trustee shall administer and disburse such moneys in the manner provided in the Loan Agreement and in the Trust Agreement. SEE "TRUST AGREEMENT-CASH RECEIPTS UPON DEFAULT OF THE SELLER; REVENUE FUND." In the event any moneys are remaining in the Revenue Fund after the payment of the Bonds in full, the remaining moneys shall be disbursed as provided in the Trust Agreement.

(c) Anything in the Trust Agreement to the contrary notwithstanding, if the Customer Insurance Policy Provider has paid a Customer Shortfall Amount and, subsequently thereto, the Customer to which such Customer Shortfall Amount relates pays any amount to or at the direction of the Authority or the Trustee, such amount will be applied first, upon receipt, to reimburse the Customer Insurance Policy Provider for such Customer Shortfall Amount, plus accrued interest thereon as provided in the related Gas Supply Agreement and, second, to the Trustee for deposit into the Revenue Fund.

Debt Service Fund

(a) ***Interest Account.*** After the transfers required by the Revenue Fund are made pursuant to the Trust Agreement, there will on deposit in the Interest Account the portion of the amount of interest on the Index Rate Bonds and any Interest Rate Swap Payment due on the next Interest Payment Date therefor, the net of the expected Interest Rate Swap Receipts on such next Interest Payment Date, and the portion of the amount of interest on the Fixed Rate Bonds due on the next Interest Payment Date therefor, all as accrued to the same date as that of each such transfer, or, if such date is not the same, the following date as stated in the TRUST AGREEMENT-EXHIBIT D. The Trustee shall pay interest on the Bonds and Interest Rate Swap Payments from the Interest Account as the same become due.

(b) ***Principal Account.*** There shall be on deposit in the Principal Account at all times after the transfers required by the Revenue Fund pursuant to the Trust Agreement the portion of the amount of principal of the Bonds, if any, due on the next October 15, as accrued to the same date as that of each such transfer, or, if such date is not the same, the following date as stated in the TRUST AGREEMENT-EXHIBIT D, plus any Interest Rate Swap Termination Payment due and payable by the Bond Bank as set forth in the Trust Agreement. The Trustee shall pay the

principal of the Bonds and any such Interest Rate Swap Termination Payment from amounts in the Principal Account as the same become due.

(c) In the event the balances in the accounts in the Debt Service Fund on any Interest Payment Date or Principal Payment Date or any due date for an Interest Rate Swap Payment are insufficient for the purposes thereof, the Trustee will transfer to such accounts such amounts as may be necessary therefor first from the General Fund and then from the Operating Reserve Fund. In the event the balances in any Account in the Debt Service Fund on any Interest Payment Date or Principal Payment Date or any due date for an Interest Rate Swap Payment exceed the amounts required by the Trust Agreement, such excess shall be transferred to the other Account in the Debt Service Fund to the extent the balance of such Account is insufficient for the purposes thereof. If there is no insufficiency in any Account in the Debt Service Fund, such excess will be transferred, if the Operating Reserve Fund does not then hold the Required Operating Reserve, to the Operating Reserve Fund, and otherwise will be transferred to the General Fund.

(d) When the balances in the Debt Service Fund and the Operating Reserve Fund, plus the earnings thereon, are sufficient to pay at maturity all Bonds then Outstanding, all interest to accrue thereon prior to maturity (net of any anticipated Interest Rate Swap Receipts) and all Interest Rate Swap Payments, the balance in the Debt Service Fund will be held for the payment of the principal of and interest on the Bonds and Interest Rate Swap Payments at the earliest practicable date and for no other purposes, and, if any such payment will occur later than 12 months after the date of such sufficiency, all amounts held that will be paid more than 12 months after such date will be invested at fair market value at a yield not in excess of 4.6096%.

Operating Reserve Fund

There shall be deposited in the Operating Reserve Fund out of the proceeds of the Bonds an amount equal to the amount required to fund the Operating Reserve Fund up to the Required Operating Reserve. The Operating Reserve Fund will be used to make transfers to the Debt Service Fund to the extent necessary to provide for the transfers to be made pursuant to the Trust Agreement, if monthly Revenues are insufficient, or to pay the principal of and interest on the Bonds, the Interest Rate Swap Payments and any Interest Rate Swap Termination Payments described in the Trust Agreement, as the same become due, if the amounts on deposit in the Debt Service Fund are insufficient therefor after transfers thereto from the Revenue Fund and the General Fund. The Operating Reserve Fund shall also be used to make transfers to the Revenue Fund as provided in the Trust Agreement to the extent amounts therein are insufficient to pay Commodity Swap Payments or Operating Expenses.

The Trustee will transfer amounts in the Operating Reserve Fund to the Revenue Fund for the payment of Commodity Swap Payments when due and Operating Expenses upon receipt of a disbursement request pursuant to the Loan Agreement. The Trustee will transfer amounts in the Operating Reserve Fund to the Debt Service Fund as described in the Trust Agreement.

If, on October 15 of each year, the balance in the Operating Reserve Fund shall be below the Required Operating Reserve, the Trustee will transfer funds to the Operating Reserve Fund to restore the Required Operating Reserve, to the extent and in the manner provided in the Trust

Agreement from the Revenue Fund and from the Debt Service Fund, and then from the General Fund. In the event the balance in the Operating Reserve Fund shall exceed the Required Operating Reserve on October 15 of each year, the excess will be transferred to the Interest Account of the Debt Reserve Fund.

When the balances in the Debt Service Fund and the Operating Reserve Fund, plus the earnings thereon, are sufficient to pay at maturity all Bonds then Outstanding, all interest to accrue thereon prior to maturity (net of any anticipatory Interest Rate Swap Receipts) and all Interest Rate Swap Payments, the balance in the Operating Reserve Fund will be transferred to the Debt Service Fund for use as provided in the Trust Agreement.

General Fund

(a) The Trustee will, as required in the Trust Agreement, use moneys in the General Fund:

(i) to make transfers to the Debt Service Fund to pay the principal of and interest on all of the Bonds then outstanding and coming due and any Interest Rate Swap Payments, if necessary, prior to any transfers thereto from the Operating Reserve Fund;

(ii) on November 15 of each year, to restore the amount on deposit in the Operating Reserve Fund to the Required Operating Reserve, if necessary;

(iii) to make transfers to the Interest Account and the Principal Account of the Debt Service Fund, if and to the extent the moneys then on deposit in the Operating Reserve Fund are insufficient to make the monthly deposits to the Debt Service Fund required under the Trust Agreement;

(iv) to make transfers to the Rebate Fund as described in the Trust Agreement in the event Revenues are insufficient to make the deposits to the Rebate Fund required under the Trust Agreement; and

(v) to make any Interest Rate Swap Termination Payment, due and payable by the Bond Bank following early termination of the Interest Rate Swap as a result of an Event of Default or Termination Event thereunder, with respect to which the Bond Bank is not the Defaulting Party and not the sole Affected Party.

(b) In addition, one time each twelve-month period commencing November 15, 2008 on or after each such November 15, upon the written request of the Authority to the Trustee, provided that the Trustee will have first used the moneys on deposit in the General Fund in the manner provided in the Trust Agreement, the Trustee will disburse the moneys then on deposit in the General Fund to pay any refunds owed by the Authority to the Customers pursuant to the Gas Supply Agreements or for any lawful purpose of the Authority. The Trustee will make any such transfer from the General Fund.

Rebate Fund

The Trustee will make deposits for the credit of the Rebate Fund when and in such amounts as set forth in the Trust Agreement or as may be directed in writing by the rebate analyst pursuant to the Trust Agreement as may be necessary to comply with the arbitrage limitations imposed by Section 148 of the Code. As directed in writing by the rebate analyst, the Bond Bank will remit part or all of the balances in the Rebate Fund to the United States of America.

Moneys in the Rebate Fund will be invested in the same manner as provided in the Trust Agreement for the investment of amounts deposited to the Operating Reserve Fund, and the proceeds of such investments are to be credited to the Rebate Fund. Any provisions in the Trust Agreement to the contrary notwithstanding, amounts credited to the Rebate Fund will be free and clear of any lien under the Trust Agreement and shall not constitute part of the Trust Estate.

On any installment computation date as described in the Trust Agreement, when there are funds remaining in the Rebate Fund after any payment of any Rebate Amount due on such installment computation date and after reservation for any Rebate Amount related to such installment computation date that is not paid (i.e., the 10% permitted to be paid on the final installment computation date), the excess in the Rebate Fund will be remitted first to the Operating Reserve Fund to the extent the balance therein is less than the Required Operating Reserve and then to the General Fund.

Purchase of Bonds.

If directed in writing by the Bond Bank, the Trustee will use amounts in the Debt Service Fund described in the Trust Agreement to purchase Bonds in the open market for cancellation, at purchase prices at or below the principal amount thereof.

Pledge of Trust Estate.

The Trust Estate is pledged to the payment of the principal of and interest on the Bonds and the payment of any Interest Rate Swap Payment or Interest Rate Swap Termination Payment required to be made by the Authority or the Bond Bank, as applicable. Such pledge will not limit, and will be subject to, the right of the Authority or the Bond Bank to utilize Revenues: (a) to pay Commodity Swap Payments and Operating Expenses in the manner set forth in the Loan Agreement and the Trust Agreement; (b) to reimburse the Customer Insurance Policy Provider for payments made under a Customer Insurance Policy; or (c) to withdraw amounts set forth in Trust Agreement from the General Fund, whereupon such amounts will be released from the lien and pledge created under the Trust Agreement.

Special Covenants

Payment of Bonds; Liens on Trust Estate. The Bond Bank covenants and agrees to duly and punctually pay or cause to be paid, but solely from the Trust Estate, the principal of every Bond and the interest thereon, at the dates and places and in the manner mentioned in the Bonds according to the true intent and meaning thereof. The Bond Bank must not create nor allow to

exist any lien or charge upon the Trust Estate, unless such lien or charge is expressly subordinate to the lien of the Trust Agreement.

Covenants Concerning Payment of Bonds. In order to provide for the payment of the principal of, premium, if any, and interest on the Bonds, the Bond Bank will consistent in all respects with the Act, the provisions of the Trust Agreement and sound banking practices and principles, (a) do all such acts and things as will be necessary to receive and collect the Revenues (including enforcement of the prompt collection of all arrears on Qualified Obligation Payments and the payment of Commodity Swap Payments and Operating Expenses) and (b) diligently enforce and take all steps, actions and proceedings reasonably necessary in the judgment of the Bond Bank to protect its rights with respect to the Loan Agreement and the Qualified Obligation and to enforce all terms, covenants and conditions of the Loan Agreement and the Qualified Obligation, including the collection, custody and prompt application of all payments required by the terms of the Loan Agreement and the Qualified Obligation for the purposes for which they were made. Whenever necessary in order to provide for the payment of the Bonds, the Bond Bank will commence appropriate remedies with respect to the Loan Agreement or the Qualified Obligation, if the Qualified Obligation is in default.

Possession and Inspection of the Loan Agreement and the Qualified Obligation. The Trustee covenants and agrees to retain or cause its agent to retain possession of the Loan Agreement and the Qualified Obligation and a copy of the transcript or documents related thereto and release them only in accordance with the provisions of the Trust Agreement. The Bond Bank and the Trustee covenant and agree that all books and documents in their possession relating to the Loan Agreement and the Qualified Obligation will at all times be open to inspection by such accountants or other agencies or persons as the Bond Bank or the Trustee may from time to time designate.

Bond Bank Covenants with Respect to the Loan Agreement and the Qualified Obligation. The Bond Bank covenants and agrees that it will enforce or authorize the enforcement of all remedies available to it under the Loan Agreement and as the Holder of the Qualified Obligation; provided, however, that decisions as to the enforcement of remedies will be within the sole discretion of the Trustee. The Trustee may enforce, in its name or in the name of the Bond Bank, all rights for and on behalf of the Holders of the Bonds, except for the Unassigned Rights, and may enforce all covenants, agreements and obligations of the Authority under and pursuant to the Loan Agreement, regardless of whether the Bond Bank is in default in the pursuit or enforcement of those rights, covenants, agreements or obligations. The Bond Bank, however, will do all things and take all actions on its part necessary to comply with covenants, agreements, obligations, duties and responsibilities on its part to be observed or performed under the Loan Agreement and will take all actions within its authority to keep the Loan Agreement in effect.

Further Assurances. The Bond Bank covenants and agrees that it will pass, make, do, execute, acknowledge and deliver all such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as the Trustee may require or as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the Trust Estate and the rights, Revenues and other moneys, securities and funds hereby

pledged or assigned, or intended so to be, or which the Bond Bank may become bound to pledge or assign.

Power to Issue Bonds and Pledge Trust Estate. The Bond Bank is duly authorized under all applicable laws to issue the Bonds, to execute and deliver the Trust Agreement and to pledge the Trust Estate as provided in the Trust Agreement. Except to the extent otherwise provided in the Trust Agreement, the Trust Estate so pledged is and will be free and clear of any pledge, lien, charge or encumbrance thereon with respect thereto prior to, or of equal rank with, the pledge created by the Trust Agreement, and all corporate or other action on the part of the Bond Bank has been and will be duly and validly taken. The Bonds and the provisions of the Trust Agreement are and will be the valid and legally enforceable obligations of the Bond Bank. The Bond Bank will defend, preserve and protect the pledge of the Trust Estate pledged under the Trust Agreement and all the rights of the Bondholders and the other parties secured under the Trust Agreement against all claims and demands of all persons whomsoever.

Accounts and Reports. The Bond Bank covenants and agrees to keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries will be made of its transactions relating to each Fund and Account established by the Trust Agreement. Such books, all other books and papers of the Bond Bank will at all times be subject to inspection by the Trustee, the Holders of not less than five percent in principal amount of the Bonds then Outstanding or their respective representatives duly authorized in writing. The Trustee will advise the Bond Bank and the Authority promptly after the end of each month of transactions during such month relating to each Fund and Account held by it under the Trust Agreement, including information required to be distributed in the Trustee Report as provided in the Trust Agreement. The Bond Bank will notify the Trustee immediately upon any Event of Default or default by it in the performance of any covenant, agreement or condition contained in the Trust Agreement.

Annual Budget. The Bond Bank will adopt an Annual Budget covering its fiscal operations for the succeeding Fiscal Year not later than June 1 of each year. The Annual Budget shall be open to inspection by any Bondholder. In the event the Bond Bank has not adopted an Annual Budget for the succeeding Fiscal Year on or before June 1, the Annual Budget for the preceding Fiscal Year will be deemed to have been adopted and be in effect for the succeeding Fiscal Year until the Annual Budget for such Fiscal Year will have been adopted.

Nonimpairment of Obligations. The Bond Bank covenants and agrees not to enter into any agreement or take any other action, the result of which is to impair the rights of the Bondholders, the Trustee or any other secured party provided under the Trust Agreement or to adversely affect the pledge or the priority of the pledge of the Trust Estate by the Bond Bank.

Prohibition of Bond Bank Entering into Hedge Secured by Revenues. The Bond Bank covenants and agrees to not enter into any commodity swap, interest rate swap or other hedge agreement secured by and/or payable from the Revenues, except for the Interest Rate Swap and any permitted replacement thereof.

Cash Receipts Upon Default by Seller. Pending the expenditure of the Unearned Amount (as defined in the Gas Purchase Contract) deposited in the Revenue Fund pursuant to the

Loan Agreement as a result of the occurrence of a Termination Event under the Gas Purchase Contract to redeem Bonds pursuant to the Trust Agreement, such funds shall be invested by the Trustee as directed by the Bond Bank, provided that such amounts: (a) will not be invested for longer than 30 days at a return in excess of 4.6096% without an approving opinion of bond counsel; and (b) will be invested in Investment Obligations, the term of which is the least of: (i) 30 days; (ii) the number of days to the redemption date of the Bonds; and (iii) the number of days to the then next Interest Payment Date. The Bond Bank and the Trustee will utilize such funds to effect the redemption of the Bonds as provided in the Loan Agreement and the Trust Agreement.

Investment of Funds

Any Authorized Officer of the Bond Bank may, at any time, give to the Trustee directions respecting the investment of any money required to be invested under the Trust Agreement; subject, however, to the provisions thereof, and the Trustee will then invest such money as so directed by the Authorized Officer of the Bond Bank. The Trustee is directed to invest all moneys held in the Debt Service Fund and the Operating Reserve Fund pursuant to the provisions of the Investment Agreement. The Bond Bank covenants that, in the event the rating of the provider of the Investment Agreement by either Fitch or Moody's is withdrawn or falls below the lower of (i) the then current rating on the Bonds by such Rating Agency or (ii) AA- or Aa3, respectively, the Bond Bank will engage in reasonable efforts to replace the Investment Agreement with another investment agreement with substantially similar terms, the provider of which shall then be rated by Fitch and Moody's no lower than (w) the then current ratings on the Bonds by such Rating Agencies or (x) AA- and Aa3, respectively, and so long as such replacement does not cause the then current rating on the Bonds by either Fitch or Moody's to be withdrawn or lowered below the lower of (y) the then current rating on the Bonds by such Rating Agency or (z) AA- or Aa3, respectively. In the absence of any direction by the Authorized Officer of the Bond Bank, and except as described in the second sentence of this paragraph, the Trustee will invest such money in the shares of a money market fund that meets the requirements described in clause (8) under the definition of "Investment Obligations" set forth in "CERTAIN DEFINITIONS USED IN THE TRUST AGREEMENT AND LOAN AGREEMENT" in this Appendix B.

Events of Default and Remedies

Events of Default. Each of the following events shall be an Event of Default:

- (i) Default in the due and punctual payment of any interest on any Bond;
- (ii) Default in the due and punctual payment of the principal of any Bond;
- (iii) An Event of Default or Termination Event will have occurred and be continuing under the Interest Rate Swap, which respect to which the Bond Bank is the Defaulting Party or the sole Affected Party;
- (iv) Default in the observance or performance of any other covenant, condition or agreement on the part of the Bond Bank contained in the Trust Agreement or the Bonds and

failure to remedy the same within the time provided in, and after notice thereof pursuant to, the Trust Agreement (See below “Notice of and Opportunity to Cure Defaults);

(v) Subject to the provisions of the Trust Agreement, the occurrence and continuation of an Event of Default as defined in the Loan Agreement;

(vi) Entry of an order or decree appointing one or more receivers of the Project or any property or operations of the Bond Bank directly related to the Revenues, or if such order or decree has been entered without the acquiescence or consent of the Bond Bank, failure to vacate, discharge or stay such order or decree on appeal within 60 days after the entry thereof; or

(vii) Institution of any proceeding for the purpose of effecting a composition between the Bond Bank and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or State statute now or hereafter enacted.

The provisions described in clauses (iv) and (v) above, as applied to certain provisions of the Trust Agreement and the Loan Agreement, are subject to the following limitations: if by reason of acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States of America or the State or any of its departments, agencies, members or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; any force majeure event under the Gas Purchase Contract; or any other cause or event not reasonably within the control of the Bond Bank; the Bond Bank is unable in whole or in part to carry out its agreements herein contained, other than the obligations on the part of the Bond Bank to make the payments required by the Trust Agreement, the Bond Bank will not as a result of such inability be deemed in default during the continuance of such inability, including a reasonable time for the removal of the effect thereof. The Bond Bank agrees, however, to use its best efforts to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements, provided that the settlement of strikes, lockouts and other industrial disturbances will be entirely within the discretion of the Bond Bank, and the Bond Bank will not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Bond Bank, unfavorable to the Bond Bank.

Acceleration; Additional Remedies; Rights of Bondholders. Upon the occurrence and continuation of an Event of Default, the Trustee may proceed to protect and enforce its rights and the rights of the Bondholders and the other parties secured under the Trust Agreement by mandamus or other suit, action or proceeding at law or in equity, including: (i) an action for specific performance of any covenant or agreement of the Bond Bank contained herein; or (ii) the enforcement of any rights of the Bond Bank or the Trustee under the Loan Agreement or the Qualified Obligation.

Upon the occurrence and continuation of an Event of Default, the Trustee may, and if directed in writing to do so by the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding, the Trustee will notify the Bond Bank to declare the principal of all

Bonds then Outstanding and the interest accrued thereon be immediately due and payable, and upon such declaration, such principal and interest shall become and be immediately due and payable, and interest on the Bonds shall cease to accrue. Immediately following any such declaration of acceleration, the Trustee shall cause to be mailed notice of such declaration by first-class mail, postage prepaid, to each Holder of a Bond at his last address appearing on the registration books of the Bond Registrar. Any defect in or failure to give such notice of any such declaration will not affect the validity of such declaration.

If an Event of Default under the Loan Agreement occurs and is continuing, the Trustee in its discretion may, and if directed in writing to do so by the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding, the Trustee shall, enforce each and every right granted to it as assignee of the Loan Agreement. Upon any declaration of acceleration under the Trust Agreement, the Trustee will immediately exercise such rights as it may have under the Loan Agreement and the Qualified Obligation to declare all Qualified Obligation Payments immediately due and payable. As the assignee of all right, title and interest of the Bond Bank in and to the Loan Agreement (except for the Unassigned Rights), the Trustee is empowered to enforce each remedy, right and power granted to the Bond Bank under the Loan Agreement.

The Trustee may by action at law or suit in equity require the Bond Bank to account as if it were the trustee of an express trust for the Holders of the Qualified Obligation and may take such action with respect to the Loan Agreement or the Qualified Obligation as the Trustee deems necessary or appropriate and in the best interest of the Bondholders, subject to the terms of the Loan Agreement or the Qualified Obligation.

Upon the occurrence and continuation of an Event of Default, if requested to do so by the Holders of a majority in aggregate principal amount of the Bonds then Outstanding and if indemnified as provided in the Trust Agreement, the Trustee will exercise one or more of its additional rights and powers, upon being advised by counsel, will deem most expedient in the interests of the Bondholders and the other parties secured under the Trust Agreement.

No remedy conferred by the Trust Agreement upon or reserved to the Trustee or to the Bondholders is intended to be exclusive of any other remedy, but each such remedy will be cumulative and will be in addition to any other remedy given to the Trustee or to the Bondholders under the Trust Agreement, law, or in equity.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default under the Trust Agreement will extend to or will affect any subsequent default or Event of Default or will impair any rights or remedies consequent thereon.

Notwithstanding anything to the contrary in the Trust Agreement: (i) there shall be no waiver of the Authority's covenant to terminate gas deliveries to any nonpaying Customer

pursuant to the Gas Supply Agreements, unless such waiver is consented to in writing by the Trustee; and (ii) if an Event of Default as described above under clause (iii), (iv), (v), (vi) or (vii) of the subcaption, “Events of Default” occurs and is continuing, the Trustee may not declare the principal of all Bonds then Outstanding and the interest accrued thereon to be immediately due and payable, unless it is directed in writing to do so by the Holders of all the Bonds then Outstanding.

Rights of Bondholders To Direct Proceedings. The Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Trust Agreement. However, such direction will not be otherwise than in accordance with the provisions of law and the Trust Agreement. Notwithstanding anything herein to the contrary, there shall be no waiver of the Authority’s covenant to terminate gas deliveries to any nonpaying Customer pursuant to the Gas Supply Agreements, unless such waiver is consented to in writing by the Bond Bank.

Application of Moneys

(a) All moneys received by the Trustee pursuant to any right given or action taken (including moneys received by virtue of action taken under the provisions of the Loan Agreement or the Qualified Obligation) will, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Debt Service Fund. All moneys in the Debt Service Fund will be applied as follows:

(i) Unless the principal of all the Bonds shall have become due:

First — To pay any Commodity Swap Payments due from the Authority pursuant to the Commodity Swap Agreement;

Second — To the payment to the persons entitled thereto, on a pro-rata basis, of: (A) all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available will not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference, except as to any difference in the respective rates of interest specified in the Bonds; and (B) any Interest Rate Swap Payments due, but remaining unpaid; and

Third — To the payment to the persons entitled thereto, on a pro-rata basis, of: (A) the unpaid principal of any of the Bonds which have become due, in the order of their due dates, with interest on such Bonds at the respective rates specified therein from the respective dates upon which they become due and, if the amount available will not be sufficient to pay in full Bonds due on any particular date, together with such interest, then first to the payment of such interest, ratably, according to the amount of such interest due on such date, and then to the payment of such principal, ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or preference, except as to any difference in

the respective rates of interest specified in the Bonds; and (B) any Interest Rate Swap Termination Payment due from the Bond Bank pursuant to the Interest Rate Swap, following early termination of the Interest Rate Swap as a result of an Event of Default or Termination Event thereunder, with respect to which the Bond Bank is the Defaulting Party or the sole Affected Party;

Fourth — To pay Operating Expenses then due and payable; and

Fifth — To the payment of any Interest Rate Swap Termination Payment due from the Bond Bank pursuant to the Interest Rate Swap, following early termination of the Interest Rate Swap as a result of an Event of Default or Termination Event thereunder, with respect to which the Bond Bank is not the Defaulting Party and not the sole Affected Party.

(ii) If the principal of all the Bonds have become due or have been declared due and payable, all such moneys will be applied to the payment, first, of any Commodity Swap Payments due from the Authority pursuant to the Commodity Swap Agreement, second, to the persons entitled thereto, on a pro-rata basis, of (A) the principal and interest then due and unpaid upon the Bonds, including, to the extent permitted by law, interest on overdue installments of interest, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or privilege, and (B) any Interest Rate Swap Payment due from the Bond Bank pursuant to the Interest Rate Swap and any Interest Rate Swap Termination Payment due from the Bond Bank pursuant to the Interest Rate Swap, following early termination of the Interest Rate Swap as a result of an Event of Default or Termination Event thereunder, with respect to which the Bond Bank is the Defaulting Party or the sole Affected Party, third, of any Operating Expenses then due and payable, and fourth, of any Interest Rate Swap Termination Payment due from the Bond Bank pursuant to the Interest Rate Swap, following early termination of the Interest Rate Swap as a result of an Event of Default or Termination Event thereunder, with respect to which the Bond Bank is not the Defaulting Party and not the sole Affected Party.

(b) Whenever moneys are to be applied pursuant to these provisions, such moneys will be applied at such times and from time to time as the Trustee will determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee will apply such moneys, it will fix the date (which will be an Interest Payment Date, unless it will deem another date more suitable), upon which such application is to be made, and, upon such date, interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee will give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and will not be required to make payment to the Holder of any Bond until such Bond will be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

(c) Whenever the principal of and interest on all Bonds and all amounts due under the Commodity Swap Agreement and the Interest Rate Swap have been paid under these provisions

and all expenses and charges of the Trustee have been paid, any balance remaining in the Debt Service Fund will be paid to the Authority, as provided in the Trust Agreement.

Remedies Vested in Trustee. All rights of action (including the right to file proofs of claims) under the Trust Agreement or any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto, and any such suit or proceeding instituted by the Trustee may be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds. Any recovery of judgment shall be for the equal benefit of the Holders of the then Outstanding Bonds and the other parties secured under the Trust Agreement in the manner and with the priority as set forth in the Trust Agreement.

Limitations on Suits. No Holder of any Bond will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Trust Agreement or for the execution of any trust of the Trust Agreement or any other remedy under the Trust Agreement, unless (i) a default has occurred of which the Trustee has been notified or, of which it is deemed to have notice, (ii) such default has become an Event of Default and the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding have made written request to the Trustee and have offered it reasonable opportunity either to proceed to exercise its granted powers granted or to institute such action, suit or proceeding in its own name, (iii) such Holders have offered to the Trustee indemnity as provided in the Trust Agreement, and (iv) the Trustee has failed or refused to exercise its granted powers or to institute such action, suit or proceeding in its own name or the name of such Holders.

Such notification, request and offer of indemnity, at the option of the Trustee, will be conditions precedent to the execution of the powers and trusts of the Trust Agreement and to any action or cause of action for the enforcement of the Trust Agreement or for any other remedy, it being understood and intended that no one or more Holders of the Bonds will have any right in any manner whatsoever to affect, disturb or prejudice the Trust Agreement by its, his or their action or to enforce any right under the Trust Agreement, and that all proceedings at law or in equity will be instituted and maintained and for the equal benefit of the Holder of all Bonds then Outstanding and the other parties secured under the Trust Agreement in the manner and with the priority as set forth in the Trust Agreement. Nothing in the Trust Agreement will, however, affect or impair the right of any Bondholder to enforce, by action at law, payment of the principal of and interest on any Bond at and after the maturity thereof or the obligation of the Bond Bank to pay the principal of each of the Bonds issued under the Trust Agreement to the respective Holders at the time, place, from the source and in the manner expressed in the Trust Agreement and in the Bonds.

Termination of Proceedings. In case the Trustee has proceeded to enforce any right under the Trust Agreement and such proceedings have been discontinued or abandoned for any reason or have been determined adversely, then and in every such case the Bond Bank and the Trustee will be restored to their former positions and rights under the Trust Agreement, and all rights, remedies and powers of the Trustee will continue as if no such proceedings had been taken.

Waivers of Events of Default. The Trustee will not waive any Event of Default under the Trust Agreement or its consequences and will not rescind any declaration of maturity of principal of and interest on the Bonds, except upon the written direction of the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that (a) there will not be waived without the consent of the Holders of all Bonds then Outstanding (i) any Event of Default in the payment of the principal of any Outstanding Bonds at the date of maturity specified therein, or (ii) any default in the payment when due of the interest on any such Bonds, unless, prior to such waiver or rescission, there will have been paid or provided for all arrears of payments of interest, all arrears of payments of principal when due and all expenses of the Trustee in connection with such default, and (b) there will not be waived without the consent of the Bond Bank and the Holders of all Bonds then Outstanding, any Event of Default resulting from the failure by the Authority to terminate gas deliveries to any nonpaying Customer pursuant to the Gas Supply Agreements. In the case of any such waiver or rescission pursuant to the Trust Agreement, or in case of the discontinuance, abandonment or adverse determination of any proceeding taken by the Trustee on account of any such default, the Trustee and the Bondholders shall be restored to their respective former positions and rights under the Trust Agreement. No such waiver or rescission will extend to any subsequent or other default or impair any right consequent thereon.

Notice of Defaults; Opportunity To Cure Defaults. If an Event of Default occurs of which the Trustee has been notified or, of which it is deemed to have notice, the Trustee shall notify the Bond Bank and the Holders of all Bonds then Outstanding of such Event of Default by registered or certified mail. Anything in the Trust Agreement to the contrary notwithstanding, no default as described above in clauses (iv) and (v) under the subcaption “Events of Default” will constitute an Event of Default until notice of such default shall be given by the Trustee to the Bond Bank, and the Bond Bank has had 30 days after receipt of such notice to correct such default or cause such default to be corrected and has not corrected such default or caused such default to be corrected within such period. Notwithstanding anything in the Trust Agreement to the contrary, there will be no waiver of the Authority’s covenant in the Loan Agreement to terminate gas deliveries to a nonpaying Customer pursuant to the Gas Supply Agreements, unless such waiver is consented to in writing by the Trustee and the Customer Insurance Policy Provider.

Discharge of Trust Agreement

(a) If (i) all Bonds have become due and payable in accordance with their terms as provided in the Trust Agreement or irrevocable instructions to pay the Bonds at maturity have been given by the Bond Bank to the Trustee in writing, (ii) the Trustee holds cash or Defeasance Obligations registered in the name of the Trustee, the interest on which and principal at maturity will be sufficient (A) to pay at maturity all Bonds and (B) to pay interest accruing on all Bonds prior to their payment at maturity, (iii) the Commodity Swap Agreement is no longer in effect and all of the Authority’s obligations thereunder have been satisfied, (iv) the Interest Rate Swap is no longer in effect and all of the Bond Bank’s obligations thereunder have been satisfied, (v) the Bond Bank has delivered to the Trustee (A) a certificate of an independent certified public accountant satisfactory to the Trustee that the cash or Defeasance Obligations held by the Trustee pursuant to clause (ii) above is sufficient for the purposes set forth in clause (ii) above and (B) an Opinion of Counsel to the effect that all requirements of the Trust Agreement have been

satisfied for the Trust Agreement to cease to be of further effect, (vi) arrangements satisfactory to the Trustee have been made to pay to the Trustee its reasonable fees and expenses and any other fees and expenses for which the Bond Bank is responsible, including the costs and expenses of canceling and discharging the Trust Agreement, and (vii) payment or provision for payment also will be made for the payment of all other sums payable under the Trust Agreement and under the Loan Agreement and the Qualified Obligation, then, except as hereinafter provided, the Trust Agreement will cease to be of further effect, and the Trustee will, on demand and at the Bond Bank's expense, execute and deliver to the Bond Bank such instruments in writing acknowledging the satisfaction of the Trust Agreement, as will be required to cancel any liens securing the Trust Agreement, and assign and deliver any funds or property at the time subject to the Trust Agreement that may then be in its possession, except (i) amounts in the funds created by the Trust Agreement required to be paid to the Authority under the Trust Agreement and (ii) moneys or securities, in which such moneys are invested, that are held by the Trustee for the payment of the Bonds and other fees and expenses described in the Trust Agreement.

(b) No discharge of the lien of the Trust Agreement will occur prior to the payment of all the Bonds, unless (i) the Commodity Swap Agreement is no longer in effect and all of the Authority's obligations thereunder have been satisfied, (ii) the Interest Rate Swap is no longer in effect and all of the Bond Bank's obligations thereunder have been satisfied and (iii) the Bond Bank has delivered (A) a report of an independent firm of nationally recognized certified public accountants or such other accountant as will be acceptable to the Trustee ("Accountant") verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity date ("Verification"), (B) an Escrow Deposit Agreement (which will be acceptable in form and substance to the Trustee) and (C) an opinion of Bond Counsel to the effect that the Bonds are no longer "Outstanding" under the Trust Agreement. Each Verification and defeasance opinion will be acceptable in form and substance, and addressed, to the Bond Bank and the Trustee.

(c) Notwithstanding the discharge of the lien as provided in the Trust Agreement, the Trustee will retain such rights, powers and duties as may be necessary and convenient for the payment of amounts due or to become due on the Bonds and the Interest Rate Swap and the registration, transfer, exchange and replacement of Bonds as provided in the Trust Agreement. Notwithstanding anything herein to the contrary, the Bonds will not be defeased, unless the Interest Rate Swap has been terminated and any amounts due thereunder have been paid in full.

Payment of Bonds

With respect to any Bonds as to which (a) all principal and interest have become due and payable in accordance with their terms as provided in the Trust Agreement or irrevocable instructions to pay such Bonds at maturity have been given by the Bond Bank to the Trustee, (b) the Trustee holds cash or Defeasance Obligations registered in the name of the Trustee, the interest on which and principal at maturity will be sufficient (i) to pay at maturity all of such Bonds and (ii) to pay interest accruing on all of such Bonds prior to their payment at maturity, and (c) if requested by the Trustee, the Bond Bank has delivered to the Trustee a certificate of an Accountant satisfactory to the Trustee that the cash or Defeasance Obligations held by the Trustee pursuant to clause (b) above is sufficient for the purposes set forth above, then such Bonds will cease to be entitled to any lien, benefit or security under the Trust Agreement and

will be deemed to be no longer Outstanding under the Trust Agreement. Any payment of Bonds effected by the provision to the Trustee of Defeasance Obligations that will be held for more than 30 days will be effective only if accompanied by an opinion of Bond Counsel to the effect that the investment in such Defeasance Obligations will not adversely affect the excludability of the interest on the Bonds from gross income for federal income tax purposes.

Supplemental Trust Agreements, Supplemental Loan Agreements, and Amendments to Gas Supply Agreements, Gas Purchase Contract, Commodity Swap Agreement, Interest Rate Swap and Guaranty

Supplemental Trust Agreements Not Requiring Consent of Bondholders or any of the Other Parties Secured by Trust Agreement. The Bond Bank and the Trustee may, without the consent of the Bondholders or any of the other parties secured under the Trust Agreement, enter into an agreement or agreements supplemental to the Trust Agreement not inconsistent with the terms and provisions of the Trust Agreement and for any one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission in the Trust Agreement;
- (b) To grant to or confer upon the Trustee for the benefit of the Bondholders and the other parties secured and prioritized under the Trust Agreement, any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders, the Trustee or either of them;
- (c) To add to the covenants and agreements of the Bond Bank in the Trust Agreement other covenants and agreements to be observed by the Bond Bank;
- (d) To modify, amend or supplement the Trust Agreement in such manner as required to permit the qualification of the Trust Agreement under the Trust Agreement Act of 1939, as amended, or any similar federal statute hereafter in effect, and, if they so determine, to add to the Trust Agreement such other terms, conditions and provisions as may be required by the Trust Agreement Act of 1939, as amended, or similar federal statute or state securities law; and
- (e) To make any other change herein, which: (i) in the opinion of the Trustee, will not prejudice in any material respect the rights of the Holders of the Bonds then Outstanding or the rights of any other party secured under the Trust Agreement; or (ii) can be made without adversely affecting any then current rating on the Bonds, as evidenced in writing by each Rating Agency then having a rating on the Bonds.

Supplemental Trust Agreements Requiring Consent of Bondholders. Exclusive of Supplemental Trust Agreements covered by the Trust Agreement and subject to the terms and provisions contained in the Trust Agreement, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding will have the right from time to time, to consent to and approve the execution by the Bond Bank and the Trustee of such other agreement or agreements supplemental to the Trust Agreement as deemed necessary or desirable by the Bond Bank for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Trust Agreement or in any Supplemental Trust Agreement; provided, however, that nothing in the Trust Agreement will permit, or be construed as permitting, without the consent and approval of the Holders of all of the Bonds then

Outstanding, (A) an extension of the maturity of the principal of or the interest on any Bond, or (B) a reduction in the principal amount of any Bond or the rate of interest thereon, or (C) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (D) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Trust Agreement.

If at any time the Bond Bank requests the Trustee to enter into any such Supplemental Trust Agreement for any of the purposes as described in this section, the Trustee will, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Trust Agreement to be sent to each registered Holder of Bonds then Outstanding by first-class, registered or certified mail to the address of such Bondholder as it appears in the registration books. Such notice must briefly set forth the nature of the proposed Supplemental Trust Agreement and must state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all Bondholders. If, within 60 days or such longer period as shall be prescribed by the Bond Bank following the giving of such notice, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, or in the case of clauses (A) through (D) listed above in this section, the Holders of all Bonds then Outstanding, will have consented to the execution thereof as herein provided, no Holder of any Bond shall have any right to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof or to enjoin or restrain the Trustee or the Bond Bank from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Trust Agreement, the Trust Agreement is deemed to be modified and amended in accordance therewith.

Bonds owned or held by or for the account of the Bond Bank will not be deemed Outstanding for the purpose of consent or any calculation of Bonds Outstanding as described in the Trust Agreement. At the time of any such calculation, the Bond Bank will furnish the Trustee a certificate of an officer of the Bond Bank, upon which the Trustee may rely, describing all Bonds to be excluded.

Anything contained in the Trust Agreement to the contrary notwithstanding, the Bond Bank and the Trustee may enter into any agreement supplemental to the Trust Agreement upon receipt of the consent of the Holders of all Bonds then Outstanding and the consent of the other parties secured under the Trust Agreement.

Consent of Customer Insurance Policy Provider and Commodity Swap Counterparty. The Trustee shall not execute any Supplemental Trust Agreement that amends or modifies certain specified sections of the Trust Agreement without the prior consent of the Customer Insurance Policy Provider and the Commodity Swap Counterparty.

Supplemental Loan Agreements Not Requiring Consent of Bondholders. The Bond Bank may, without the consent of, or notice to, any of the Bondholders, enter into any Supplemental Loan Agreement acceptable to the Authority as may be required: (a) to cure any ambiguity or formal defect or omission, which will not adversely affect the interest of the Bondholders; (b) to grant or pledge to the Bond Bank or the Trustee, for the benefit of the Bondholders, any additional security; (c) in connection with any other change therein, which: (i)

in the judgment of the Trustee acting in reliance upon an Opinion of Counsel, is not to the prejudice of the Trustee and the Bondholders; or (ii) can be made without adversely affecting any then current rating on the Bonds, as evidenced in writing by each Rating Agency then having a rating on the Bonds. Copies of any such Supplemental Loan Agreement will be filed with the Trustee; provided, that, the Trustee will first concur that such Supplemental Loan Agreement is permitted.

Supplemental Loan Agreements Requiring Consent of Bondholders. Exclusive of Supplemental Loan Agreements provided for in the Trust Agreement and subject to the terms and provisions contained in this section and not otherwise, the Bond Bank must not enter into, and the Trustee must not consent to, any other Supplemental Loan Agreement, nor will any such modification or amendment become effective, without the consent of the Holders of not less than a majority of the aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds held by the Bond Bank) and the Customer Insurance Policy Provider. No such Supplemental Loan Agreement may, without the consent of the Holders of all the Bonds then Outstanding and the Customer Insurance Policy Provider, reduce the amounts or delay the times of payment of the Qualified Obligation Payments, Commodity Swap Payments or Operating Expenses.

If at any time, the Bond Bank will request the consent of the Trustee to any Supplemental Loan Agreement, the Trustee will cause notice of such proposed Supplemental Loan Agreement to be given in the same manner as provided in the Trust Agreement with respect to Supplemental Trust Agreements. Such notice must briefly set forth the nature of such proposed Supplemental Loan Agreement and must state that a copy of such Supplemental Loan Agreement is on file at the designated corporate trust office of the Trustee for inspection by all Bondholders. The Trustee must not, however, be subject to any liability to any Holder of the Bonds by reason of its failure to mail such notice to any particular Holder of the Bonds, if notice was generally mailed to Bondholders, and any such failure shall not affect the validity of such Supplemental Loan Agreement when consented to and approved as provided in the Trust Agreement.

If the Holders of a majority in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds held by the Bond Bank) at the time of the execution of any such Supplemental Loan Agreement consents to the execution thereof, no Holder of any Bond will have any right to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof or to enjoin or restrain the Bond Bank or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Loan Agreement, the Loan Agreement is deemed to be amended in accordance therewith.

Limitation on Amendments to Gas Supply Agreements. The Gas Supply Agreements must not, without the consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, be amended, modified or otherwise altered in any manner which:

(a) Allows any Customer to withdraw from its obligations under a Gas Supply Agreement without such obligations being undertaken by another Customer who assumes the obligation of a Customer;

(b) Changes the manner of fixing and determining charges, as specified in Article VI of the Gas Supply Agreements, in such a way that it would have the effect of reducing such charges;

(c) Causes the Authority to be in violation of any applicable statutes, regulations or rulings applicable to the Project; or

(d) Prejudices in any material respect the rights of the Bond Bank or the Holders of the Bonds then Outstanding.

(e) Anything in these provisions to the contrary notwithstanding, with the exception of amendments, modifications or alterations of a Gas Supply Agreement which are required (i) for the purpose of curing any ambiguity or formal defect or omission therein (ii) to make any revisions that may be required by any Rating Agency then rating the Bonds or (iii) for the purpose of changing any Delivery Point as provided therein, no Gas Supply Agreement must be amended, modified or otherwise altered in any manner without the consent of the Customer Insurance Policy Provider.

Consent of Bond Bank and Trustee to Amendments. So long as the Gas Supply Agreements provide that such can be amended only with the consent of the Bond Bank and the Trustee, the Bond Bank and the Trustee will consent to any amendment which does not violate the definitions in the Limitations on Amendments to Gas Supply Agreements (See “Limitations on Amendments to Gas Supply Agreements”). The Bond Bank and the Trustee must not consent to any amendment to the Gas Supply Agreements, which amendment would permit amendments to the Gas Supply Agreements without the consent of the Bond Bank and the Trustee.

Limitation on Amendments to Gas Purchase Contract. The Gas Purchase Contract must not, without the consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, be amended, modified or otherwise altered in any manner which:

(a) Forgives the Seller its obligations under the Gas Purchase Contract;

(b) Increases the charges by or to the Seller under the Gas Purchase Contract;

(c) Causes the Authority to be in violation of any applicable statutes, regulations or rulings applicable to the Project; or

(d) Prejudices in any material respect the rights of the Bond Bank, the Holders of the Bonds then Outstanding

Anything in this paragraph to the contrary notwithstanding, with the exception of amendments, modifications or alterations of a Gas Supply Agreement which are required (i) for the purpose of curing any ambiguity or formal defect or omission therein (ii) to make any revisions that may be required by any Rating Agency then rating the Bonds or (iii) for the purpose of changing any Delivery Point as provided therein, no Gas Supply Agreement shall be amended, modified or otherwise altered in any manner without the consent of the Customer Insurance Policy Provider.

Commodity Swap Agreement Amendments. The Commodity Swap Agreement must not be amended, modified or otherwise altered in any manner which prejudices in any respect the rights of the Holders of the Bonds then Outstanding, without the consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, unless such change can be made without adversely affecting any then current rating on the Bonds, as evidenced in writing by each Rating Agency then having a rating on the Bonds.

Interest Rate Swap Amendments. The Interest Rate Swap must not be amended, modified or otherwise altered in any manner which prejudices in any respect the rights of the Holders of the Bonds then Outstanding, without the consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, unless such change can be made without adversely affecting any then current rating on the Bonds, as evidenced in writing by each Rating Agency then having a rating on the Bonds.

Guaranty. The Guaranty must not be amended, modified or otherwise altered in any manner which prejudices in any respect the rights of the Holders of the Bonds then Outstanding, without the consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, unless such change can be made without adversely affecting any then current rating on the Bonds, as evidenced in writing by each Rating Agency then having a rating on the Bonds.

Customer Insurance Policy Provider Consent. Notwithstanding anything in the Trust Agreement to the contrary, no consent shall be required from the Customer Insurance Policy Provider under the Trust Agreement during such time as the Customer Insurance Policy Provider is in default of its obligations under any Customer Insurance Policy.

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APPENDIX B-3

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a brief description of certain provisions of the Loan Agreement and does not purport to comprehensively describe that document.

Pledged Property

Under the Loan Agreement, in order to secure the payment of all amounts payable on the Gas Revenue Note, Series 2007, any other Qualified Obligation issued under the Loan Agreement and any notes issued in subscription therefor under the Loan Agreement (collectively, the “Notes”) and the performance of all the covenants of the Authority contained in the Loan Agreement, the Authority has pledged, assigned, and granted a security interest to the Bond Bank in the following: (i) subject to the prior rights of the Customer Insurance Policy Provider as provided in the Gas Supply Agreements, all rights, titles and interests of the Authority in the Gas Supply Agreements, including the right to receive and collect all payments from the Customers; (ii) all of the Authority’s rights under the Gas Purchase Contract, any agreement providing security for the obligations of the Seller under the Gas Purchase Contract, including, without limitation, rights under the Guaranty and any replacement natural gas purchase agreement entered into by the Authority following the early termination of the Gas Purchase Contract under the circumstances set forth therein, the Guaranty and any other security therefor, but excluding the Seller’s obligation to deposit Collateral into the Escrow Performance Fund as required in the Gas Purchase Contract; (iii) all of the Authority’s rights under the Commodity Swap Agreement; (iv) all of the Authority’s rights in the Revenues; (v) all of the Authority’s rights under the Customer Insurance Policies; (vi) all moneys and securities held in the Project Fund, the Costs of Issuance Fund, the Revenue Fund, the Debt Service Fund and the General Fund, from time to time held by the Trustee under the terms of the Trust Agreement; and (vii) any and all other property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned, or transferred as and for additional security by the Authority or by anyone on its behalf to the Bond Bank or the Trustee, including without limitation, any funds of the Authority, other than those on deposit in the Rebate Fund and Revenues in the Revenue Fund to be used for the payment of Commodity Swap Payments and Operating Expenses, held by the Trustee as security for the Bonds (collectively, the “Pledged Property”).

Issuance of Bonds and Related Provisions

Issuance of the Bonds; Application of Proceeds. To provide funds to make the Loan for purposes of assisting the Authority in the financing of the acquisition of the Project, the Bond Bank will issue, sell and deliver the Bonds, pursuant to and subject to the terms set forth in the Trust Agreement. Under the Loan Agreement, the Bond Bank will make the Loan by purchasing the Qualified Obligation and making the deposit into and the payments from the Purchase Fund as specified in the Trust Agreement. Pursuant to the Trust Agreement, the portion of the proceeds of the Bonds deposited in the Project Fund will be applied in accordance with the Trust Agreement and disbursed according to the Loan Agreement. Pending disbursement of the

Project Fund pursuant to the Loan Agreement, the proceeds deposited in the Project Fund, together with any investment earnings thereon, shall constitute a part of the Revenues assigned by the Bond Bank to the Trustee as provided in the Trust Agreement.

Project Fund. Pursuant to the Loan Agreement, the Authority may use the proceeds of the sale of the Bonds, which are deposited in the Project Fund, to pay the costs of the Project. Any disbursements from the Project Fund will be made by Trustee only upon the written order of the Authority which was approved by the Bond Bank.

Revenue Fund. The Authority will deposit promptly all Revenues upon receipt into the Revenue Fund. Disbursements of the Revenues, which are deposited in the Revenue Fund, may be used to pay (or to reimburse the Authority or the Bond Bank for the payment of) Commodity Swap Payments and Operating Expenses. The Bond Bank and the Authority agree that the Trustee will disburse moneys in the Revenue Fund for payment of the Commodity Swap Payments when due, without any written order or direction from the Authority, pursuant to and in accordance with the terms of the Commodity Swap Agreement. The Bond Bank and Authority agree that disbursements made from the Revenue Fund to pay Operating Expenses will be made by the Trustee only upon a written order of the Authority or the Bond Bank in the order and priority established in the Trust Agreement.

The Bond Bank and the Authority further agree that, anything in the Loan Agreement to the contrary notwithstanding, if the Customer Insurance Policy Provider has paid a Customer Shortfall Amount and, subsequently thereto, the Customer to which such Customer Shortfall Amount relates pays any amount to or at the direction of the Authority or the Trustee, such amount shall be applied first, upon receipt, to reimburse the Customer Insurance Policy Provider for such Customer Shortfall Amount, plus accrued interest thereon as provided in the related Gas Supply Agreement and, second, to the Trustee for deposit into the Revenue Fund.

Investment of Funds. All moneys held as part of any Fund or Account created under or held pursuant to the Trust Agreement will be invested or reinvested by the Trustee pursuant to the terms of the Trust Agreement. The Trustee will invest amounts in the Project Fund and the Revenue Fund in investments maturing on such dates and in such amounts as are required to timely pay the costs of the acquisition, construction and equipping of the Project, Commodity Swap Payments and Operating Expenses.

Loan from Bond Bank; Issuance of the Qualified Obligation

Loan Repayment; Delivery of the Qualified Obligation. Upon the terms and conditions of the Loan Agreement, the Bond Bank will make the Loan to the Authority through the purchase of the Qualified Obligation. In consideration of and in repayment of the Loan, the Authority will make Loan Payments as more particularly provided in the Qualified Obligation. All Loan Payments will be paid to the Trustee in accordance with the terms of the Qualified Obligation for the account of the Bond Bank and will be held and applied in accordance with the provisions of the Trust Agreement and the Loan Agreement.

Special and Limited Obligations of the Authority. The Authority is only obligated to make Loan Payments, Additional Payments or other amounts due under the terms of the

Qualified Obligation to the extent that there are Revenues available under the Trust Agreement. The Qualified Obligation, the Loan Agreement, and the obligations of the Authority thereunder are special and limited obligations of the Authority, payable solely from the Revenues, and do not constitute a pledge of the faith and credit of the Authority or an indebtedness or charge against the general credit or taxing powers of the State.

Additional Payments. The Authority will pay or cause to be paid from the Revenue Fund, Additional Payments under the Loan Agreement, all Commodity Swap payments and Operating Expenses incurred by the Authority or the Bond Bank in connection with the Project, the Bonds or the Qualified Obligations.

Additional Qualified Obligations. An additional Qualified Obligation may only be issued in exchange for another Qualified Obligation under the Loan Agreement by reflecting payments of principal and interest already paid on the Qualified Obligation. There will be no more than one Qualified Obligation outstanding at any time.

Prepayment of the Qualified Obligation

(a) (i) The Qualified Obligation is subject to prepayment prior to maturity at the option of the Authority, in whole or in part under the Trust Agreement with respect to the Bonds. As a condition to such prepayment, the Authority will pay to the Trustee the following amounts, which the Bond Bank will determine is sufficient to pay such amounts. The Authority, and thereupon the Trustee will pay the following amounts:

(A) any Commodity Swap Payment due or expected to be due on a Commodity Settlement Date through and including the redemption date;

(B) any amounts required to be deposited in the Rebate Fund through and including the redemption date under the Trust Agreement;

(C) all fees and expenses of the Bond Bank, the Trustee and any escrow agent in connection with the redemption of the Bonds and any additional rebate owed on the Bonds as a result of the redemption of the Bonds;

(D) any Operating Expenses expected to be owed through and including the redemption date;

(E) in the event of a partial redemption of the Bonds, to the Operating Reserve Fund, to the extent that the balance in the Operating Reserve Fund is less than the Required Operating Reserve, the amount needed to be deposited in the Operating Reserve Fund until the Operating Reserve Fund is equal to the Required Operating Reserve;

(F) to the General Fund, the amount of any Interest Rate Swap Termination Payment required to be paid to the Interest Rate Swap Counterparty in connection with the redemption of the Index Rate Bonds;

(G) to the Debt Service Fund, any Interest Rate Swap Payments expected to be due through and including the redemption date, net of the expected Interest Rate Swap Receipts expected to be received through and including the redemption date; and

(H) to the Debt Service Fund, the interest on and the principal of the Bonds the Bond Bank has determined may be redeemed pursuant to the Trust Agreement.

(ii) In the event that all of the Bonds can be redeemed with the aggregate of such prepayment and the amount on deposit in the Debt Service Fund and the Operating Reserve Fund, any remaining moneys in the Revenue Fund, the Debt Service Fund and the Operating Reserve Fund shall be deposited in the General Fund.

(b) The Qualified Obligation is also subject to mandatory prepayment, upon the occurrence of a Termination Event or a Partial Termination Event under the Gas Purchase Contract and in the manner set forth in the Trust Agreement with respect to the Bonds.

(i) Upon the occurrence of a Partial Termination Event under the Gas Purchase Contract, the Bond Bank shall apply the proceeds of such prepayment received from the Seller on behalf of the Authority in the following order and priority:

(A) any Commodity Swap Payment due or expected to be due on a Commodity Settlement Date through and including the redemption date;

(B) any amounts required to be deposited in the Rebate Fund through and including the redemption date in accordance with the Trust Agreement;

(C) all fees and expenses of the Bond Bank, the Trustee and any escrow agent in connection with the redemption of the Bonds and any additional rebate owed on the Bonds as a result of the redemption of the Bonds;

(D) any Operating Expenses expected to be owed through and including the redemption date;

(E) to the Operating Reserve Fund, to the extent that the balance in the Operating Reserve Fund is less than the Required Operating Reserve, the amount needed to be deposited in the Operating Reserve Fund until the Operating Reserve Fund is equal to the Required Operating Reserve;

(F) to the General Fund, the amount of any Interest Rate Swap Termination Payment required to be paid to the Interest Rate Swap Counterparty in connection with the redemption of the Index Rate Bonds;

(G) to the Debt Service Fund, any Interest Rate Swap Payments expected to be due through and including the redemption date, net of the expected Interest Rate Swap Receipts expected to be received through and including the redemption date; and

(H) to the Debt Service Fund, the remainder of the proceeds to be used to redeem the Bonds in the amount determined pursuant to the Trust Agreement.

(ii) Upon the occurrence of a Termination Event under the Gas Purchase Contract, the Bond Bank shall apply the proceeds of such prepayment received from the Seller on behalf of the Authority in the following order and priority:

(A) any Commodity Swap Payment due or expected to be due on a Commodity Settlement Date through and including the redemption date;

(B) any amounts required to be deposited in the Rebate Fund through and including the redemption date in accordance with the Trust Agreement;

(C) all fees and expenses of the Bond Bank, the Trustee and any escrow agent in connection with the redemption of the Bonds and any additional rebate owed on the Bonds as a result of the redemption of the Bonds;

(D) to the Debt Service Fund, the proceeds necessary, together with the entire amount then on deposit in the Operating Reserve Fund, to: (1) redeem all the then Outstanding Bonds in the amount determined under the Trust Agreement; (2) pay any Interest Rate Swap Payments expected to be due through and including the redemption date, net of the expected Interest Rate Swap Receipts expected to be received through and including the redemption date; and (3) pay any Interest Rate Swap Termination Payment required to be paid to the Interest Rate Swap Counterparty in connection with the redemption of the Index Rate Bonds;

(E) any Operating Expenses expected to be owed through and including the redemption date; and

(F) any remaining proceeds shall be deposited in the General Fund.

(c) Upon any such prepayment, which does not result in the redemption of all the Bonds, the Authority shall remain obligated pursuant to the Loan Agreement and the Qualified Obligation to make Loan Payments and Additional Payments pursuant to the terms thereof, which Loan Payments and Additional Payments shall be assumed to include, without limitation, the amounts necessary to pay the entirety of the principal of and interest on any then Outstanding Bonds when due.

Additional Covenants of the Authority

Under the Loan Agreement, the Authority covenants that it will not sell, lease or otherwise dispose of Gas except as permitted by the Gas Purchase Contract. The Authority will collect and deposit in the Revenue Fund all Revenues payable to it pursuant to the Gas Supply Agreements or payable to it pursuant to any other contract for the sale of Gas or any part thereof; provided, however, that if the Customer Insurance Policy Provider has paid a Customer Shortfall Amount and subsequently thereto, the Customer to which such Customer Shortfall Amount relates pays any amount to or at the direction of the Authority, such amount will be applied, to the extent necessary, to reimburse the Customer Insurance Policy Provider for such Customer Shortfall Amount, plus accrued interest thereon as provided in the related Gas Supply Agreement. The Authority will enforce the provisions and duly perform the covenants and the agreements of the Gas Supply Agreements.

Additionally, the Authority will enforce the provisions of the Gas Purchase Contract and the Guaranty and will duly perform its covenants and agreements under the Gas Purchase Contract. Upon the occurrence of specified Termination Events in the Gas Purchase Contract, the Authority shall terminate the Gas Purchase Contract.

The Authority will also not enter into any commodity swap, interest rate swap or other hedge agreement secured by and/or payable from the Revenues, except for the Commodity Swap Agreement and any permitted replacement thereof. The Authority will collect and deposit in the Revenue Fund all Commodity Swap Receipts under the Commodity Swap Agreement. The Authority will enforce the provisions of the Commodity Swap Agreement and shall duly perform its covenants and agreements under the Commodity Swap Agreement. The Authority covenants that it will terminate the Commodity Swap Agreement upon the occurrence of an Event of Default thereunder as a result of a failure by the Commodity Swap Counterparty to make, when due, any payment thereunder. Upon the occurrence of any Event of Default or Termination Event under the Commodity Swap Agreement, with respect to which the Commodity Swap Counterparty is the Defaulting Party, or upon early termination of the Commodity Swap Agreement, the Authority shall use its best efforts to enter into, simultaneously with or immediately following the early termination of the Commodity Swap Agreement, a new hedge agreement with a Replacement Commodity Swap Agreement and acceptable in form and substance to the Bond Bank and the Authority.

Pursuant to the Gas Supply Agreements, the Authority is required to deliver billing statements to the Customers indicating the amounts due for Gas delivered by the Authority to the Customers so that the Customers receive billing statements by the 10th day of the month. The Customers are required to pay such billing statements by no later than the later of the 10th day after receipt of the billing statement or the 23rd day of the month, in which the billing statement is received. If by such date the Authority has not received payment in full from any Customer, the Authority will provide immediate written notice of such nonpayment to the Customer with a copy to the Bond Bank and the Trustee, which notice will include a statement of the unpaid amount due and owing by such Customer. If such amount remains unpaid by the third day following such notice, the Authority may, and will at the direction of the Trustee, exercise its right under the Gas Supply Agreement to terminate the delivery to the Customer of such Customer's Daily Contract Quantity of Gas. Upon such termination, the Authority will cease delivery to the Customer of such Daily Contract Quantity of Gas.

Notwithstanding anything to the contrary in the Gas Supply Agreement or the Loan Agreement, the Authority may reinstate gas supply service to the defaulting Customer under the Gas Supply Agreement previously terminated, subject to such additional conditions, including reasonable assurance of payment, as may be required by the Authority, with the approval of the Trustee and the Customer Insurance Policy Provider (but only so long as the Customer Insurance Policy with respect to that Customer is then in effect). The Authority will provide prompt written notice of any reinstatement of gas supply service to the Bond Bank and the Trustee.

Events of Default; Remedies

Events of Default. The occurrence and continuance of any of the following events will constitute an “Event of Default” under the Loan Agreement:

(i) Failure of the Authority to pay any Loan Payment when the same becomes due and payable, whether at maturity or upon any date fixed for prepayment, by acceleration or otherwise; or

(ii) Failure of the Authority to pay any Additional Payment when the same becomes due and payable, whether at maturity or upon any date fixed for prepayment, by acceleration or otherwise, but only if such failure shall have continued for a period of 10 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Authority by the Bond Bank or the Trustee; or

(iii) Failure of the Authority to observe and perform any other covenant, condition or provision of the Loan Agreement for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, given to the Authority by the Bond Bank or the Trustee, unless the nature of the default is such that can be remedied and the Authority institutes corrective action within the sixty (60) day period and diligently pursues such action until the default is remedied; or

(iv) The Authority will (a) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the Authority or of all or any substantial part of its property, (b) commence a voluntary case under the United States Bankruptcy Code (as now or hereafter in effect), or (c) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment or debts; or

(v) A proceeding or case will be commenced, without the application or consent of the Authority, in any court of competent jurisdiction, seeking (a) the liquidation, reorganization, dissolution, winding-up, or composition or adjustment of debts of the Authority, (b) the appointment of a trustee, receiver, custodian, liquidator or the like of the Authority or of all or any substantial part of its property, or (c) similar relief with respect to the Authority under any law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts; or

(vi) An Event of Default or Termination Event will have occurred and be continuing under the Commodity Swap Agreement, with respect to which the Authority is the Defaulting Party.

During the occurrence and continuance of any Event of Default under the Loan Agreement, the Trustee, as assignee of the Bond Bank pursuant to the Trust Agreement, in addition to any remedies provided in the Loan Agreement, personally or by attorney, may proceed to protect and enforce its rights by a suit or suits in equity or at law, whether for damages or for the specific performance of any covenant or agreement contained in the Qualified Obligation or the Loan Agreement or in aid of the execution of any granted power, or for any

foreclosure under the Loan Agreement, or for the enforcement of any other appropriate legal or equitable remedy, as the Trustee shall deem most effectual to protect and enforce any of its rights or duties under the Loan Agreement; provided, however that all costs incurred by the Trustee and the Bond Bank to enforce their rights under the Loan Agreement shall be paid to the Bond Bank and the Trustee by the Authority on demand.

Remedies Upon Default. Whenever an Event of Default under the Loan Agreement occurs and continues, any one or more of the following remedial steps may be taken: (i) the Trustee may declare all Loan Payments and the Qualified Obligation to be immediately due and payable, whereupon the same will become immediately due and payable; (ii) the Bond Bank and the Trustee may have access to, inspect, examine and make copies of the books, records, accounts and financial data of the Authority pertaining to the Project; and (iii) the Bond Bank or the Trustee may pursue all remedies now or hereafter existing at law or in equity to collect all amounts then due and thereafter to become due under the Loan Agreement or the Qualified Obligation or to enforce the performance and observance of any other obligation or agreement of the Authority under those instruments, the Gas Purchase Contract, the Gas Supply Agreements, and the Commodity Swap Agreement, including the collection of any Revenues owed to the Authority.

If the Authority fails to pay the Qualified Obligation when and as the same shall become due and payable, whether at maturity or upon designation for prepayment or by declaration, or otherwise then, upon written demand of the Trustee, the Authority will pay to the Trustee the whole amount of the Revenues which then has become due and payable on the Qualified Obligation and in addition thereto such further amount as is sufficient to cover the cost and expenses of collection.

Waiver of Events of Default. No waiver by the Trustee, on its own behalf or on behalf of the Bond Bank, of any Event of Default or obligation of the Authority under the Loan Agreement affect any subsequent default or impairs any right or remedy consequent thereon. Notwithstanding anything herein to the contrary within the Loan Agreement, there will be no waiver of the Authority's covenant in the Loan Agreement to terminate gas deliveries to a nonpaying Customer pursuant to the Gas Supply Agreements, unless such waiver is consented to in writing by the Bond Bank, all Bondholders, the Customer Insurance Policy Provider and the Commodity Swap Counterparty.

Supplements and Amendments to Loan Agreement

Subject to the provisions of the Trust Agreement, the Authority and the Bond Bank may from time to time enter into such supplements and amendments to the Loan Agreement as to them may seem necessary or desirable; provided, however, that the Authority and the Bond Bank shall not enter into any such supplement or amendment to the Loan Agreement that amends or modifies certain specified sections of the Loan Agreement without the prior written consent of the Customer Insurance Policy Provider. See "THE LOAN AGREEMENT – SUPPLEMENTS AND AMENDMENTS TO LOAN AGREEMENT".

Defeasance; Discharge of Lien

Upon payment in full, in accordance with the Trust Agreement, of the Debt Service on the Bonds, whether at maturity or by redemption or otherwise, or upon provision for the payment thereof having been made in accordance with the provisions of the Trust Agreement, the Qualified Obligation will be deemed fully paid, the obligations of the Authority under the Trust Agreement will be terminated, and the Qualified Obligation will be surrendered by the Trustee to the Authority and will be canceled by the Trustee.

Upon the satisfaction and discharge of the Trust Agreement as provided therein: (a) all property, rights and interest hereby conveyed or assigned or pledged will revert to the Authority, and the estate, right, title and interest of the Bond Bank and the Trustee therein will thereupon cease, terminate and become void; and (b) the Loan Agreement, and the covenants of the Authority contained therein, will be discharged and the Bond Bank in such case on demand of the Authority, and at the Authority's cost and expense, will execute and deliver to the Authority a proper instrument or proper instruments acknowledging the satisfaction and termination of the Loan Agreement, and will convey, assign and transfer or cause to be conveyed, assigned or transferred, and will deliver or cause to be delivered, to Authority, all property, including money, then held by the Bond Bank or the Trustee, together with the Qualified Obligation marked paid or canceled.

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APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

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PROPOSED FORM OF BOND COUNSEL OPINION

August 14 2007

Indiana Bond Bank
Indianapolis, Indiana

Re: Indiana Bond Bank
Fixed Rate Special Program Gas Revenue Bonds, Series 2007 A,
Index Rate Special Program Gas Revenue Bonds, Series 2007 B-1
(LIBOR Index Rate),
Index Rate Special Program Gas Revenue Bonds, Series 2007 B-2
(BMA Index Rate), and
Index Rate Special Program Gas Revenue Bonds, Series 2007 B-3
(CPI Index Rate)

Ladies and Gentlemen:

We have acted as bond counsel to the Indiana Bond Bank (the “Issuer”) in connection with the issuance by the Issuer of its Fixed Rate Special Program Gas Revenue Bonds, Series 2007 A, dated August 14, 2007 (the “Fixed Rate Bonds”), in the aggregate principal amount of \$158,765,000, its Index Rate Special Program Gas Revenue Bonds, Series 2007 B-1 (LIBOR Index Rate), dated August 14, 2007 (the “LIBOR Index Rate Bonds”), in the aggregate principal amount of \$22,500,000, its Index Rate Special Program Gas Revenue Bonds, Series 2007 B-2 (BMA Index Rate), dated August 14, 2007 (the “BMA Index Rate Bonds”), in the aggregate principal amount of \$49,710,000, and its Index Rate Special Program Gas Revenue Bonds, Series 2007 B-3 (CPI Index Rate), dated August 14, 2007 (the “CPI Index Rate Bonds”), in the aggregate principal amount of \$77,595,000, pursuant to Indiana Code 5-1.5, as amended, the Trust Agreement, dated as of August 1, 2007 (the “Trust Agreement”), between the Issuer and The Bank of New York Trust Company, N.A., as trustee, (the “Trustee”), and the Loan and Security Agreement, dated as of August 1, 2007 (the “Loan Agreement”), between the Issuer and the Indiana Municipal Gas Purchasing Authority, Inc. (the “Authority”). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Fixed Rate Bonds, the LIBOR Index Rate Bonds, the BMA Index Rate Bonds and the CPI Index Rate Bonds (collectively, the “Bonds”) are being issued to acquire the Gas Revenue Note, Series 2007 (the “Qualified Obligation”), to be issued by the Authority pursuant to the Loan Agreement. The Authority will use the proceeds of the Qualified Obligation to finance the acquisition of a quantity of natural gas volumes (the “Project”) for resale to certain political subdivisions of the State of Indiana (collectively, the “Customers” and, individually, a “Customer”) pursuant to separate Natural Gas Supply Agreements (collectively, the “Gas Supply Agreements”) between the Authority and each Customer. Capitalized terms used but not defined

herein have the same meanings as defined in the Trust Agreement and the Loan Agreement (collectively, the “Agreements”).

The Bonds are equally and ratably secured by the Trust Agreement, which assigns and pledges to the Trustee, as security for the payment of the principal of and interest on the Bonds, a security interest in the Trust Estate, including:

- (1) the proceeds from the sale of the Bonds;
- (2) all rights, titles and interests of the Bond Bank in the Loan Agreement, including the pledge of the Pledged Property (except for the Unassigned Rights), and the Qualified Obligation acquired by the Bond Bank and held by the Trustee pursuant to the Trust Agreement, all moneys obligated to be paid to the Bond Bank pursuant to the Loan Agreement, the Qualified Obligation and the Interest Rate Swap, including any Interest Rate Swap Termination Payment payable to the Bond Bank thereunder, and the earnings thereon;
- (3) all right, title and interest of the Bond Bank in the moneys and securities from time to time held in the Project Fund, the Purchase Fund, the Costs of Issuance Fund, the Revenue Fund, the Debt Service Fund, the Operating Reserve Fund and the General Fund under the terms of the Trust Agreement, except to the extent disbursed from the respective fund in the manner provided in the Trust Agreement;
- (4) all other property of any kind hereafter mortgaged, pledged or hypothecated at any time as and for additional security under the Trust Agreement by the Bond Bank or by anyone on its behalf or with its consent in favor of the Trustee, which is authorized by the Trust Agreement to receive all such property at any time and to hold and apply it subject to the terms of the Trust Agreement; and
- (5) all proceeds and products of the foregoing.

Under the Trust Agreement, the Trust Estate also secures amounts that may be owed by the Bond Bank under the Interest Rate Swap.

The Qualified Obligation is secured by the Loan Agreement, which assigns and pledges to the Bond Bank as security for the payment of the Qualified Obligation, a security interest in the Pledged Property, including:

- (1) subject to the prior rights of the Customer Insurance Policy Provider as provided in the Gas Supply Agreements, all of the Authority’s rights under the Gas Supply Agreements, including the right to receive and collect all the payments from the Customers thereunder and the right to take all actions, give all consents and exercise all rights and remedies conferred on the Authority thereunder; provided that, the Authority shall have the right to administer, manage and enforce the Gas Supply Agreements so long as an Event of Default under the Loan Agreement has not occurred and is then in continuance;
- (2) all of the Authority’s rights under the Agreement for Purchase and Sale of Natural Gas, dated as of August 1, 2007 (the “Gas Purchase Contract”), between the Authority and J.P. Morgan Ventures Energy Corporation (the “Seller”), any agreement providing security for the

obligations of the Seller under the Gas Purchase Contract, including, without limitation, rights under the Guaranty, dated as of August 1, 2007 (the “Guaranty”), from JPMorgan Chase & Co. (the “Guarantor”), and any replacement natural gas purchase agreement entered into by the Authority following the early termination of the Gas Purchase Contract under the circumstances set forth therein, the Guaranty and any other security therefor, but excluding the Seller’s obligation to deposit Collateral into the Escrow Performance Fund as required in the Gas Purchase Contract; provided that, the Authority shall have the right to administer, manage and enforce the Gas Purchase Contract and the Guaranty so long as an Event of Default under the Loan Agreement has not occurred and is then in continuance;

(3) all of the Authority’s rights under the Commodity Swap Agreement;

(4) all of the Authority’s rights in the Revenues;

(5) all of the Authority’s rights under the Customer Insurance Policies;

(6) all moneys and securities held in the Project Fund, the Costs of Issuance Fund, the Revenue Fund (subject to the right to use Revenues in the Revenue Fund for the payment of Commodity Swap Payments and Operating Expenses), the Debt Service Fund and the General Fund, from time to time held by the Trustee under the terms of the Trust Agreement; and

(7) any and all other property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security under the Loan Agreement by the Authority or by anyone on its behalf to the Bond Bank or the Trustee, including, without limitation, any funds of the Authority, other than those on deposit in the Rebate Fund and Revenues in the Revenue Fund to be used for the payment of Commodity Swap Payments and Operating Expenses, held by the Trustee as security for the Bonds.

Under the Loan Agreement, the Pledged Property also secures amounts that may be owed by the Authority under the Commodity Swap Agreement and the Customer Insurance Policies.

Regarding questions of fact material to our opinion, we have relied on representations of the Issuer contained in the Agreements, the certified proceedings and other certifications of public officials furnished to us, and certifications, representations and other information furnished to us by or on behalf of the Issuer, the Authority, the Customers, the Seller, the Guarantor, the Interest Rate Swap Counterparty, the Commodity Swap Counterparty and others, including, without limitation, certifications contained in the tax and arbitrage certificate of the Issuer, dated the date hereof, without undertaking to verify the same by independent investigation. We have relied upon the legal opinion of Baker & Daniels LLP, Indianapolis, Indiana, special counsel to the Issuer, dated the date hereof, as to the matters stated therein.

For purposes of the opinion expressed in paragraphs 4 and 5 hereof, we have assumed that the Bonds are not subsequently transferred to the Interest Rate Swap Counterparty or a related entity (for this purpose, “related entity” means any entity whose relationship to such Interest Rate Swap Counterparty would preclude the recognition of losses for federal income tax purposes on transactions between them). Therefore, no opinion is expressed herein as to the federal tax consequences to such Interest Rate Swap Counterparty or a related entity, which later

owns the Bonds or the interest thereon. The Bond Bank, the Authority and the Customers have covenanted to comply with the provisions of the Internal Revenue Code of 1986, as amended and in effect on this date (the "Code"), regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds, and the Bond Bank has covenanted to make the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds, all as set forth in the documents and proceedings providing for the issuance of and security for the Bonds (the "Covenants").

Reference is made to the opinions of counsel to the Seller and Ice Miller LLP, counsel to the Authority, as to the authorization, execution and delivery of the Gas Purchase Contract and the enforceability of the Gas Purchase Contract against the Seller and the Authority, respectively, and to the opinions of Ice Miller LLP, counsel to the Authority and the Customers, as to the authorization, execution and delivery of the Gas Supply Agreements and the enforceability of the Gas Supply Agreements against the Authority and the Customers, upon which opinions you are relying as to matters therein.

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

1. The Issuer is a body corporate and politic validly existing under the laws of the State of Indiana (the "State"), with the corporate power to enter into the Agreements and perform its obligations thereunder and to issue the Bonds.

2. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding limited obligations of the Issuer, enforceable in accordance with their terms. The Bonds are payable solely from the Trust Estate.

3. The Agreements have been duly authorized, executed and delivered by the Issuer and are valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with their terms.

4. Under Section 103 of the Code, interest on the Bonds is excludable from gross income for federal income tax purposes. The opinion set forth in this paragraph is subject to compliance with the Covenants by the Bond Bank, the Authority and the Customers. Failure by the Bond Bank, the Authority or any Customer to comply with the Covenants may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

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

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

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement, dated August 1, 2007, or any other offering material relating to the Bonds.

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

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

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

Very truly yours,

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APPENDIX D
INTEREST RATE SWAP COUNTERPARTY

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APPENDIX D

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

JPMorgan Chase Bank, National Association (“the Bank”) is a wholly owned bank subsidiary of JPMorgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. The Bank offers a wide range of banking services to its customers, both domestically and internationally. It is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency.

As of March 31, 2007, the Bank had total assets of \$1,224.1 billion, total net loans of \$410.5 billion, total deposits of \$644.3 billion, and total stockholder’s equity of \$97.9 billion. These figures are extracted from the Bank’s unaudited Consolidated Reports of Condition and Income as of March 31, 2007, prepared in accordance with regulatory instructions that do not in all cases follow U.S. generally accepted accounting principles, which are filed with the Federal Deposit Insurance Corporation.

Additional information, including the most recent Form 10-K for the year ended December 31, 2006, of JPMorgan Chase & Co., the 2006 Annual Report of JPMorgan Chase & Co., and additional annual, quarterly and current reports filed with or furnished to the Securities and Exchange Commission by JPMorgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Official Statement is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017.

The information contained in this Appendix relates to and has been obtained from the Bank. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of the Bank since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.

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APPENDIX E
CUSTOMER INSURANCE POLICY PROVIDER

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Description of the Customer Insurance Policy Provider

Assured Guaranty Corp. (“Assured Guaranty”) is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in forty-nine states, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty’s business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty’s financial strength is rated “AAA” by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., “AAA” by Fitch, Inc. and “Aaa” by Moody’s Investors Service, Inc. Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Capitalization of Assured Guaranty Corp.

As of December 31, 2006, Assured Guaranty had total admitted assets of \$1,248,270,663 (audited), total liabilities of \$962,316,898 (audited), total surplus of \$285,953,765 (audited) and total statutory capital (surplus plus contingency reserves) of \$916,827,559 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2007, Assured Guaranty had total admitted assets of \$1,245,800,661 (unaudited), total liabilities of \$971,564,507 (unaudited), total surplus of \$274,236,154 (unaudited) and total statutory capital (surplus plus contingency reserves) of \$937,741,324 (unaudited) determined in accordance with statutory accounting practices

prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) in making such determinations.

The following documents are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- The consolidated balance sheets of Assured Guaranty as of December 31, 2006 and December 31, 2005 and the related consolidated statements of operations and comprehensive income, of shareholder’s equity and of cash flows for each of the three years in the period ended December 31, 2006, prepared in accordance with GAAP, included as Exhibit 99.1 to the Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2006 (which was filed by AGL with the Securities and Exchange Commission (the “SEC”) on February 28, 2007), as amended by the Form 10-K/A filed by AGL on March 1, 2007;
- The unaudited consolidated balance sheet and statement of shareholder’s equity of Assured Guaranty as of and for the period ended March 31, 2007, respectively, and the related consolidated statements of operations and comprehensive income and cash flows for the three months ended March 31, 2007 and March 31, 2006, prepared in accordance with GAAP, included as Exhibit 99.1 to the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2007 (which was filed by AGL with the SEC on May 7, 2007); and
- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

Any statement contained in a document incorporated herein by reference or contained herein under the heading “THE CUSTOMER INSURANCE POLICIES—Description of the Customer Insurance Policy Provider” shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

All consolidated financial statements of Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the

Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty makes no representation regarding, nor does it accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading “THE CUSTOMER INSURANCE POLICIES.”

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APPENDIX F

INTEREST RATE PROVISIONS FOR THE INDEX RATE BONDS

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INTEREST RATE PROVISIONS FOR THE INDEX RATE BONDS

After an initial interest period from the delivery date to (i) October 15, 2007 for the LIBOR Index Rate Bonds and BMA Index Rate Bonds, and (ii) September 15, 2007 for the CPI Index Rate Bonds, the Index Rate Bonds will bear interest at a rate based on LIBOR, BMA or CPI (as defined herein).

LIBOR Index Rate Bonds

Interest on the LIBOR Index Rate Bonds. The Index Rate Bonds bearing interest at the LIBOR Rate (the “LIBOR Index Rate Bonds”) will bear interest for each interest period between Interest Payment Dates at (a) 67% of the Three-Month LIBOR Rate (as defined herein) for such period (or, in the case of the first interest period ending October 15, 2007, the linear interpolation between similarly determined one and three month LIBOR rates) plus (b) the per annum spread specified for such maturity in the following table, with the sum rounded to the nearest one hundred-thousandth of a percentage point, except that the LIBOR Index Rate Bonds may not bear interest in any interest period at more than the Maximum Interest Rate. Interest on the LIBOR Index Rate Bonds will be computed on the basis of a 365 or 366-day year, as applicable, for the actual days elapsed, and will be payable on each January 15, April 15, July 15, and October 15, commencing on October 15, 2007 (each an “Interest Payment Date” for the LIBOR Index Rate Bonds). The interest rate for LIBOR Index Rate Bonds will be rounded to five decimal places.

<u>LIBOR Index Rate Bond due October 15</u>	<u>Spread above 67% of Three-Month LIBOR Rate</u>
2022	0.97%

“*Three-Month LIBOR Rate*” for each interest period from and including the date of issuance of the LIBOR Index Rate Bonds or any Interest Payment Date for the LIBOR Index Rate Bonds to and excluding the next such Interest Payment Date means the rate for deposits in U.S. dollars with a three-month maturity that appears on Reuters Screen LIBOR 01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers’ Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m., London time, on the day that is two London Banking Days (as defined herein) preceding the first day of such period, except that, if such rate does not appear on such page, the “Three-Month LIBOR Rate” means a rate determined on the basis of the rates at which deposits in U.S. dollars for a three-month maturity and in a principal amount of at least U.S. \$1,000,000 are offered at approximately 11:00 a.m. London time, on the day that is two London Banking Days preceding the first day of such period, to prime banks in the London interbank market by four major banks in the London interbank market (herein referred to as the “Reference Banks”) selected by the Market Agent (as defined herein) or any successor Market Agent under the Trust Agreement. The Market Agent is to

request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the Three-Month LIBOR Rate will be the arithmetic mean of such quotations. If fewer than two quotations are provided, the Three-Month LIBOR Rate will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Market Agent, at approximately 11:00 a.m., New York City time, on the day that is two London Banking Days preceding the first day of such period for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. \$1,000,000 having a three-month maturity. If the banks in New York City selected by the Market Agent are not then quoting rates for such loans, then the “Three-Month LIBOR Rate” for the ensuing interest period will mean the Three-Month LIBOR rate in effect in the immediately preceding interest period.

“*London Banking Day*” means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency) in the City of London, United Kingdom.

“*Market Agent*” means an agent appointed by the Trustee to perform certain functions in connection with the determination of the Three-Month LIBOR Rate and the USD-ISDA-Swap Rate (as defined herein).

“*Maximum Interest Rate*” means the lesser of 15% per annum and the Maximum Lawful Rate, calculated in the same manner as interest is calculated for the interest rate on the Index Rate Bonds.

“*Maximum Lawful Rate*” means the maximum rate of interest per annum on the relevant obligation permitted by applicable law.

BMA Index Rate Bonds

Interest on BMA Index Rate Bonds. The Index Rate Bonds bearing interest at the BMA Index Rate (the “BMA Index Rate Bonds”) will bear interest at (a) the BMA Municipal Swap Index plus (b) the per annum spread specified for such maturity in the following table, except that the BMA Index Rate Bonds may not bear interest in any interest period at more than the Maximum Interest Rate. Interest on the BMA Index Rate Bonds will be computed on the basis of a 365 or 366-day year, as applicable, for the actual days elapsed, and will be payable on each January 15, April 15, July 15, and October 15, commencing on October 15, 2007 (each an “Interest Payment Date” for the BMA Index Rate Bonds”). The interest rate for BMA Index Rate Bonds will be rounded to five decimal places.

<u>BMA Index Rate Bond due October 15</u>	<u>Spread above the BMA Municipal Swap Index</u>
2009	0.48%
2010	0.50%
2022	0.66%

“*BMA Municipal Swap Index*” for any day means the level of the most recently effective index rate which is issued weekly and which is compiled from the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data

which meet specific criteria established from time to time by the Securities Industry and Financial Markets Association and issued on Wednesday of each week, or if any Wednesday is not a U.S. Government Securities Business Day, the next succeeding U.S. Government Securities Business Day. If such index is no longer published, the “BMA Municipal Swap Index” for any day will mean the level of the “S&P Weekly High Grade Index” (formerly the J.J. Kenny Index) maintained by Standard & Poor’s Securities Evaluations Inc. for a 7-day maturity as published on the day which is one U.S. Government Securities Business Day immediately preceding the effective date of such index. If neither such index is any longer available, the “BMA Municipal Swap Index” for a day will be the prevailing rate determined most recently on or before the effective date of such index by the Market Agent, in consultation with the Bond Bank, for tax-exempt state and local government bonds meeting the then-current Securities Industry and Financial Markets Association criteria. The effective date for each such index is every Thursday (or any other day specified by the Securities Industry and Financial Markets Association, in the case of the first such index), or if any Thursday is not a U.S. Government Securities Business Day, the next succeeding U.S. Government Securities Business Day.

“*U.S. Government Securities Business Day*” means any day except for a Saturday, a Sunday, or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

CPI Index Rate Bonds

Definitions. The following definitions apply to the descriptions of the CPI Index Rate Bonds and the CPI Index Rate contained in this Official Statement. Capitalized terms used in this Appendix F and not otherwise defined shall have the meanings set forth in Appendix B.

“*Bloomberg CPURNSA*” (See “Consumer Price Index” below).

“*BLS*” (See “Consumer Price Index” below).

“*CPI*” (See “Consumer Price Index” below).

“*CPI Index Rate*” (See “CPI Index Rate” below).

“*CPI Index Rate Bonds*” means those Index Rate Bonds bearing interest at a rate equal to the CPI Index Rate plus the applicable Spread, as described below.

“*Initial Interest Period*” means the period from and including the date of the delivery of the CPI Index Rate Bonds to but excluding the initial Interest Reset Date.

“*Initial Interest Rate*” means the rates per annum as reported in the table below:

CPI Index Rate Bond due October 15	Initial Interest Rate
2011	3.997%
2012	4.027%
2013	4.057%
2014	4.067%
2015	4.087%

“*Interest Payment Date*” means, for the CPI Index Rate Bonds, the 15th day of each calendar month, commencing September 15, 2007.

“Interest Period” for CPI Index Rate Bonds means each period (other than the Initial Interest Period) from and including one Interest Reset Date to but excluding the next Interest Reset Date; provided that the final Interest Period shall end on but exclude the maturity date for the CPI Index Rate Bonds.

“Interest Reset Date” means September 15, 2007 for payment October 15, 2007, and thereafter the 15th calendar day of each month, for payment on the next succeeding Interest Payment Date.

“Record Date” means the 15th day of the month immediately preceding the month in which payment is due.

“Reference Month” means, with respect to an Interest Reset Date, the second calendar month preceding that Interest Reset Date. For example, the Reference Month for the April Interest Reset Date will be February.

“Spread” (See “CPI Index Rate” below)

Consumer Price Index. The amount of interest payable on the Index Rate Bonds bearing interest at the CPI Index Rate (the “CPI Index Rate Bonds”) will be linked to changes in the Consumer Price Index (“CPI”). The Consumer Price Index for purposes of the CPI Index Rate Bonds is the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers, published monthly by the Bureau of Labor Statistics of the U.S. Department of Labor (“BLS”) and reported on Bloomberg CPURNSA or any successor service (“Bloomberg CPURNSA”). The CPI for a particular month is generally released and published during the following month. The CPI is a measure of the average change in consumer prices over time for a fixed market basket of goods and services, including food, clothing, shelter, fuels, transportation, charges for doctors’ and dentists’ services, and drugs. In calculating the index, price changes for the various items are averaged together with weights that represent their importance in the spending of urban households in the United States. The contents of the market basket of goods and services and the weights assigned to the various items are updated periodically by the BLS to take into account changes in consumer expenditure patterns. The CPI is expressed in relative terms in relation to a time base reference period for which the level is set at 100.0. The base reference period for the CPI used to calculate the interest due on the CPI Index Rate Bonds is the 1982-1984 average.

Interest on the CPI Index Rate Bonds. The CPI Index Rate Bonds will bear interest at the Initial Interest Rate during the Initial Interest Rate Period. The Initial Interest Rate was determined by using the same interest rate formula that will be used to determine the CPI Index Rate, as hereinafter described. Thereafter, the CPI Index Rate Bonds will bear interest at an annual rate (the “CPI Index Rate”) that the Market Agent determines as of each Interest Reset Date, for the Interest Period beginning on that Interest Reset Date.

CPI Index Rate. The “*CPI Index Rate*” for each Interest Reset Date means the rate determined pursuant to the following formula:

$$[(CPI_t - CPI_{t-12}) / CPI_{t-12}] + \text{Spread}$$

Where:

CPI_t = CPI for the applicable Reference Month;

CPI_{t-12} = CPI for the twelfth month prior to the applicable Reference Month; and

Spread = See table

<u>CPI Index Rate Bond due October 15</u>	<u>Spread</u>
2011	1.31%
2012	1.34%
2013	1.37%
2014	1.38%
2015	1.40%

CPI_t for each Interest Reset Date is the CPI for the applicable Reference Month, which is generally released and published one calendar month prior to such Interest Reset Date. CPI_{t-12} for each Interest Reset Date is the CPI for the twelfth month prior to the applicable Reference Month, which is generally released and published in the eleventh month prior to the applicable Reference Month. For example, for a September 15, 2007 Interest Reset Date for payment on October 15, 2007, CPI_t will be the CPI for July 2007 and CPI_{t-12} will be the CPI for July 2006. The CPI for July 2007 was published by BLS and reported on Bloomberg CPURNSA in August 2007 and the CPI for July 2006 was published and reported in August 2006. For more information regarding the calculation of interest rates on the CPI Index Rate Bonds, including historical CPI levels and hypothetical interest rates, see “*Hypothetical Interest Rate Calculations*” below.

The amount of interest accruing on the CPI Index Rate Bonds during the Initial Interest Period and each Interest Period will be computed on the basis of a 360-day year of twelve 30-day calendar months and will be payable in arrears on the Interest Payment Date for the Initial Interest Period and each Interest Period to the owners thereof as of the applicable Record Date. If, for any Interest Period, the CPI Index Rate is zero or a negative number, the interest rate for the CPI Index Rate Bonds for that Interest Period will be 0%. In no event will the CPI Index Rate be greater than the Maximum Interest Rate. All calculations and determinations by the Market Agent will be final, absent manifest error.

At or prior to 12:00 noon, New York time, on each Interest Reset Date (or, if such Interest Reset Date is not a Business Day, on the next succeeding Business Day), the Market Agent will calculate the CPI Index Rate applicable to that Interest Reset Date and shall supply to the Trustee and the Bond Bank the CPI Index Rate so determined in writing or by electronic communication promptly confirmed in writing. As noted, the calculation of the CPI Index Rate

by the Market Agent will be final and conclusive and binding on the Trustee, the holders of the CPI Index Rate Bonds, the Bond Bank and the Authority, absent manifest error.

If the CPI is not reported on Bloomberg CPURNSA for a particular month by 11:00 AM on an Interest Reset Date, but the CPI has otherwise been published by the BLS, the Market Agent will determine the CPI as published by the BLS for such month using a source it deems to be accurate and appropriate. If the CPI is not published by the BLS for a particular month by 11:00 AM on an Interest Reset Date, the Market Agent will determine the CPI with reference to an index number based on the last twelve-month change in the CPI available and announced by the Department of Treasury for its Inflation-Indexed Securities as described at 62 Federal Register 846-874 (January 6, 1997) (the “Treasury Inflation-Indexed Securities Regulation”) or, if no such index number is announced, in accordance with general market practice at the time.

In calculating CPI_t and CPI_{t-12} , the Market Agent will use the most recently available value of the CPI determined as described above on the applicable Interest Reset Date, even if such value has been adjusted from a prior reported value for the relevant month. However, if a value of CPI_t and CPI_{t-12} used by the Market Agent on any Interest Reset Date to determine the interest rate on the CPI Index Rate Bonds (an “Initial CPI Value”) is subsequently revised by the BLS, the Market Agent will continue to use the Initial CPI Value for all purposes hereunder, and the interest rate for the related Interest Period, as determined based upon the Initial CPI Value, will not be revised.

If the CPI is rebased to a different year or period, the base reference period for the CPI Index Rate Bonds will continue to be the 1982-1984 reference period as long as the 1982-1984 CPI continues to be published. If the 1982-1984 CPI is not published, the Market Agent will determine the percentage change in inflation in accordance with general market practice at the time.

If, while the CPI Index Rate Bonds are outstanding, the CPI is discontinued or substantially altered, as determined in the sole discretion of the Market Agent, the Market Agent will determine the CPI Index Rate with reference to an applicable substitute index chosen by the Secretary of the Treasury for the Department of Treasury’s Inflation-Indexed Securities as described in the Treasury Inflation-Indexed Securities Regulation or, if no such securities are outstanding or no such substitute index is chosen, in accordance with general market practice at the time.

There will be no adjustment to the principal amount of the CPI Index Rate Bonds at maturity or at any other time during the term of the CPI Index Rate Bonds. The amount that holders of the CPI Index Rate Bonds will receive at maturity is equal to the principal amount of CPI Index Rate Bonds purchased by such holders.

Rounding. All values used in the interest rate formula for the CPI Index Rate Bonds will be truncated to six decimal places and rounded to the nearest fifth decimal place (one-one hundred thousandth of a percentage point), rounding upwards if the sixth decimal place is five or greater (e.g., 9.876555% (or .09876555) would be rounded up to 9.87656% (or .0987656) and 9.876554% (or .09876554) would be rounded down to 9.87655% (or .0987655)). All percentages resulting from any calculation of the interest rate will be truncated to four decimal places and rounded to the nearest third decimal place (one thousandth of a percentage point), rounding upwards if the fourth decimal place is five or greater (e.g., 9.8765% (or .098765) would be rounded up to 9.877% (or .09877) and 9.8764% (or .098764) would be rounded down to

9.876% (or .09876)). All dollar amounts used in or resulting from such calculation on the CPI Index Rate Bonds will be rounded to the nearest cent (with one-half cent being rounded upward).

Risk Factors.

The interest rate on the CPI Index Rate Bonds may be less than the Spread and, in some cases, could be zero.

The CPI Index Rate, which represents the interest payable on the CPI Index Rate Bonds during any Interest Period, is calculated based upon year over year changes in the level of the CPI, plus the Spread, determined monthly over the term of the CPI Index Rate Bonds.

If the CPI for the same month in successive years does not increase, which is likely to occur when there is little or no inflation, investors in the CPI Index Rate Bonds will receive an interest payment for the applicable Interest Period equal to the Spread. If the CPI for the same month in successive years decreases, which is likely to occur in periods of deflation, investors in the CPI Index Rate Bonds will receive an interest payment for the applicable Interest Period that is less than the Spread. If the CPI for the same month in successive years declines by a percentage equal to or greater than the Spread, the CPI Index Rate will equal zero for the related Interest Period and investors in the CPI Index Rate Bonds will receive no interest payment on the corresponding Interest Payment Date.

The interest rate is based upon the CPI. The CPI itself and the way BLS calculates the CPI may change in the future.

An investment in securities with interest determined by reference to an inflation index involves factors independent of the creditworthiness of the Bond Bank, the Authority, the Customers or any other party referred to or described in this Official Statement, or otherwise not associated with an investment in securities with interest determined by reference to a fixed rate, floating rate or other index-linked rate. Such factors may include, without limitation, the volatility of the CPI, the amount of other securities linked to the CPI, the level, direction and volatility of the market interest rates generally, the possibility that the CPI may be subject to significant changes, that changes in the CPI may or may not correlate to changes in interest rates generally or with changes in other indices and that the resulting interest may be greater or less than that payable on other securities of similar maturities.

In addition, the value of the CPI may depend on a number of factors, including economic, financial and political events over which the Bond Bank, the Authority and the Customers have no control. The historical experience of the CPI should not be taken as an indication of its performance during the term of the CPI Index Rate Bonds. While the CPI measures changes for prices in goods and services, movements in the CPI that have occurred in the past are not necessarily indicative of changes that may occur in the future.

Further, there can be no assurance that the BLS will not change the method by which it calculates the CPI. Changes may also occur in the way CPI is calculated, which could reduce the level of the CPI and lower the interest payment with respect to the CPI Index Rate Bonds. Accordingly, the amount of interest, if any, payable on the CPI Index Rate Bonds, and therefore the value of the CPI Index Rate Bonds, may be significantly reduced. If the CPI is discontinued or substantially altered, a substitute index may be employed to calculate the interest payable on the CPI Index Rate Bonds, as described above, and that substitution may adversely affect the value of the CPI Index Rate Bonds.

The historical levels of the CPI are not an indication of the future levels of the CPI during the term of the CPI Index Rate Bonds. The CPI has experienced periods of volatility in the past and such volatility may occur in the future. On the other hand, fluctuations and trends in the CPI that may have been observed in the past are not necessarily predictive of fluctuations and trends that may occur in the future.

The CPI Index Rate is based upon historical CPI changes and may not reflect the most recent changes in the CPI.

The calculation methodology for determining CPI incorporates an approximate three-month lag with payments of interest up to six months after such determination. This timing lag may have an impact on the trading price of the CPI Index Rate Bonds, particularly during periods of significant, rapid changes in the CPI.

Hypothetical Interest Rate Calculations. The following table sets forth the CPI from January 2000 to June 2007, as published by the BLS and reported on Bloomberg CPURNSA:

MONTH	2007	2006	2005	2004	2003	2002	2001	2000
January	202.4	198.3	190.7	185.2	181.7	177.1	175.1	168.8
February	203.5	198.7	191.8	186.2	183.1	177.8	175.8	169.8
March	205.4	199.8	193.3	187.4	184.2	178.8	176.2	171.2
April	206.7	201.5	194.6	188.0	183.8	179.8	176.9	171.3
May	207.9	202.5	194.4	189.1	183.5	179.8	177.7	171.5
June	208.4	202.9	194.5	189.7	183.7	179.9	178.0	172.4
July	N/A	203.5	195.4	189.4	183.9	180.1	177.5	172.8
August	N/A	203.9	196.4	189.5	184.6	180.7	177.5	172.8
September	N/A	202.9	198.8	189.9	185.2	181.0	178.3	173.7
October	N/A	201.8	199.2	190.9	185.0	181.3	177.7	174.0
November	N/A	201.5	197.6	191.0	184.5	181.3	177.4	174.1
December	N/A	201.8	196.8	190.3	184.3	180.9	176.7	174.0

By way of example, the following illustrates the way in which the CPI Index Rate would be calculated on the CPI Index Rate Bonds. Based upon the above table, the hypothetical interest rate that would have been payable on the CPI Index Rate Bonds for the Interest Period commencing on August 15, 2007, is 3.687%, to be paid on September 15, 2007. This hypothetical interest rate is calculated by inserting the following CPI levels into the interest rate formula described under “*CPI Index Rate*” and using a hypothetical Spread of 1.00%.

$CPI_t = 208.352$, which is equal to the CPI level for June 2007, which as the second calendar month prior to the Interest Reset Date of August 15, 2007, would be the Reference Month; and

$CPI_{t-12} = 202.9$, which is equal to the CPI level for June 2006, the twelfth calendar month prior to the Reference Month for the Interest Reset Date of August 15, 2007,

as follows:

$$\begin{aligned} 3.687\% &= (208.352 - 202.900) / 202.900 + 1.00\% \\ &= 2.68703795\% + 1.00\% \\ &= 2.687037\% \text{ (truncated to six decimal places)} + 1.00\% \\ &= 2.68704\% \text{ (rounded to five decimal places)} + 1.00\% \\ &= 3.6870\% \text{ (truncated to four decimal places)} \\ &= 3.687\% \text{ (rounded to three decimal places)} \end{aligned}$$

The numbers in the foregoing example were provided by the Market Agent and are given for illustration and information purposes only. The historical levels of the CPI should not be taken as an indication of future levels of the CPI, and no assurance can be given as to the level of the CPI for any Reference Month. The Spread in the example is not the Spread applicable to the CPI Index Rate Bonds.

**OPTIONAL REDEMPTION PRICES
OF LIBOR INDEX RATE BONDS AND BMA INDEX RATE BONDS**

General

The LIBOR Index Rate Bonds and the BMA Index Rate Bonds are subject to redemption at the option of the Bond Bank, at the direction of the Authority, in whole on any date or in part (on a *pro rata* basis from the Outstanding maturities of the Bonds in inverse order of maturity) on any Interest Payment Date, at a redemption price equal to 100% of the principal amount of LIBOR Index Rate Bonds or BMA Index Rate Bonds to be redeemed, together with the Spread Premium, if any, set forth for each maturity of the LIBOR Index Rate Bonds and BMA Index Rate Bonds and the applicable redemption date, plus interest, if any, accrued on such LIBOR Index Rate Bonds or BMA Index Rate Bonds from the most recent Interest Payment Date for which interest thereon has been paid or duly provided for to the redemption date. The CPI Index Rate Bonds are not subject to redemption at the option of the Bond Bank.

Spread Premium

The “*Spread Premium*” for any LIBOR Index Rate Bonds or BMA Index Rate Bonds to be redeemed at the option of Bond Bank, at the direction of the Authority, as of any date on which such redemption is to occur (each such date a “Redemption Date”) shall be the amounts set forth below.

LIBOR Index Rate Bonds. The Spread Premium for the LIBOR Index Rate Bonds shall be equal to the present value of the product of (a) the excess, if any, of (i) the per annum spread above the percentage of the Three-Month LIBOR Rate at which such LIBOR Index Rate Bond bears interest over (ii) 0.25% per annum, as summarized in the following table, and (b) the principal amount of such LIBOR Index Rate Bond, determined as if such product was payable quarterly from the applicable Redemption Date to the maturity of such LIBOR Index Rate Bond and discounting to the Redemption Date quarterly at a discount rate equal to (1) 67% of the USD-ISDA-Swap Rate for such Redemption Date (for the designated maturity which is closest to the Median Maturity) plus (2) 0.25% per annum.

<u>LIBOR Index Rate Bond due October 15</u>	<u>Interest Rate Spread</u>	<u>Net Spread for Calculating Redemption Premium</u>
2022	0.97%	0.72%

BMA Index Rate Bonds. The Spread Premium for the BMA Index Rate Bonds shall be equal to the present value of the product of (a) the excess, if any, of (i) the per annum spread above the percentage of the BMA Municipal Swap Index at which such BMA Index Rate Bond bears interest over (ii) 0.10% per annum, as summarized in the following table, and (b) the principal amount of such BMA Index Rate Bond, determined as if (x) such product was payable quarterly from such Redemption Date to the maturity of such BMA Index Rate Bond, and (y) such BMA Index Rate Bond was redeemed on the Median Maturity (as defined in the preceding paragraph) for BMA Index Rate Bonds of the same maturity, discounting to the Redemption Date quarterly at a discount rate equal to (1) the product of (A) the USD-ISDA-Swap Rate for such Redemption Date (for the designated maturity which is closest to the Median Maturity) and (B) the Applicable Ratio (defined below) for such BMA Index Rate Bond and Redemption Date, plus (b) 0.10% per annum.

<u>BMA Index Rate Bond due October 15</u>	<u>Interest Rate Spread</u>	<u>Net Spread for Calculating Redemption Premium</u>
2009	0.48%	0.38%
2010	0.50%	0.40%
2022	0.66%	0.56%

“*USD-ISDA-Swap Rate*” for a designated maturity and Redemption Date means the rate for U.S. dollar swaps of such maturity, expressed as a percentage, which appears on the Reuters Money 3000 Service on the page designated ISDAFIX1 (or such other page as may replace that page on such service for the purpose of displaying comparable rates) at 11:00 a.m., New York City time, on the day which is two U.S. Government Securities Business Days prior to the first mailing of notice of the applicable redemption, decompounded to a quarterly rate as described in the Trust Agreement. If such rate does not appear on such page on such day, then “*USD-ISDA-Swap Rate*” for such maturity and date shall mean the percentage determined on the basis of mid-market quarterly swap rate quotations provided by five leading swap dealers in the New York City interbank market at approximately such time on such day as the mean of the bid and offered rates for the quarterly fixed leg, calculated on an actual/actual day count basis, of a fixed-for-floating U.S. dollar interest rate swap transaction with an effective date of the Redemption Date and a termination date equal to such maturity, in an amount that is representative for a single transaction in such market at such time, with an acknowledged dealer of good credit in such market, where the floating rate, calculated on the basis of a 365/366-day year for actual days elapsed, is equal to the London Interbank Offered Rate (LIBOR) for loans with a three-month duration.

“*Applicable Ratio*” for any Redemption Date and BMA Index Rate Bond means the mid of the bid and ask for “Percentage of LIBOR vs. BMA Muni Index,” for the designated maturity closest to the Median Maturity for such BMA Index Rate Bond, which appears on the Bloomberg Screen PREBON13 Page as of close of business in New York City on the second U.S. Government Securities Business Day prior to such Redemption Date. If such bid and ask for “Percentage of LIBOR vs. BMA Muni Index” do not appear on the Bloomberg Screen PREBON13 Page on such day, the Applicable Ratio to be determined on such day for such Redemption Date and BMA Index Rate Bond will be the ratio, expressed as a percentage, of (a) a rate determined on such day on the same basis as the USD-ISDA-Swap Rate (with a designated maturity which is closest to the Median Maturity for such BMA Index Rate Bond) for such BMA Index Rate Bond determined by swap dealer quotations, except substituting the BMA Municipal Swap Index for Three-Month LIBOR divided by (b) the USD-ISDA-Swap Rate (with a designated maturity which is closest to the Median Maturity for such Bond) determined on such day. An independent calculation agent selected by the Bond Bank will request the principal New York City office of each of the dealers to provide a quotation of the percentage. If at least three quotations are provided, the Applicable Ratio will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

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