NEW ISSUE
Book-Entry-Only

RATINGS: *See "RATINGS" herein*

In the opinion of Ice Miller LLP, Indianapolis, Indiana, and Coleman Graham & Stevenson, LLC, Indianapolis, Indiana (together "Co-Bond Counsel"), under existing laws, regulations, judicial decisions and rulings, interest on the Series 2006 F Bonds (hereinafter defined) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2006 F Bonds (the "Code"), except for interest on any Series 2006 F Bond for any period during which such Series 2006 F Bond is owned by a person who is a "substantial user" of the Airport System (hereinafter defined) or a "related person" as defined in Section 147(a) of the Code. Such exclusion is conditioned on continuing compliance with the Tax Covenants (hereinafter defined). The interest on the Series 2006 F Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Interest on the Series 2006 G Bonds (hereinafter defined) is not excludable from gross income for federal income tax purposes. In addition, in the opinion of Co-Bond Counsel under existing laws, regulations, judicial decisions and rulings, interest on the Series 2006 F Bonds and Series 2006 G Bonds is exempt from income taxation in the State of Indiana. See "TAX MATTERS" and APPENDIX C—"FORM OF APPROVING OPINION OF CO-BOND COUNSEL" herein.

$389,785,000
THE INDIANAPOLIS LOCAL PUBLIC IMPROVEMENT BOND BANK BONDS,
SERIES 2006 (Indianapolis Airport Authority Project)

$346,995,000	$42,790,000
Series 2006 F	**Series 2006 G (Taxable)**

Dated: Date of Delivery **Due:** January 1, as shown on the inside cover

The Indianapolis Local Public Improvement Bond Bank (the "Bond Bank") will issue its Bonds, consisting of the Series 2006 F Bonds (the "Series 2006 F Bonds" or the "Tax-Exempt Bonds"), and the Series 2006 G Bonds (the "Series 2006 G Bonds" or the "Taxable Bonds" and, collectively, with the Series 2006 F Bonds, the "2006 Bonds"), pursuant to the Indenture, as defined and described herein.

The 2006 Bonds will be dated the date of delivery and will bear interest from that date to their respective maturity dates in the amounts and at the rates set forth on the inside cover hereof. The 2006 Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the 2006 Bonds will be made in book-entry-only form, in denominations of $5,000 or any integral multiple thereof. Purchasers of beneficial interests in the 2006 Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interests in the 2006 Bonds. Interest on the 2006 Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2007. Interest, together with the principal and redemption premium, if any, of the 2006 Bonds, will be paid directly to DTC by J.P. Morgan Trust Company, National Association, in Dallas, Texas, as paying agent under the Indenture, so long as DTC or its nominee is the registered owner of the 2006 Bonds. The final disbursement of such payments to the Beneficial Owners of the 2006 Bonds will be the responsibility of DTC, the DTC Participants and the Indirect Participants, all as defined and more fully described in APPENDIX G—"BOOK-ENTRY-ONLY SYSTEM."

Ambac

Payment of principal of and interest on the 2006 Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the issuance of the 2006 Bonds. See APPENDIX H for the form of the policy and see "BOND INSURANCE" herein.

The Series 2006 F Bonds are being issued by the Bond Bank for the principal purposes of providing funds to: (i) purchase the Indianapolis Airport Authority Airport Revenue Bonds, Series 2006A (the "Series 2006A Authority Bonds") to be issued by the Indianapolis Airport Authority (the "Authority"); (ii) pay the costs of issuance of the Series 2006 F Bonds and the Series 2006A Authority Bonds; and (iii) pay for certain program expenses of the Bond Bank. The proceeds of the Series 2006A Authority Bonds are expected to be used by the Authority to: (a) pay a portion of the costs of the Authority's 2001–2010 Capital Improvement Program for the Airport System (as defined herein), including capitalized interest; and (b) fund a deposit to the Authority's 2006A Account of the Revenue Bond Reserve Fund (as defined herein). See "AUTHORITY PLAN OF FINANCING."

The Series 2006 G Bonds are being issued by the Bond Bank for the principal purposes of providing funds to: (i) purchase the Indianapolis Airport Authority Taxable Airport Revenue Bonds, Series 2006B (the "Series 2006B Authority Bonds" and, together with the Series 2006A Authority Bonds, the "2006 Authority Bonds") to be issued by the Authority; (ii) pay the costs of issuance of the Series 2006 G Bonds and the Series 2006B Authority Bonds; and (iii) pay for certain program expenses of the Bond Bank. The proceeds of the Series 2006B Authority Bonds are expected to be used by the Authority to: (a) pay a portion of the costs of the Authority's 2001-2010 Capital Improvement Program for the Airport System relating to the construction of certain car rental and other ground transportation facilities; and (b) fund a deposit to the Authority's 2006B Account of the Revenue Bond Reserve Fund. See "AUTHORITY PLAN OF FINANCING."

The Series 2006 F Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein under the captions "THE 2006 BONDS—Mandatory Sinking Fund Redemption" and "—Optional Redemption." The Series 2006 G Bonds are not subject to optional or mandatory sinking fund redemption.

The 2006 Bonds are limited obligations of the Bond Bank payable solely out of the revenues and funds of the Bond Bank pledged therefor under the Indenture (including payments received on the 2006 Authority Bonds), on a parity with certain bonds previously issued by the Bond Bank and currently outstanding pursuant to the Indenture. The 2006 Authority Bonds are special obligations of the Authority and are payable solely from and secured exclusively by a lien upon certain revenues of the Airport System administered by the Authority, on a parity with certain bonds previously issued by the Authority and currently outstanding pursuant to the Ordinance (as defined herein). The 2006 Bonds do not constitute a debt, liability, general obligation or loan of the credit of the State of Indiana (the "State") or any political subdivision thereof, including the City of Indianapolis, Indiana (the "City"), Marion County, Indiana (the "County"), the Bond Bank and the Authority, 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 City, the County, the Bond Bank and the Authority. The 2006 Authority Bonds do not constitute a debt or a general obligation of the State or any political subdivision thereof, including the City, the County, the Bond Bank and the Authority, under the constitution and laws of the State. The sources of payment of, and security for, the 2006 Bonds and the 2006 Authority Bonds are more fully described herein. The Bond Bank has no taxing power. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2006 BONDS."

Detailed maturity schedules for the 2006 Bonds are set forth on the inside cover of this Official Statement.

This cover page contains information for quick reference only and is not a summary of this issue. Investors must read the entire Official Statement, including the appendices hereto, to obtain information essential to making an informed investment decision, paying particular attention to the matters discussed under "BONDHOLDER RISKS."

The 2006 Bonds are offered when, as and if issued by the Bond Bank and received by the Underwriters and subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Ice Miller LLP, Indianapolis, Indiana, and Coleman Graham & Stevenson, LLC, Indianapolis, Indiana, Co-Bond Counsel. Ice Miller LLP and Coleman Graham & Stevenson, LLC, also serve as co-bond counsel to the Authority. Certain legal matters will be passed on for the Bond Bank by the Corporation Counsel for the City, for the Authority by its special counsel, Robert A. Duncan, Esq., and for the Underwriters by their co-counsel, Baker & Daniels LLP, Indianapolis, Indiana, and the JC Lewis Group, Inc. It is expected that the 2006 Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about June 20, 2006.

UBS Investment Bank **Siebert Brandford Shank & Co., L.L.C.**
Backstrom McCarley Berry & Co. LLC **KeyBanc Capital Markets** **NatCity Investments, Inc.**

June 7, 2006

MATURITY SCHEDULE

$389,785,000
THE INDIANAPOLIS LOCAL PUBLIC IMPROVEMENT BOND BANK BONDS, SERIES 2006 (INDIANAPOLIS AIRPORT AUTHORITY PROJECT)

$346,995,000
Series 2006 F

Dated: Date of Delivery — Due January 1, as shown below

Year	Principal Amount	Interest Rate	Yield	CUSIP
2008	$ 570,000	4.00%	3.81%	45528SQK5
2009	595,000	5.00%	3.87%	45528SQL3
2010	625,000	5.00%	3.90%	45528SQM1
2011	655,000	4.00%	3.97%	45528SQN9
2012	680,000	4.00%	4.07%	45528SQP4
2013	7,710,000	5.25%	4.14%	45528SQQ2
2014	13,675,000	5.25%	4.22%	45528SQR0
2015	14,410,000	5.00%	4.32%	45528SQS8
2016	15,145,000	5.00%	4.38%	45528SQT6
2017	15,915,000	5.00%	4.41%*	45528SQU3
2018	16,730,000	5.00%	4.44%*	45528SQV1
2019	17,570,000	5.00%	4.49%*	45528SQW9
2020	18,465,000	5.00%	4.54%*	45528SQX7
2021	19,410,000	5.00%	4.56%*	45528SQY5
2022	20,390,000	5.00%	4.58%*	45528SQZ2
2023	14,135,000	5.00%	4.59%*	45528SRA6
2037	48,785,000	4.70%	4.89%	45528SRD0

$5,230,000 4.75% Term Bonds due January 1, 2027, Price 100% CUSIP: 45528SRB4
$116,300,000 5.00% Term Bonds due January 1, 2036, to Yield 4.82%* CUSIP: 45528SRC2

City Securities Corporation
UBS Investment Bank — **Siebert Brandford Shank & Co., L.L.C.**
Backstrom McCarley Berry & Co. LLC — **KeyBanc Capital Markets** — **NatCity Investments, Inc.**

*Priced to par call on July 1, 2016

$42,790,000
Series 2006 G (Taxable)

Dated: Date of Delivery — Due January 1, as shown below

Year	Principal Amount	Interest Rate	Price	CUSIP
2008	$ 3,675,000	5.43%	100%	45528SRE8
2009	3,865,000	5.44%	100%	45528SRF5
2010	4,070,000	5.46%	100%	45528SRG3
2011	13,635,000	5.49%	100%	45528SRH1
2012	12,410,000	5.53%	100%	45528SRJ7
2013	5,135,000	5.59%	100%	45528SRK4

City Securities Corporation
UBS Investment Bank — **Siebert Brandford Shank & Co., L.L.C.**

No dealer, broker, salesperson or other person has been authorized by the Bond Bank, the Authority or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the 2006 Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2006 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from sources which are believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there have been no changes in the information presented herein since the date hereof.

The 2006 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, the Authority, the Airport System and the terms of the offering, including the merit and risk involved.

Neither the Securities and Exchange Commission, any state securities commission nor any other regulatory authority has approved or disapproved of the 2006 Bonds or passed upon the adequacy or accuracy of this Official Statement. Any representation to the contrary is a criminal offense.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2006 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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THE INDIANAPOLIS LOCAL PUBLIC IMPROVEMENT BOND BANK

BOARD OF DIRECTORS

Mary Titsworth Chandler, Chairperson
Jacob E. Hall
Thomas J. O'Donnell
DeVonne Richburg-Pollard

* * *

Barbara A. Lawrence, Executive Director

INDIANAPOLIS AIRPORT AUTHORITY

BOARD OF DIRECTORS

Lacy M. Johnson, President
H. Patrick Callahan, Vice President
Alfred R. Bennett, Secretary
N. Stuart Grauel, Treasurer
Kelly J. Flynn, Member
Shirley M. Haflich, Member
Robert H. Voorhies, Member
Michael W. Wells, Member
Steven Dillinger, Advisory Member
Lynn T. Gordon, Advisory Member
Jack Morton, Advisory Member

AIRPORT CONSULTANT

Leigh Fisher Associates

CO-BOND COUNSEL

Ice Miller LLP
Coleman Graham & Stevenson, LLC

FINANCIAL ADVISOR

First Albany Capital Inc.

AUTHORITY TRUSTEE

J.P. Morgan Trust Company, National Association

BOND BANK TRUSTEE

J.P. Morgan Trust Company, National Association

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OFFICIAL STATEMENT

$389,785,000
The Indianapolis Local Public Improvement Bond Bank Bonds, Series 2006 (Indianapolis Airport Authority Project)

$346,995,000	$42,790,000
Series 2006 F	Series 2006 G (Taxable)

INTRODUCTION

The purpose of this Official Statement, including the cover page, the inside cover page, the preliminary pages and appendices, is to set forth certain information concerning the issuance and sale by The Indianapolis Local Public Improvement Bond Bank (the "Bond Bank") of its $389,785,000 aggregate principal amount of Bonds, Series 2006 (Indianapolis Airport Authority Project) (the "2006 Bonds"), consisting of the Bond Bank's Bonds, Series 2006 F (the "Series 2006 F Bonds" or the "Tax-Exempt Bonds") and the Bond Bank's Taxable Bonds, Series 2006 G (the "Series 2006 G Bonds" or the "Taxable Bonds"). The 2006 Bonds are authorized by a resolution adopted by the Board of Directors of the Bond Bank on May 15, 2006, and are issued pursuant to the provisions of a Trust Indenture, dated as of January 1, 2003, as previously supplemented and amended, and as further supplemented by a Third Supplemental Trust Indenture, dated as of June 1, 2006 (collectively, the "Indenture"), and the laws of the State of Indiana (the "State"), including particularly Indiana Code 5-1.4 (the "Act"). J.P. Morgan Trust Company, National Association, Indianapolis, Indiana (successor-in-interest to Bank One Trust Company, National Association), is the Trustee (the "Bond Bank Trustee") and the Registrar and Paying Agent ("Registrar" or "Paying Agent") under the Indenture.

The Bond Bank and the Bond Bank Program

The Bond Bank is a body corporate and politic, separate from the City of Indianapolis, Indiana (the "City"), and the Indianapolis Airport Authority (the "Authority"), established for the public purposes set forth in the Act. The Bond Bank has no taxing power. The Bond Bank is governed by a Board of five directors, each appointed by the Mayor of the City. Pursuant to the Act, the purpose of the Bond Bank is to buy and sell securities of "qualified entities," defined in the Act to be the consolidated city (City of Indianapolis), the consolidated city's county (Marion County), any special taxing district located wholly within Marion County, any entity whose tax levies are subject to review and modification by the city-county legislative body under Indiana Code 36-3-6-9 and any authority created under Indiana Code Title 36 that leases land or facilities to any of the foregoing qualified entities. The Authority is a qualified entity under the Act.

The proceeds from the sale of the Series 2006 F Bonds will be used to provide funds to: (i) purchase the Indianapolis Airport Authority Airport Revenue Bonds, Series 2006A (the "Series 2006A Authority Bonds") to be issued by the Authority; (ii) pay costs of issuance of the Series 2006 F Bonds and the Series 2006A Authority Bonds; and (iii) pay for certain program expenses of the Bond Bank.

The proceeds from the sale of the Series 2006 G Bonds will be used to provide funds to: (i) purchase the Indianapolis Airport Authority Taxable Airport Revenue Bonds, Series 2006B (the "Series 2006B Authority Bonds" and, together with the Series 2006A Authority Bonds, the "2006 Authority Bonds") to be issued by the Authority; (ii) pay costs of issuance of the Series 2006 G Bonds and the Series 2006B Authority Bonds; and (iii) pay for certain program expenses of the Bond Bank.

The 2006 Bonds

The 2006 Bonds mature on the dates and in the principal amounts set forth on the inside cover page hereof. Interest on the 2006 Bonds will accrue from the date of delivery thereof at the rates per annum set forth on the inside cover page hereof and will be payable on January 1, 2007, and semiannually on each July 1 and January 1

thereafter. The 2006 Bonds will be issued in fully registered form in denominations of $5,000 or any integral multiple thereof. See "THE 2006 BONDS."

The 2006 Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the 2006 Bonds will be made in book-entry-only form. Purchasers of beneficial interests in the 2006 Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interest in the 2006 Bonds. Interest on the 2006 Bonds, together with principal of the 2006 Bonds, will be paid by the Paying Agent directly to DTC, so long as DTC or its nominee is the registered owner of the 2006 Bonds. The final disbursement of such payments to Beneficial Owners of the 2006 Bonds will be the responsibility of the DTC Participants and Indirect Participants, all as defined and more fully described herein. See APPENDIX G—"BOOK-ENTRY-ONLY SYSTEM."

The Series 2006 F Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein under the captions "THE 2006 BONDS—Mandatory Sinking Fund Redemption" and "—Optional Redemption." The Series 2006 G Bonds are not subject to optional or mandatory sinking fund redemption.

Security and Sources of Payment for the 2006 Bonds

The 2006 Bonds will be issued under and secured by the Indenture. The 2006 Bonds are issued on a parity with (a) the Bond Bank's Bonds, Series 2003A (Indianapolis Airport Authority Project) (the "Series 2003A Bonds"), originally issued in the principal amount of $137,065,000, and outstanding as of May 1, 2006, in the principal amount of $121,230,000; (b) the Bond Bank's Bonds, Series 2004I (Indianapolis Airport Authority Project) (the "Series 2004I Bonds"), originally issued in the principal amount of $221,680,000, and outstanding as of May 1, 2006, in the principal amount of $218,735,000; and (c) the Bond Bank's Bonds, Series 2005 B (Indianapolis Airport Authority Project) (the "Series 2005 B Bonds"), originally issued in the principal amount of $197,385,000, all of which remains outstanding as of May 1, 2006. The principal of and interest on the 2006 Bonds, the Series 2003A Bonds, the Series 2004I Bonds, the Series 2005 B Bonds and any bonds that may be authorized and issued by the Bond Bank under the Indenture on a parity with the Series 2003A Bonds, Series 2004I Bonds, Series 2005 B Bonds and the 2006 Bonds (collectively, the "Bond Bank Bonds"), are secured equally and ratably by the pledge of the Trust Estate established under the Indenture (the "Trust Estate"). The Trust Estate includes the 2003 Authority Bonds, the 2004 Authority Bonds, the 2005 Authority Bonds (each as defined herein), the 2006 Authority Bonds and all cash and securities in the funds and accounts established by the Indenture (except the Rebate Fund and accounts therein) and the investment earnings thereon and all proceeds thereof. See "—The Authority and the 2006 Authority Bonds." Neither the faith, credit nor taxing power of the State or any political subdivision thereof, including the City, Marion County, Indiana (the "County"), and the Authority are pledged to the payment of the principal of, premium, if any, and interest on any of the Bond Bank Bonds. The sources of payment for the Bond Bank Bonds are further described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2006 BONDS."

The Bond Bank Bonds are not a debt, liability, loan of the credit or pledge of the faith and credit of the State or of any political subdivision thereof, including the City, the County and the Authority. The Bond Bank has no taxing power and has only those powers and sources of revenue set forth in the Act. The Bond Bank will not maintain a debt service reserve fund for the Bond Bank Bonds and the provisions of Indiana Code 5-1.4-5 regarding the Bond Bank's obligation to request the City-County Council to replenish a debt service reserve do not apply to the Bond Bank Bonds. The Bond Bank Bonds are issued and secured separately from any other obligations issued by the Bond Bank.

Bond Insurance

The scheduled payment of principal of and interest on the 2006 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the 2006 Bonds (the "Policy") by Ambac Assurance Corporation ("Ambac Assurance" or the "Insurer"). See "BOND INSURANCE" herein for further information and APPENDIX H for the form of the Policy.

The Authority and the 2006 Authority Bonds

The Authority is a municipal corporation, separate from the City and the County, organized and existing under Indiana Code 8-22-3, as amended and in effect on the issue date of the 2006 Authority Bonds (the "Authority Act"), with the power to own and operate public airports. The Authority owns and operates the Indianapolis International Airport (the "Airport") as well as the Downtown Heliport, Eagle Creek Airpark, Metropolitan Airport, Mt. Comfort Airport and Hendricks County Airport/Gordon Graham Field (collectively with the Airport, the "Airport System"). See "THE AUTHORITY" and "THE AIRPORT AND THE AIRPORT SYSTEM" for information concerning the Authority and its assets and operations.

The 2006 Authority Bonds are being issued under the Authority Act and pursuant to the Authority's General Ordinance No. 4-2002 (which amended and restated General Ordinance No. 6-1985), as previously amended and supplemented (the "Master Ordinance"), and as further supplemented by General Ordinance No. 3-2006 adopted by the Authority on May 19, 2006 (the "2006 Supplemental Ordinance" and, together with the Master Ordinance, the "Ordinance"), which sets forth the terms of issuance of the 2006 Authority Bonds. The proceeds of the Series 2006A Authority Bonds are expected to be used by the Authority to (a) pay a portion of the costs of the Authority's 2001-2010 CIP (as defined herein) for the Airport System, including capitalized interest and (b) fund a deposit to the Authority's 2006A Account of the Revenue Bond Reserve Fund (as defined herein). The proceeds of the Series 2006B Authority Bonds are expected to be used by the Authority to (a) pay a portion of the costs of the Authority's 2001-2010 CIP, including, among other things, the construction of certain car rental and other ground transportation facilities and (b) fund a deposit to the Authority's 2006B Account of the Revenue Bond Reserve Fund. See "AUTHORITY PLAN OF FINANCING."

Under the Master Ordinance, the Authority has $579,410,000 aggregate principal amount of Revenue Bonds (as defined herein) outstanding as of the date hereof, including its (a) Refunding Revenue Bonds, Series 1996A (the "1996 Authority Bonds"); (b) Airport Revenue Bonds, Series 2003A (the "2003 Authority Bonds"); (c) Airport Revenue Bonds, Series 2004A (the "2004 Authority Bonds"); and (d) Airport Revenue Bonds, Series 2005A (the "2005 Authority Bonds"). The 2006 Authority Bonds are to be secured by a pledge of the Net Revenues (as defined herein) of the Airport System on a parity with the 1996 Authority Bonds, the 2003 Authority Bonds, the 2004 Authority Bonds, the 2005 Authority Bonds and any additional Revenue Bonds issued by the Authority under the Master Ordinance, as further supplemented and amended (together with the 2006 Authority Bonds, the "Authority Revenue Bonds"). Payments due under Qualified Derivative Agreements (as defined herein), excluding any termination payments, also will be payable from Net Revenues of the Airport System on a parity with Authority Revenue Bonds. See "AUTHORITY PLAN OF FINANCING—Hedging Activities."

The 2006 Authority Bonds and the 2005 Authority Bonds are collectively secured by the 2005/2006 Accounts (as defined herein) of the Revenue Bond Reserve Fund and not any other account of the Revenue Bond Reserve Fund. Pursuant to the Ordinance, the 2005/2006 Accounts of the Revenue Bond Reserve Fund must contain an amount equal to the "2005/2006 Revenue Bond Reserve Requirement," defined as the least of (i) ten percent (10%) of the principal amount of the Secured Bonds (as defined herein); (ii) the maximum annual debt service on the Secured Bonds; or (iii) one hundred twenty-five percent (125%) of the average annual principal and interest requirements on the Secured Bonds. "Secured Bonds" means the 2005 Authority Bonds, the 2006 Authority Bonds and any additional Authority Revenue Bonds that the Authority issues and elects to have secured by the 2005/2006 Accounts. The 1996 Authority Bonds, the 2003 Authority Bonds and the 2004 Authority Bonds are each secured by a separate account of the Revenue Bond Reserve Fund. None of the 1996 Authority Bonds, the 2003 Authority Bonds or the 2004 Authority Bonds are currently secured by or payable from the 2005/2006 Accounts of the Revenue Bond Reserve Fund.

The Authority Revenue Bonds, including the 1996 Authority Bonds, the 2003 Authority Bonds, the 2004 Authority Bonds, the 2005 Authority Bonds and the 2006 Authority Bonds, are special limited obligations of the Authority payable solely from and secured exclusively by a lien upon the Net Revenues of the Airport System and monies in certain funds established under the Ordinance, and neither the Authority nor the Board of the Authority (the "Authority Board"), nor any of its officers, agents or employees, is under any obligation to pay the Authority Revenue Bonds except from those revenues and monies. The Authority Revenue Bonds, and interest on

the Authority Revenue Bonds, are not a debt or a general obligation of the Authority, the Bond Bank, the County, the City or the State, nor a charge, a lien or an encumbrance, legal or equitable, upon property of the Authority or upon income, receipts or revenues of the Authority, other than those revenues and monies that have been specifically pledged to the payment of the Authority Revenue Bonds. The Authority Revenue Bonds are not payable from funds raised or to be raised by taxation. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2006 BONDS."

Certain Factors Affecting the Air Transportation Industry

During the past five years, several incidents and general trends, some of which are continuing, have had an adverse impact on air travel and the air transportation industry. Among these are the financial difficulties of most domestic airlines, including the bankruptcy of several airlines, the significant fluctuations in fuel prices, a general economic decline, terrorist attacks in the United States and other parts of the world, a heightened concern over security in air transportation, and the conflicts in Iraq and Afghanistan. The Authority cannot predict the duration or extent to which these factors will continue to impact air travel and the air transportation industry, nor can the Authority predict the likelihood of similar future incidents and trends or future air transportation disruptions. See "FINANCIAL CONDITION OF CERTAIN AIRLINES SERVING THE AIRPORT" and "BONDHOLDER RISKS—Certain Factors Affecting the Air Transportation Industry and the Airport System."

The Capital Improvement Program

With a portion of the proceeds of the 2006 Authority Bonds, the Authority intends to fund various capital projects at the Airport and within the Airport System which are included in the Authority's 2001-2010 Capital Improvement Program (the "2001-2010 CIP"). The 2001-2010 CIP contemplates approximately $1.6 billion (in inflated dollars with respect to future expenditures) in capital improvements, including the acquisition, development, construction and implementation of a new midfield terminal at the Airport and related infrastructure projects (collectively, the "New Indianapolis Airport") representing approximately $1.066 billion (in inflated dollars with respect to future expenditures) (collectively, the "New Indianapolis Airport Program") of the costs in the 2001-2010 CIP. These capital improvements are necessary to expand, develop and maintain the Airport System. The Authority reviews, updates and revises the 2001-2010 CIP at least annually. See "CAPITAL IMPROVEMENT PROGRAM."

In addition to the 2001-2010 CIP, the Authority's current plan for capital improvements in 2011 and 2012 (the "2011-2012 Capital Projects") is estimated to cost approximately $80.6 million. See "CAPITAL IMPROVEMENT PROGRAM—Plan of Funding for 2001-2010 CIP" and APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT."

The Authority expects to incur additional debt, including through the issuance of additional Authority Revenue Bonds, to finance a portion of the remainder of the 2001-2010 CIP (and a portion of the 2011-2012 Capital Projects) some or all of which may be on a parity, with respect to the pledge of Net Revenues, with the 2006 Authority Bonds and the other outstanding Authority Revenue Bonds. See "CAPITAL IMPROVEMENT PROGRAM—Plan of Funding for 2001-2010 CIP" and APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT."

Report of the Airport Consultant

Leigh Fisher Associates (the "Airport Consultant") has been retained by the Authority as its Airport Consultant and in such capacity has prepared the Report of the Airport Consultant dated May 30, 2006 (the "Report of the Airport Consultant"), included herein as APPENDIX A. The Report of the Airport Consultant presents certain airline traffic and financial forecasts for calendar years (each a "Fiscal Year") 2006 through 2012, including the assumptions upon which the forecasts are based. The Report of the Airport Consultant should be read in its entirety for an understanding of the assumptions and rationale underlying the financial forecasts contained therein. See also "BONDHOLDER RISKS—Assumptions in the Report of the Airport Consultant" and "—Forward-Looking Statements," "THE AIRPORT AND THE AIRPORT SYSTEM" and "CAPITAL IMPROVEMENT PROGRAM."

Bondholder Risks

The 2006 Bonds may not be suitable for all investors. Prospective purchasers of the 2006 Bonds should read this entire Official Statement including information under the section "BONDHOLDER RISKS."

The Official Statement; Additional Information

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

The information contained in this Introduction is qualified by reference to this entire Official Statement (including the cover page, the inside cover page, the preliminary pages and the appendices). This Introduction is only a brief description and a full review should be made of this entire Official Statement (including the appendices), as well as the documents summarized or described in this Official Statement. The summaries of and references to all documents, statutes and other instruments referred to in this Official Statement do not purport to be complete and are qualified in their entirety by reference to the full text of each such document, statute or instrument.

Information contained in this Official Statement with respect to the Bond Bank and the Authority, and copies of the Indenture and the Ordinance, may be obtained from The Indianapolis Local Public Improvement Bond Bank, 200 East Washington Street, Room 2421, City-County Building, Indianapolis, Indiana 46204. The Bond Bank's telephone number is (317) 327-4220.

AUTHORITY PLAN OF FINANCING

The Authority is issuing its 2006 Authority Bonds as part of its ongoing program of financing capital improvements to the Airport System. The 2006 Authority Bonds represent the Authority's fourth long-term financing for purposes of funding a portion of the costs of the 2001-2010 CIP, including the New Indianapolis Airport Program.

The proceeds of the 2006 Authority Bonds and other funds of the Authority are expected to be used to (i) fund certain capital improvements included in the 2001-2010 CIP, including capitalized interest on the 2006 Authority Bonds as well as interest on the 2003 Authority Bonds and 2004 Authority Bonds, and (ii) fund the 2005/2006 Accounts of the Revenue Bond Reserve Fund up to the 2005/2006 Revenue Bond Reserve Requirement. The proceeds of the Series 2006A Authority Bonds deposited in the 2006A Construction Fund (as defined in the Ordinance) are expected to be used to finance certain costs of the 2001-2010 CIP. The proceeds of the Series 2006B Authority Bonds deposited in the 2006B Construction Fund are expected to be used to finance certain costs of the 2001-2010 CIP including, among other things, the construction of certain car rental and other ground transportation facilities. The Authority expects that additional Authority Revenue Bonds, together with state and federal grants, PFCs (as defined herein), CFCs (as defined herein) and other available Authority funds will be used to pay the remaining costs of the 2001-2010 CIP (including, among other costs, the costs of completing the New Indianapolis Airport Program) and the 2011-2012 Capital Improvement Projects.

In addition to making scheduled debt service payments, including principal payments of $3,455,000 and $3,640,000 in 2007 and 2008, respectively, on the 1996 Authority Bonds, the Authority currently anticipates using $10,418,150 and $21,385,000 of Net Revenues in 2007 and 2008, respectively, to redeem all of the 1996 Authority Bonds prior to maturity. Although the Authority currently expects to use Net Revenues for such redemption, the Authority may use other available sources of funds or may elect to redeem only a portion, or none, of the 1996 Authority Bonds prior to maturity. See "CAPITAL IMPROVEMENT PROGRAM" and APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT-Exhibit C—Historical, Estimated, Budget and Projected Debt Service Requirements."

Pursuant to the Ordinance, the Authority adopted resolutions on January 17, 2003, and on November 5, 2004, irrevocably designating approximately $1,100,000 and approximately $12,100,000, respectively, per year of

passenger facility charges administered under Part 158 of the Federal Aviation Regulation to be collected by the airlines and remitted to the Authority ("PFCs") as Dedicated Revenues (as defined in the Ordinance) to be used exclusively to pay debt service on Authority Revenue Bonds through 2010. On March 17, 2006, the Authority adopted an ordinance revising its Schedule of Charges to include a customer facility charge to be collected by car rental companies serving the Airport ("CFC"). Prior to closing on the 2006 Bonds, the Authority intends to designate a total of approximately $26,274,255 of CFCs through 2010 as Dedicated Revenues to be used exclusively to pay debt service on Authority Revenue Bonds through such time period. Based on the Authority's current expectations, the Report of the Airport Consultant assumes that the Authority will designate a total of approximately $18,473,000 between 2008 and 2012 of additional PFCs as Dedicated Revenues to be used exclusively to pay debt service on Authority Revenue Bonds from 2008 through 2012 and will extend the current designation of PFCs, and the pending designation of CFCs, as Dedicated Revenues beyond 2010 through 2012. In addition, the Authority also designated approximately $8,500,000 of other available moneys that the Authority has received or expects to receive from 2004 through 2006, which are not otherwise included in Gross Revenues, as Dedicated Revenues to be used exclusively to pay debt service on Authority Revenue Bonds. The effect of such designation of amounts as Dedicated Revenues is to exclude principal of and interest on Authority Revenue Bonds equal to such Dedicated Revenues for purposes of demonstrating debt service coverage under the Rate Covenant and satisfying the requirements for issuance of additional Authority Revenue Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2006 BONDS—Rate Covenant" and "—Additional Bonds—Authority Revenue Bonds."

Estimated Sources and Uses of Funds

The proceeds of the Series 2006 F Bonds will be used to purchase the Series 2006A Authority Bonds and the proceeds of the Series 2006 G Bonds will be used to purchase the Series 2006B Authority Bonds.

Series 2006A Authority Bonds. The following table sets forth the estimated sources and uses of the proceeds of the Series 2006A Authority Bonds and certain other available funds:

SOURCES:	
Par amount of Series 2006A Authority Bonds	$ 346,995,000
Original Issue Premium/Discount	7,750,306
Less Discount [1]	(5,587,065)
Total Sources	$ 349,158,241
USES:	
Deposit to 2006A Construction Fund [2]	$ 276,432,731
Deposit to 2006A Capitalized Interest Account [3]	47,489,061
Deposit to 2006A Account of Revenue Bond Reserve Fund	25,236,449
Total	$ 349,158,241

(1) This amount represents a pass through of the underwriters' discount of $1,999,027 relating to the Series 2006 F Bonds and $3,588,038 of other costs of issuance relating to the Bond Bank's issuance of the Series 2006 F Bonds and the issuance of the Series 2006A Authority Bonds, including the bond insurance premium.

(2) Proceeds of the Series 2006A Authority Bonds deposited to the 2006A Construction Fund are expected to provide for payment of a portion of the costs of the 2001-2010 CIP, see "CAPITAL IMPROVEMENT PROGRAM."

(3) Proceeds of the Series 2006A Authority Bonds deposited into the 2006A Capitalized Interest Account are expected to be used to pay all or a portion of the interest on the Series 2006A Authority Bonds, the 2003 Authority Bonds and the 2004 Authority Bonds through January 1, 2009.

Series 2006B Authority Bonds. The following table sets forth the estimated sources and uses of the proceeds of the Series 2006B Authority Bonds and certain other available funds:

SOURCES:	
Par amount of Series 2006B Authority Bonds	$ 42,790,000
Less Discount [1]	(543,484)
Total Sources	$ 42,246,516
USES:	
Deposit to 2006B Construction Fund [2]	$ 39,134,461
Deposit to 2006B Account of Revenue Bond Reserve Fund	3,112,055
Total	$ 42,246,516

(1) This amount represents a pass through of the underwriters' discount of $194,695 relating to the Series 2006 G Bonds and $348,789 of other costs of issuance relating to the Bond Bank's issuance of the Series 2006 G Bonds and the issuance of the Series 2006B Authority Bonds, including the bond insurance premium.

(2) Proceeds of the Series 2006B Authority Bonds deposited to the 2006B Construction Fund are expected to provide for payment of a portion of the costs of the 2001-2010 CIP including, among other things, the construction of rental car and ground transportation facilities, see "CAPITAL IMPROVEMENT PROGRAM."

Revenue Bond Debt Service

The following table sets forth the scheduled principal and interest due on the outstanding Authority Revenue Bonds.

Fiscal Year Ended December 31	Outstanding Authority Revenue Bonds: Principal or Sinking Fund Installment and Interest[1][2][3]	2006 Authority Bonds[1][2]: Principal or Sinking Fund Installment	2006 Authority Bonds[1][2]: Interest	Total Debt Service[2]
2006	$ 51,099,449		$ 10,387,558	$ 61,487,007
2007	37,791,328	$ 4,245,000	19,578,644	61,614,972
2008	37,784,857	4,460,000	19,356,292	61,601,149
2009	37,782,650	4,695,000	19,116,286	61,593,936
2010	37,777,374	14,290,000	18,862,814	70,930,188
2011	37,759,989	13,090,000	18,088,052	68,938,041
2012	37,766,422	12,845,000	17,374,579	67,986,001
2013	37,752,519	13,675,000	16,682,758	68,110,277
2014	37,741,912	14,410,000	15,964,820	68,116,732
2015	37,741,735	15,145,000	15,244,320	68,131,055
2016	32,541,160	15,915,000	14,487,070	62,943,230
2017	32,543,973	16,730,000	13,691,320	62,965,293
2018	32,540,829	17,570,000	12,854,820	62,965,649
2019	32,543,092	18,465,000	11,976,320	62,984,412
2020	32,540,129	19,410,000	11,053,070	63,003,199
2021	32,540,879	20,390,000	10,082,570	63,013,449
2022	40,276,379	14,135,000	9,063,070	63,474,449
2023	45,408,710	1,220,000	8,356,320	54,985,030
2024	45,432,798	1,275,000	8,298,370	55,006,168
2025	45,457,551	1,335,000	8,237,808	55,030,359
2026	45,491,046	1,400,000	8,174,395	55,065,441
2027	45,519,968		8,107,895	53,627,863
2028	45,573,488		8,107,895	53,681,383
2029	45,598,101		8,107,895	53,705,996
2030	45,647,101		8,107,895	53,754,996
2031	45,680,288		8,107,895	53,788,183
2032	45,719,838		8,107,895	53,827,733
2033	17,760,750	36,860,000	8,107,895	62,728,645
2034		38,735,000	6,264,895	44,999,895
2035		40,705,000	4,328,145	45,033,145
2036		48,785,000	2,292,895	51,077,895
Total	$ 1,099,814,315	$ 389,785,000	$ 356,572,454	$ 1,846,171,769

SOURCE: Indianapolis Airport Authority.

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(1) Amounts due January 1 are shown as debt service for the preceding Fiscal Year ended December 31 (*i.e.*, the amounts actually required to be set aside in that Fiscal Year). For example, a debt service payment with regard to the 2006 Authority Bonds due on January 1, 2011, is shown in the Fiscal Year ended December 31, 2010.

(2) This table reflects all principal and interest due on the outstanding Authority Revenue Bonds. However, a portion of principal and interest due on the outstanding Authority Revenue Bonds is expected to be paid with PFCs, CFCs and other Authority funds that the Authority has designated as Dedicated Revenues, and additional PFCs that the Authority expects to designate as Dedicated Revenues beginning in 2008, pursuant to the Ordinance. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2006 BONDS—Pledge of Authority Net Revenues." The effect of such designation of amounts as Dedicated Revenues is to exclude principal of and interest on Authority Revenue Bonds equal to such Dedicated Revenues for purposes of demonstrating debt service coverage under the Rate Covenant and satisfying the requirements for issuance of additional Authority Revenue Bonds.

(3) The above reflects scheduled principal payments through maturity on the 1996 Authority Bonds. However, in addition to the principal payments reflected above of $3,455,000 and $3,640,000 for 2007 and 2008, respectively, on the 1996 Authority Bonds, the Authority currently anticipates using $10,418,150 and $21,385,000 of Net Revenues in 2007 and 2008, respectively, to redeem all of the 1996 Authority Bonds prior to maturity. See APPENDIX A-"REPORT OF THE AIRPORT CONSULTANT—Exhibit C—Historical, Estimated, Budget and Projected Debt Service Requirements."

Commercial Paper

The Authority is currently authorized to issue up to $120 million of Commercial Paper under the Commercial Paper Program for purposes of funding costs of the 2001–2010 CIP. As of May 1, 2006, the Authority had $15 million of Commercial Paper outstanding. The Authority expects to repay the outstanding Commercial Paper from Net Revenues and/or proceeds of Authority Revenue Bonds including, possibly, the 2006 Authority Bonds. The Authority expects to continue to use Commercial Paper or similar sources of Subordinate Securities as a means to provide interim financing for various capital projects included in the 2001-2010 CIP. The Authority may increase the authorized amount of Commercial Paper that can be issued to provide such interim financing. See "CAPITAL IMPROVEMENT PROGRAM—Plan of Funding for 2001–2010 CIP" and APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT."

Hedging Activities

In 2004, the Authority entered into a forward floating-to-fixed interest rate swap agreement (the "2004 Hedge Agreement") with JPMorgan Chase Bank, as counterparty ("JPMorgan Chase"). The purpose of the 2004 Hedge Agreement was to lock in prevailing fixed interest rates in contemplation of the anticipated issuance of $125 million of Authority Revenue Bonds in 2006 and the anticipated issuance of $75 million of Authority Revenue Bonds in 2007. The 2004 Hedge Agreement provides for certain payments to or from JPMorgan Chase equal to the difference between the fixed rates payable by the Authority and 75% of one month U.S. dollar LIBOR-BBA payable by JPMorgan Chase. The 2004 Hedge Agreement is a Qualified Derivative Agreement, and any payments, except any termination payments, under the 2004 Hedge Agreement will be payable from Net Revenues on parity with the payment of the Authority Revenue Bonds. On May 19, 2006, the Authority entered into an amendment of the 2004 Hedge Agreement in order to postpone its effective date until July 1, 2008, and to relate the 2004 Hedge Agreement to $200 million of the Authority Revenue Bonds expected to be issued in 2008.

In October, 2005, the Authority and the Bond Bank entered into forward floating-to-fixed interest rate swap agreements (the "2005 Hedge Agreements") with SBS Financial Products Company, LLC, and UBS AG, as counterparties (the "2005 Counterparties"). The purpose of the 2005 Hedge Agreements is to lock in prevailing fixed interest rates in contemplation of the anticipated issuance of $150 million of Bond Bank Bonds in 2008, which will be used to purchase additional Authority Revenue Bonds issued contemporaneously with such Bond Bank Bonds. The 2005 Hedge Agreements provide for certain payments to or from the 2005 Counterparties equal to the difference between the fixed rates payable by the Bond Bank and 75% of one month U.S. dollar LIBOR-BBA payable by the 2005 Counterparties. The 2005 Hedge Agreements will be treated as Qualified Derivative Agreements, and any payments, except any termination payments, under such agreements will be payable by the Authority from Net Revenues on parity with the payment of the Authority Revenue Bonds.

The Authority has adopted a resolution requiring any counterparty to be a business entity (i) rated AA or Aa or better (without regard to modifiers) by at least two nationally recognized credit rating agencies, or (ii) if a business entity is not so rated, is guaranteed or otherwise fully supported by another business entity so rated. Further, if the counterparty originally meets the rating requirements above, but subsequently is downgraded to a rating below AA or Aa or better (without regard to modifiers) then such counterparty must agree to collateralize its obligations to provide other satisfactory financial assurance to the Authority. Currently, neither JPMorgan Chase nor the 2005 Counterparties are required to post collateral as a result of these provisions.

See "SECURITY AND SOURCES OF PAYMENT FOR THE 2006 BONDS—Pledge of Authority Revenues" and "BONDHOLDER RISKS—Hedge Agreements."

THE 2006 BONDS

General Description

The 2006 Bonds are issuable as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The 2006 Bonds will be dated as of the date of their delivery.

Interest on the 2006 Bonds will be payable on January 1 and July 1 of each year, commencing January 1, 2007 (each an "Interest Payment Date"). The 2006 Bonds will bear interest (calculated on the basis of twelve 30-day months for a 360-day year) at the rates and will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Each 2006 Bond will bear interest from the Interest Payment Date next preceding the date on which it is authenticated unless it is (a) authenticated prior to the closing of business on December 15, 2006, in which event it will bear interest from the date of delivery, or (b) authenticated after the fifteenth day immediately preceding an Interest Payment Date (a "Record Date"), in which event it will bear interest from such Interest Payment Date; provided, however, that if, at the time of authentication of any 2006 Bond, interest is in default, such 2006 Bond will bear interest from the date to which interest has been paid.

When issued, all 2006 Bonds will be registered in the name of and held by Cede & Co., as nominee for DTC. Purchases of beneficial interests from DTC in the 2006 Bonds will be made in book-entry-only form (without certificates) in denominations of $5,000 or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the 2006 Bonds, payments of the principal of and interest on the 2006 Bonds will be made directly by the Paying Agent by wire transfer of funds to Cede & Co., as nominee for DTC. Disbursement of such payments to the participants of DTC (the "DTC Participants") will be the sole responsibility of DTC, and the ultimate disbursement of such payments to the Beneficial Owners of the 2006 Bonds will be the responsibility of the DTC Participants and the Indirect Participants, as defined herein. See APPENDIX G—"BOOK-ENTRY-ONLY SYSTEM."

If DTC or its nominee is not the registered owner of the 2006 Bonds, principal of and premium, if any, on all of the 2006 Bonds will be payable at maturity upon the surrender thereof at the delivery office of the Paying Agent. Interest on the 2006 Bonds, when due and payable, will be paid by check dated the due date and mailed by the Paying Agent one business day before the due date (or, in the case of an owner of 2006 Bonds in an aggregate principal amount of at least $1,000,000, by wire transfer on such due date, upon written direction of such registered owner to the Paying Agent not less than five business days before the Record Date immediately prior to such Interest Payment Date, which direction shall remain in effect until revoked in writing by such owner). Interest payments shall be mailed to the persons in whose names such 2006 Bonds are registered, at their addresses as they appear on the bond registration books maintained by the Registrar on the Record Date, irrespective of any transfer or exchange of such 2006 Bonds subsequent to such Record Date and prior to such Interest Payment Date, unless the Bond Bank shall default in payment of interest due on such Interest Payment Date.

Except as provided in APPENDIX G—"BOOK-ENTRY-ONLY SYSTEM," in all cases in which the privilege of exchanging or transferring 2006 Bonds is exercised, the Bond Bank will execute and the Registrar will deliver 2006 Bonds in accordance with the provisions of the Indenture. The 2006 Bonds will be exchanged or transferred at the designated corporate trust office of the Registrar only for 2006 Bonds of the same tenor and maturity. In connection with any transfer or exchange of 2006 Bonds, the Bond Bank, the Registrar and Paying Agent or the Bond Bank Trustee may impose a charge for any applicable tax, fee or other governmental charge incurred in connection with such transfer or exchange, which sums are payable by the person requesting such transfer or exchange.

The person in whose name a 2006 Bond is registered will be deemed and regarded as its absolute owner for all purposes, and payment of principal and interest thereon will be made only to or upon the order of the registered owner or its legal representative, but such registration may be changed as provided above. All such payments shall be valid to satisfy and discharge the liability upon such 2006 Bond to the extent of the sum or sums so paid.

Mandatory Sinking Fund Redemption of Series 2006 F Bonds

The Series 2006 F Bonds maturing January 1, 2027 (the "2027 Term Bonds") are subject to mandatory sinking fund redemption prior to maturity at the redemption price of 100% of the principal amount thereof, plus accrued interest to the date of redemption, and will be redeemed on January 1 of the respective years and in the respective principal amounts set forth below:

2027 Term Bonds	
Year	**Principal Amount**
2024	$ 1,220,000
2025	$ 1,275,000
2026	$ 1,335,000
2027 (1)	$ 1,400,000

(1) Final Maturity

The Series 2006 F Bonds maturing January 1, 2036 (the "2036 Term Bonds") are subject to mandatory sinking fund redemption prior to maturity at the redemption price of 100% of the principal amount thereof, plus accrued interest to the date of redemption, and will be redeemed on January 1 of the respective years and in the respective principal amounts set forth below:

2036 Term Bonds	
Year	**Principal Amount**
2034	$ 36,860,000
2035	$ 38,735,000
2036 (1)	$ 40,705,000

(1) Final Maturity

The Series 2006 G Bonds are not subject to mandatory sinking fund redemption.

Optional Redemption

The Series 2006 G Bonds are not subject to optional redemption. The Series 2006 F Bonds maturing on January 1, 2017, through January 1, 2036, are subject to redemption prior to maturity in whole or in part on July 1, 2016, or at any time thereafter, at the redemption price of 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption. The Series 2006 F Bonds maturing on January 1, 2037, are subject to redemption prior to maturity in whole or in part on July 1, 2013, or at any time thereafter, at the redemption price of 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption.

Selection of Bonds to be Redeemed

If fewer than all of the Series 2006 F Bonds shall be called for redemption, the principal amount and maturity of the particular Series 2006 F Bonds to be redeemed shall be selected by the Bond Bank, provided that the Series 2006 F Bonds shall be redeemed only in integral multiples of $5,000 principal amount. If the Series 2006 F Bonds are held in a book-entry-only system, the Series 2006 F Bonds within a maturity to be redeemed shall be selected by the depository company in such manner as the depository company may determine. If the Series 2006 F Bonds are not held in the book-entry-only system, the Registrar shall select the particular Series 2006 F Bonds to be redeemed within a maturity by lot in such manner as the Registrar deems fair and appropriate. If any of the Series 2006 F Bonds are simultaneously subject to both optional and mandatory redemption, the Bond Bank Trustee shall first select by lot the Series 2006 F Bonds to be redeemed under the optional redemption provision.

Notice of Redemption

In the case of redemption of the Series 2006 F Bonds, notice of the call for any such redemption identifying the Series 2006 F Bonds, or portions of fully registered Series 2006 F Bonds, to be redeemed shall be given by the Registrar by mailing a copy of the redemption notice by first class mail at least 30 days but not more than 45 days prior to the date fixed for redemption to the registered owner of each Series 2006 F Bond to be redeemed at the address shown on the registration books. Any notice of redemption given by the Registrar shall state that it shall be cancelled by the Bond Bank Trustee if the moneys required to effect such redemption have not been received by (or are not on hand with) the Bond Bank Trustee on the second business day prior to the redemption date. Failure to give such notice by mailing to any bondholder, or any defect in the notice, shall not affect the validity of any proceeding for the redemption of any other Series 2006 F Bonds. On and after the redemption date specified in the aforementioned notices, such Series 2006 F Bonds, or portions thereof, thus called (provided funds for their redemption are on deposit at the place of payment) shall not bear interest, shall no longer be protected by the Indenture and shall not be deemed to be outstanding under the provisions of the Indenture, and the owners thereof shall have the right only to receive the redemption price thereof plus accrued interest thereon to the date fixed for redemption from the funds deposited with the Bond Bank Trustee for the redemption of such Series 2006 F Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE 2006 BONDS

General

The Bond Bank Bonds, including the 2006 Bonds, are payable only out of the Trust Estate described below. The Indenture creates a continuing pledge of and lien upon the Trust Estate to secure the full and final payment of the principal of, premium, if any, and interest on all of the Bond Bank Bonds. **The 2006 Bonds do not constitute a debt, liability or loan of the credit of the State or any political subdivision thereof, including the City, the County, the Bond Bank and the Authority, under the constitution and laws of the State or a pledge of the faith, credit or taxing power of the State or any political subdivision thereof, including the City, the County, the Bond Bank and the Authority. The Bond Bank has no taxing power.** The sources of payment of, and security for, the Bond Bank Bonds are more fully described below.

Under the Indenture, the Bond Bank Bonds, including the 2006 Bonds are secured by a pledge to the Bond Bank Trustee of the 2006 Authority Bonds, the 2005 Authority Bonds, the 2004 Authority Bonds, and the 2003 Authority Bonds (the "Authority Qualified Obligations") and all principal and interest payments made or required to be made on the Authority Qualified Obligations (the "Authority Qualified Obligation Payments"), as described herein. In addition, the Indenture pledges to the payment of the Bond Bank Bonds all proceeds of the Trust Estate, including without limitation all cash and securities held in the funds and accounts created by the Indenture, except for the Rebate Fund and the accounts thereunder, together with investment earnings thereon and proceeds thereof (except to the extent transferred to the Rebate Fund from such funds and accounts under the Indenture), and all other funds, accounts and moneys to be pledged by the Bond Bank to the Bond Bank Trustee as security under the Indenture, to the extent of any such pledge. Under the Act and Indiana Code 5-1-14-4, such pledge is valid and binding from and after the date of delivery of the 2006 Bonds under the Indenture, and the Authority Qualified Obligation Payments thereon shall be immediately subject to the lien of such pledge without any physical delivery of the payments or further act, and the lien of such pledge is valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Bond Bank, irrespective of whether such parties have notice thereof.

As purchaser and owner of the Authority Qualified Obligations, the Bond Bank has available to it all remedies available to owners or holders of securities issued by qualified entities. The Act provides that upon the sale and the delivery of any qualified obligation (such as the Authority Qualified Obligations) to the Bond Bank, a qualified entity (such as the Authority) will be deemed to have agreed that all statutory defenses to nonpayment are waived if such qualified entity fails to pay principal of or interest on such qualified obligation when due. The Bond Bank will be considered a holder or owner of securities that are in default. The Bond Bank is obligated under the Indenture to avail itself of all remedies and provisions of law applicable in the circumstances and the failure to exercise any right

or remedy within a time or period provided by law may not, according to the Act, be raised as a defense by the Authority. The Bond Bank will monitor the compliance and consult regularly with the Authority with respect to its requirements under the Authority Qualified Obligations, including the making of Authority Qualified Obligation Payments to the Bond Bank.

As owner of the Authority Qualified Obligations, the Bond Bank may consent to amendments to the Ordinance and other modifications of the Authority Qualified Obligations. However, the Bond Bank has agreed in the Indenture that it will not permit or agree to any material change in the Authority Qualified Obligations unless the Bond Bank supplies the Bond Bank Trustee with a cash flow certificate to the effect that, after such change, revenues expected to be received by the Bond Bank in each Fiscal Year, together with moneys expected to be held in the funds and accounts established under the Indenture, will at least equal the debt service on all outstanding Bond Bank Bonds in each such Fiscal Year.

The Bond Bank has also determined to consult with the Authority, as necessary from time to time, with regard to the action needed to be taken by the Authority to preserve the exclusion of the interest on the Series 2006 F Bonds from the gross income of the holders of the Series 2006 F Bonds. See "TAX MATTERS."

2006 Authority Bonds

The 2006 Authority Bonds are special obligations of the Authority which have been authorized by the Authority Board. The 2006 Authority Bonds consist of $346,995,000 aggregate principal amount of Series 2006A Authority Bonds, designated as "Indianapolis Airport Authority Airport Revenue Bonds, Series 2006A" and $42,790,000 aggregate principal amount of Series 2006B Authority Bonds, designated as "Indianapolis Airport Authority Taxable Airport Revenue Bonds, Series 2006B." The 2006 Authority Bonds are issued under and secured by the Ordinance. The 2006 Authority Bonds are to be secured by a pledge of Net Revenues on parity with the 1996 Authority Bonds, the 2003 Authority Bonds, the 2004 Authority Bonds, the 2005 Authority Bonds and any other Authority Revenue Bonds issued by the Authority under the Authority Act and the Ordinance, except with respect to the Revenue Bond Reserve Fund. Certain payments due under Qualified Derivative Agreements, excluding any termination payments, also will be payable from Net Revenues on parity with Authority Revenue Bonds. See "—Pledge of Authority Net Revenues." The 2006 Authority Bonds and the 2005 Authority Bonds are secured on a parity basis by the 2005/2006 Accounts of the Revenue Bond Reserve Fund and not any other account of the Revenue Bond Reserve Fund. The 1996 Authority Bonds, the 2003 Authority Bonds and the 2004 Authority Bonds are each secured by separate accounts of the Revenue Bond Reserve Fund. None of the 1996 Authority Bonds, the 2003 Authority Bonds or the 2004 Authority Bonds are secured by or payable from the 2005/2006 Accounts of the Revenue Bond Reserve Fund. See "—Revenue Bond Reserve Fund."

The Series 2006A Authority Bonds will be issued in a principal amount equal to the aggregate principal amount of the Series 2006 F Bonds, and will be dated their date of delivery. The Series 2006A Authority Bonds will mature in the same amounts and on the same maturity dates as the Series 2006 F Bonds, and will bear interest payable on each January 1 and July 1 beginning January 1, 2007, and at the same per annum interest rates as the Series 2006 F Bonds. Interest on the Series 2006A Authority Bonds will be paid to the Bond Bank Trustee under the Indenture. Principal of, premium, if any, and interest on the Series 2006A Authority Bonds will be paid directly to the Bond Bank Trustee (for the account of the Bond Bank). The Series 2006A Authority Bonds are subject to redemption prior to maturity upon terms substantially identical to the terms of redemption of the Series 2006 F Bonds. See "THE SERIES 2006 F BONDS."

The Series 2006B Authority Bonds will be issued in a principal amount equal to the aggregate principal amount of the Series 2006 G Bonds, and will be dated their date of delivery. The Series 2006B Authority Bonds will mature in the same amounts and on the same maturity dates as the 2006 G Bonds, and will bear interest payable on each January 1 and July 1 beginning January 1, 2007, and at the same per annum interest rates as the Series 2006 F Bonds. Interest on the Series 2006B Authority Bonds will be paid to the Bond Bank Trustee under the Indenture. Principal of, premium, if any, and interest on the Series 2006B Authority Bonds will be paid directly to the Bond Bank Trustee (for the account of the Bond Bank). The Series 2006B Authority Bonds are not subject to redemption prior to maturity.

The 2006 Authority Bonds and interest on the 2006 Authority Bonds are not a debt or a general obligation of the Authority, the Authority Board, the Bond Bank, the County or the City nor a charge, a lien or an encumbrance, legal or equitable, upon property of the Authority or the Authority Board or upon income, receipts or revenues of the Authority or the Authority Board, other than those revenues that have been specifically pledged to the payment of the 2006 Authority Bonds. The 2006 Authority Bonds are not payable from funds raised or to be raised by taxation.

Pledge of Authority Net Revenues

The 2006 Authority Bonds are special obligations of the Authority and are payable solely from and secured exclusively by a lien upon the Net Revenues and monies in the Revenue Bond Interest and Principal Fund, the 2005/2006 Accounts of the Revenue Bond Reserve Fund, the 2006A Construction Fund and the 2006B Construction Fund established by the Ordinance. Neither the Authority nor the Authority Board is under any obligation to pay the 2006 Authority Bonds except from such revenues or monies. See "—Revenue Bond Reserve Fund" herein concerning the debt service reserve for the 2006 Authority Bonds.

Net Revenues equal (i) Gross Revenues (as defined herein) less (ii) Operation and Maintenance Expenses (as defined herein).

"Gross Revenues" consist of all revenues, income, accounts and general intangibles derived from the Airport System, including but not limited to rents, charges, landing fees, user charges, revenues from concessionaires, ground rents from Special Purpose Facilities (as defined herein) and similar revenues, but excluding revenue from ad valorem taxes or payments in lieu of taxes, payments received on any investment swap or Derivative Agreement (as defined herein), other than a Qualified Derivative Agreement, Federal Payments (as defined herein), PFCs, customer facility charges and similar charges, grants-in-aid, gifts, investment income, bond or loan proceeds, proceeds from the sale of Airport System capital assets, revenues derived from the reversion of an interest in property following the expiration of a lease, Released Revenues (as defined in the Ordinance) and rental payments made for Special Purpose Facilities to provide for debt service and for an allocable portion of administrative costs for such facilities. "Special Purpose Facilities" are facilities which are leased from the Authority pursuant to which the lessee agrees to pay to the Authority rentals or fees sufficient to pay the principal and interest on bonds issued to pay the cost of construction of the Special Purpose Facility plus such further rentals or fees necessary to maintain all reserves or pay necessary administrative expenses required for Special Purpose Facilities. "Federal Payments" are those funds received by the Airport System from the federal government or any agency thereof as payments for the use of any facilities or services of the Airport System, but excluding grants-in-aid and all mandated payments, including payments from the Transportation Security Administration. Federal Payments do not include PFCs, CFCs or similar charges. See APPENDIX D—"SUMMARY OF ORDINANCE."

The Authority adopted resolutions on January 17, 2003, and November 5, 2004, irrevocably designating a portion of PFCs received through 2010 and certain other available moneys of the Authority not otherwise included in Gross Revenues as Dedicated Revenues to pay a portion of the debt service on Authority Revenue Bonds. On March 17, 2006, the Authority adopted an ordinance revising its Schedule of Charges to include CFCs to be collected by car rental companies serving the Airport. Prior to closing on the 2006 Bonds, the Authority intends to designate a total of approximately $26,274,255 of CFCs through 2010 as Dedicated Revenues to be used exclusively to pay debt service on Authority Revenue Bonds through such time period. Based on the Authority's current expectations, the Report of the Airport Consultant assumes that the Authority will designate a total of approximately $18,473,000 between 2008 and 2012 of additional PFCs as Dedicated Revenues to be used exclusively to pay debt service on Authority Revenue Bonds from 2008 through 2012 and will extend the current designation of PFCs, and the pending designation of CFCs, as Dedicated Revenues beyond 2010 through 2012. Although such Dedicated Revenues are not pledged to secure the Authority Revenue Bonds, by such designation, the Authority agrees to hold such Dedicated Revenues exclusively to pay a portion of the debt service on Authority Revenue Bonds to the extent allowed by law. See "—Rate Covenant" and "AUTHORITY PLAN OF FINANCING."

Further, the Authority may designate certain revenues (including revenues, fees, income and receipts that would otherwise be considered to be Gross Revenues) as "Released Revenues" by filing the required items with the Trustee, including either (i) an Accountant's Certificate to the effect that Net Revenues excluding the revenues proposed to become Released Revenues for each of the two latest Fiscal Years for which audited financial reports are available were equal to at least 135% of the Debt Service Requirement for each of such Fiscal Years; or (ii) a certificate of an Airport Consultant to the effect that based upon current knowledge of the operation of the Airport, Net Revenues, excluding the revenues proposed to become Released Revenues, for the current Fiscal Year will be equal to at least 135% of the Debt Service Requirement for such Fiscal Year. Upon filing of the required items, the Released Revenues will not be deposited in the Airport System Fund and will not be pledged as security for the Authority Revenue Bonds. See APPENDIX D—"SUMMARY OF ORDINANCE."

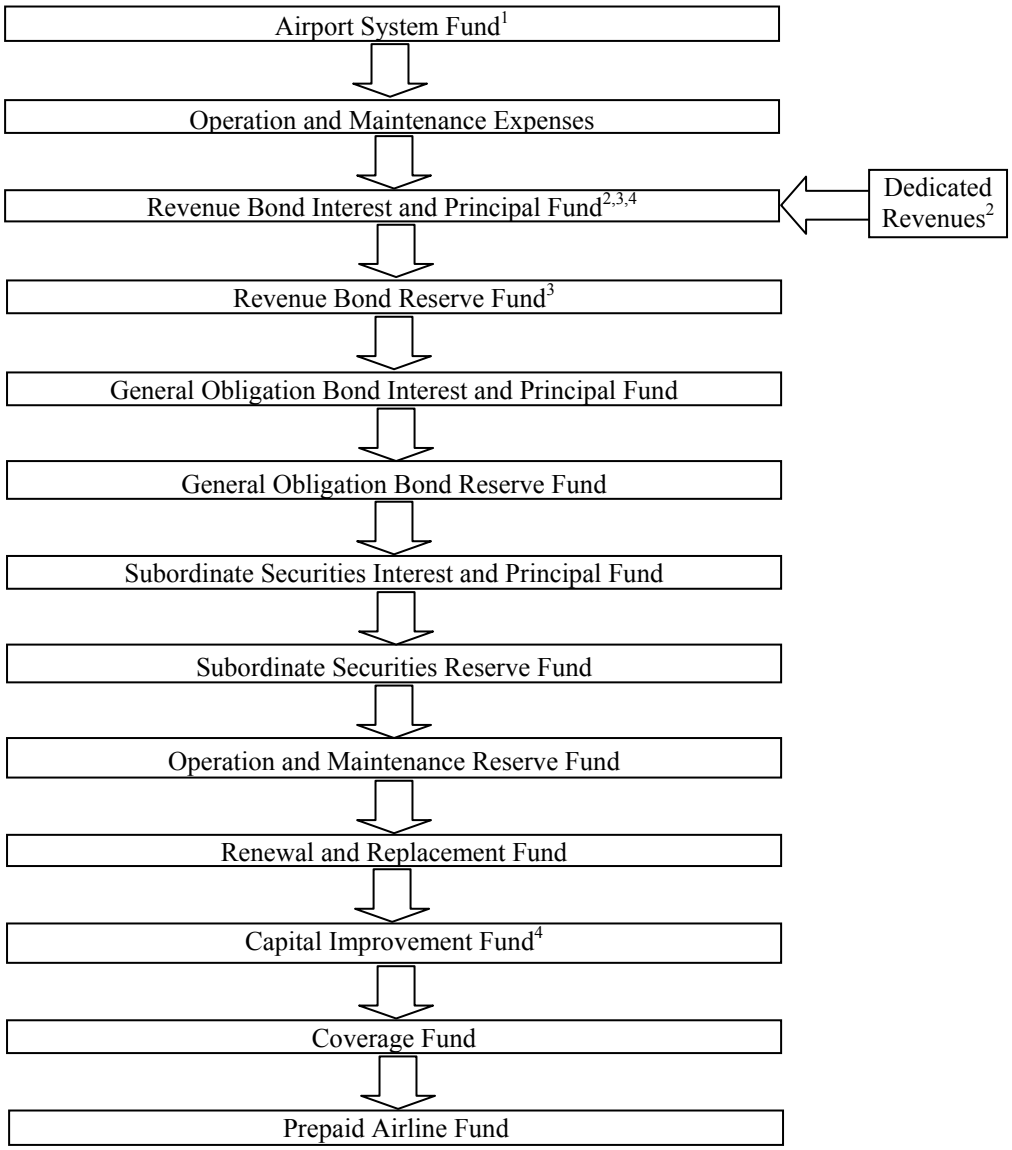
"Operation and Maintenance Expenses" consist of the reasonable and necessary current expenses of the Authority paid or accrued in operating and maintaining the Airport System, including, but not limited to: (i) costs of collecting Gross Revenues and making refunds; (ii) engineering, audit reports, legal and administrative expenses; (iii) salaries, wages and other compensation; (iv) costs of routine repairs, replacements and renewals; (v) costs of utility services; (vi) general administrative overhead of the Authority; (vii) material and supplies used in the ordinary course of business; (viii) contractual and professional services; (ix) costs of insurance and fidelity bonds; (x) costs of carrying out provisions of the Ordinance; (xi) costs of any single item of $100,000 or less, as adjusted for inflation (or such other amount, if any, specified in the Airline Agreement) or which has a useful life of less than two years; and (xii) all other routine costs and expenses or costs and expenses required by law to be paid by the Authority. However, "Operation and Maintenance Expenses" do not include any allowance for depreciation, any debt service or any payment due on a Derivative Agreement and do not include any operation and maintenance expenses incurred in connection with Special Purpose Facilities which are reimbursed by the lessee thereof nor any expenses paid by assets, grants or other moneys received by the Authority which are not included in Gross Revenues. See APPENDIX D—"SUMMARY OF ORDINANCE."

Payments due under Qualified Derivative Agreements, excluding any termination payments, also will be payable from Net Revenues on parity with Authority Revenue Bonds. A "Qualified Derivative Agreement" means a derivative agreement entered into by the Authority with a counterparty that is rated, at the time of execution, (i) at least as high as the then current rating on the Authority Revenue Bonds (without regard to credit enhancement), or (ii) in a category not lower than the "A" category now used by each rating agency. The Authority must file a certificate with the Authority Trustee indicating that such derivative agreement is to be treated as a Qualified Derivative Agreement under the Ordinance. A Derivative Agreement is an agreement between the Authority and a counterparty with respect to Authority Revenue Bonds or Subordinate Securities (as defined herein) pursuant to which the parties agree to exchange payments in the future including, without limitation, swap agreements, option agreements in which the counterparty can require the Authority to issue refunding revenue bonds, cap and floor agreements and interest rate swap agreements. See "AUTHORITY PLAN OF FINANCING—Hedging Activities."

Authority Funds and Accounts

The application of Gross Revenues is governed by the provisions of the Ordinance. Capitalized terms used in this section that are not otherwise defined have the meanings set forth in the Ordinance. The Ordinance creates a special fund designated as the Airport System Fund which is held by the Authority, in which the Authority is required to deposit all Gross Revenues upon receipt by the Authority. Moneys held in the Airport System Fund are then applied and deposited into the funds and accounts established pursuant to the Ordinance, as illustrated in the chart below. Gross Revenues in the Airport System Fund are to be applied first to the payment of all current Operation and Maintenance Expenses and then to the Revenue Bond Interest and Principal Fund and Revenue Bond Reserve Fund in the amounts required by the Ordinance. Although certain PFCs, CFCs and other moneys of the Authority that have or will be irrevocably designated as Dedicated Revenues pursuant to the Ordinance will not be pledged to secure Authority Revenue Bonds, pursuant to such designations, the Authority agrees to hold such PFCs and other moneys of the Authority exclusively to pay a portion of the debt service on Authority Revenue Bonds, to the extent allowed by law. Gross Revenues and Federal Payments remaining after the payment of Operation and Maintenance Expenses, debt service on all outstanding Authority Revenue Bonds, General Obligation Bonds, if any, and Subordinate Securities, if any, and other fund deposit requirements (including the Coverage Fund) are transferred to the Prepaid Airline Fund. See APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT," and APPENDIX D—"SUMMARY OF ORDINANCE."

The following chart depicts the flow of funds under the Ordinance as described above:



1 All Gross Revenues are deposited to the Airport System Fund.

2 Dedicated Revenues are transferred to the Revenue Bond Interest and Principal Fund at such time as is needed to pay debt service. Amounts in the Revenue Bond Interest and Principal Fund also are available to make certain payments due under Qualified Derivative Agreements on parity with payments of debt service on Authority Revenue Bonds.

3 Funds or Accounts held by the Authority Trustee.

4 Termination payments under the 2004 Hedge Agreement, as amended, and the 2005 Hedge Agreements are not payable on parity with the payment of the Authority Revenue Bonds from the Revenue Bond Interest and Principal Fund, but are payable from amounts on deposit in the Capital Improvement Fund, if any, after making the previously required deposits to other funds under the Ordinance.

Amounts in the Airport System Fund are not pledged to secure the Authority Revenue Bonds, and all current Operation and Maintenance Expenses of the Airport System are paid prior to making any deposits to the Revenue Bond Interest and Principal Fund. Further, amounts deposited in the General Obligation Bond Interest and Principal Fund and the General Obligation Bond Reserve Fund, if any, are pledged solely for the purpose of securing General Obligation Bonds, if any, and amounts transferred to the Subordinate Securities Interest and Principal Fund and Subordinate Securities Reserve Fund, if any, are pledged solely to secure the Subordinate Securities, if any. Amounts in the Operation and Maintenance Reserve Fund may be used by the Authority to pay Operation and Maintenance Expenses for which amounts are not otherwise available in the Airport System Fund and to pay costs and expenses payable from the Renewal and Replacement Fund. Amounts in the Renewal and Replacement Fund may be used to pay for any extraordinary costs of replacing depreciable property and equipment of the Airport System and for making extraordinary repairs, replacements or renovations to the Airport System or to pay Operation and Maintenance Expenses for which insufficient amounts are available in the Airport System Fund. Amounts in the Capital Improvement Fund may be used for any lawful Airport System purpose, including without limitation, payment for capital improvements. Amounts in the Coverage Fund may be used for any lawful purpose of the Authority as set forth below. Amounts in the Prepaid Airline Fund may be used for any Airport System purpose deemed necessary by the Authority. Except for amounts in the Revenue Bond Interest and Principal Fund and the Revenue Bond Reserve Fund, no amounts in any other Funds and Accounts are pledged to secure the Authority Revenue Bonds. See APPENDIX D—"SUMMARY OF ORDINANCE."

Pursuant to the Ordinance, the Authority may modify the flow of funds set forth above (except for the requirement to first pay Operation and Maintenance Expenses and then to fund the Revenue Bond Interest and Principal Fund and the Revenue Bond Reserve Fund) at any time without the consent of any other party, including the Bond Bank (as the owner of the Authority Qualified Obligations), the Authority Trustee, the owners of the Bond Bank Bonds or the Bond Bank Trustee.

Pursuant to the Ordinance, the Authority has created a Coverage Fund. Gross Revenues deposited to the Airport System Fund and not needed for payment of Operation and Maintenance Expenses, or for deposit to the Revenue Bond Interest and Principal Fund, Revenue Bond Reserve Fund, General Obligation Bond Interest and Principal Fund, General Obligation Bond Reserve Fund, Subordinate Securities Interest and Principal Fund, Subordinate Securities Reserve Fund, Operation and Maintenance Reserve Fund, Renewal and Replacement Fund and Capital Improvement Fund, may be deposited in the Coverage Fund. As of May 1, 2006, the Coverage Fund has on deposit a security with a maturity value of $3,840,000. By the end of 2006, the Authority expects to have deposited into the Coverage Fund an amount equal to 25% of the annual principal and interest payments on all outstanding Authority Revenue Bonds in the subsequent year (after taking into consideration the application of Dedicated Revenues). Amounts in the Coverage Fund will be used for the purposes of establishing future coverage on outstanding Authority Revenue Bonds. In particular, for purposes of determining compliance with the Rate Covenant (as defined herein), amounts in the Coverage Fund, together with amounts in the Prepaid Airline Fund, will be added to Net Revenues for purposes of determining whether such amounts are equal to the greater of (a) amounts required to be deposited in such Fiscal Year to the Revenue Bond Interest and Principal Fund and the Revenue Bond Reserve Fund, or (b) an amount not less than 125% of the annual principal and interest due for all Authority Revenue Bonds. See "—Rate Covenant" and APPENDIX D—"SUMMARY OF ORDINANCE—Funds and Accounts." Accordingly, to the extent that the Authority has amounts on deposit in the Coverage Fund, the Authority may establish rentals, rates, fees and other charges for the use of the Airport System that in any particular Fiscal Year do not provide sufficient Net Revenues (without regard to amounts on deposit in the Coverage Fund or in the Prepaid Airline Fund) to satisfy the coverage requirements set forth in the Rate Covenant.

Revenue Bond Reserve Fund

The Authority is permitted to establish separate accounts within the Revenue Bond Reserve Fund for one or more series of Authority Revenue Bonds at any time. Each separate reserve fund account would be subject to the lien of only those particular series of Authority Revenue Bonds for which such account was created and pledged. In addition, the Authority may issue additional Authority Revenue Bonds which do not have a lien on the Revenue Bond Reserve Fund, and if such additional Authority Revenue Bonds are issued, the Authority would not take the

debt service for such series of Authority Revenue Bonds into account for purposes of determining any Debt Service Reserve Requirement.

Upon the issuance of the 2005 Authority Bonds, and pursuant to the Master Ordinance, the Authority established an account in the Revenue Bond Reserve Fund securing, on a pro rata basis, the 2005 Authority Bonds and any Additional Authority Revenue Bonds the Authority would later determine to secure by such account (the "2005 Account"). Pursuant to the 2006 Supplemental Ordinance, the Authority has elected to create a 2006A Account in the Revenue Bond Reserve Fund (the "2006A Account") and a 2006B Account in the Revenue Bond Reserve Fund (the "2006B Account") and has elected to secure the 2005 Authority Bonds and the 2006 Authority Bonds on a pro rata basis with the 2005 Account, the 2006A Account and the 2006B Account. Together, the 2005 Account, 2006A Account and 2006B Account (collectively, the "2005/2006 Accounts") secure the 2005 Authority Bonds, the Series 2006A Authority Bonds and the Series 2006B Authority Bonds and any Additional Authority Revenue Bonds the Authority may determine to be secured by such account. Each bond that is secured by the 2005/2006 Accounts is secured on a pro rata basis with respect to all bonds secured by the 2005/2006 Accounts. The Authority has previously established separate accounts within the Revenue Bond Reserve Fund securing each of the 1996 Authority Bonds, the 2003 Authority Bonds and the 2004 Authority Bonds (collectively, the "Prior Bond Reserve Accounts"). The 2005/2006 Accounts will not secure the 1996 Authority Bonds, the 2003 Authority Bonds or the 2004 Authority Bonds; the Prior Bond Reserve Accounts currently do not secure the 2005 Authority Bonds, the Series 2006A Authority Bonds or the Series 2006B Authority Bonds; and amounts in the Prior Bond Reserve Accounts will not be available to pay debt service on the 2006 Authority Bonds.

Upon the issuance of future Authority Revenue Bonds under the Ordinance, the Authority may establish a separate reserve fund account securing such future Authority Revenue Bonds, may secure such future Authority Revenue Bonds with an existing reserve fund account, including the Prior Bond Reserve Accounts or the 2005/2006 Accounts, or may hold no reserve fund account to secure such bonds, all as provided in the supplemental bond ordinance authorizing such future Authority Revenue Bonds. The Authority may satisfy the Debt Service Reserve Requirement for any or all reserve fund accounts, in whole or in part, by the delivery to the Authority Trustee of a surety bond, an insurance policy or a letter of credit. See APPENDIX D—"SUMMARY OF ORDINANCE." Notwithstanding the separate nature of each of the 2005/2006 Accounts and each of the prior Bond Reserve Accounts, payments on the 2003 Authority Bonds, the 2004 Authority Bonds, the 2005 Authority Bonds and the 2006 Authority Bonds (including payments from a debt service reserve fund account), upon receipt by the Bond Bank Trustee, will be used on a parity basis to pay the Bond Bank Bonds, including the Series 2003A Bonds, the Series 2004I Bonds, the Series 2005 B Bonds, the Series 2006 F Bonds and the Series 2006 G Bonds.

In any month, if any account in the Revenue Bond Reserve Fund contains less than the respective Debt Service Reserve Requirement for the applicable Authority Revenue Bonds, then on or before the last business day of such month, after making all required payments and provisions for payment of Operation and Maintenance Expenses and after making all required transfers to the Revenue Bond Interest and Principal Fund, the Authority will transfer to such accounts on a pro rata basis an amount sufficient to reestablish the Debt Service Reserve Requirement for such Authority Revenue Bonds. After each Debt Service Reserve Requirement has been accumulated and for so long thereafter as each account of the Revenue Bond Reserve Fund contains such amount, no transfers will be required to be made to the Revenue Bond Reserve Fund. In the event and to the extent that moneys in the Revenue Bond Reserve Fund exceed the total of the combined Debt Service Reserve Requirements, such excess moneys will be transferred to the Capital Improvement Fund. Moneys in a particular account will be used to pay the principal of and interest only on the applicable Authority Revenue Bonds in the event and to the extent that available funds in the Revenue Bond Interest and Principal Fund are insufficient for such purpose, and such moneys may also be used to make the final payments for the retirement or defeasance of such Authority Revenue Bonds then outstanding.

Additionally, if the Authority obtains an opinion of bond counsel that the applicable provisions of the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder, and any applicable successor to them, do not permit the use of proceeds of a particular series of Authority Revenue Bonds to fund the entire amount needed to meet the Debt Service Reserve Requirement for such Authority Revenue Bonds, then the Authority may, at its option, take up to 24 months to deposit the difference between the Debt Service Reserve Requirement for such Authority Revenue Bonds and the portion of such Debt Service Reserve Requirement that may be funded, in the

opinion of bond counsel, by such Authority Revenue Bonds (the "Unfunded Portion") into the applicable account, provided that on the first business day of each month of such period the Authority will deposit into the applicable account an amount equal to the monthly pro rata allocation of the Unfunded Portion until the Debt Service Reserve Requirement for such Authority Revenue Bonds is otherwise funded in full. Upon the issuance of the 2005 Authority Bonds, the Authority satisfied the debt service reserve requirement with respect to the 2005 Authority Bonds with proceeds of the 2005 Authority Bonds. The Authority expects to deposit proceeds of the Series 2006A Authority Bonds and Series 2006B Authority Bonds into the 2006A Account and 2006B Account, respectively, in the amount necessary, to make the funds on deposit in the 2005/2006 Accounts equal to the 2005/2006 Revenue Bond Reserve Requirement.

Rate Covenant

The Ordinance establishes a covenant of the Authority that the Authority will at all times fix, charge, impose and collect rentals, rates, fees and other charges for the use of the Airport System sufficient to provide Net Revenues, together with moneys on deposit in the Coverage Fund, for each Fiscal Year equal to the larger of (i) all amounts required to be deposited in such Fiscal Year into the Revenue Bond Interest and Principal Fund and the Revenue Bond Reserve Fund; or (ii) an amount equal to not less than 125% of the annual principal and interest due for all Authority Revenue Bonds for such Fiscal Year (the "Rate Covenant"). For the purpose of complying with the Rate Covenant, the Authority will: include within Net Revenues in any Fiscal Year amounts transferred or credited from the Prepaid Airline Fund pursuant to the Ordinance; exclude from interest due on Authority Revenue Bonds any interest paid from moneys in the Capitalized Interest Account; include in such calculation moneys in the Coverage Fund; and exclude from the calculation debt service excluded from the Debt Service Requirement by reason of the dedication of Dedicated Revenues for payment of such debt service.

From time to time, the Authority may adopt an ordinance or resolution irrevocably designating certain passenger facilities charges, customer facility charges, state and/or federal grants or other moneys not otherwise treated as Gross Revenues as Dedicated Revenues (including, without limitation, PFCs and CFCs) to be used exclusively to pay debt service on Authority Revenue Bonds. Although such Dedicated Revenues will not be pledged to secure the Authority Revenue Bonds, by such designation, the Authority will agree to hold and use such Dedicated Revenues exclusively for the payment of debt service on such Authority Revenue Bonds to the extent allowed by law. In such ordinance or resolution, the Authority will elect to exclude the debt service on Authority Revenue Bonds in an amount equal to such Dedicated Revenues for purposes of determining compliance with the Rate Covenant and the requirements for issuance of additional Authority Revenue Bonds. See "—Additional Bonds." In the event that the Authority adopts an ordinance or resolution irrevocably designating certain Dedicated Revenues as described above, the Authority will transfer such Dedicated Revenues into the Revenue Bond Interest and Principal Fund at such time as is necessary to pay debt service when due on such Authority Revenue Bonds.

As permitted by the Ordinance, the Authority has irrevocably designated approximately $13,200,000 per year through 2010 of PFCs as Dedicated Revenues to be used exclusively to pay debt service on the Authority Revenue Bonds through such time period. The Authority also designated approximately $8.5 million of other moneys that the Authority has received or expects to receive from 2004 through 2006, which are not otherwise included in Gross Revenues, as Dedicated Revenues to be used exclusively to pay debt service on Authority Revenue Bonds. See "THE AIRPORT AND THE AIRPORT SYSTEM—Facilities—*Maintenance Facilities*." Prior to closing on the 2006 Bonds, the Authority intends to designate a total of approximately $26,274,255 of CFCs through 2010 as Dedicated Revenues to be used exclusively to pay debt service on Authority Revenue Bonds through such time period. Based on the Authority's current expectations, the Report of the Airport Consultant assumes that the Authority will designate a total of approximately $18,473,000 between 2008 and 2012 of additional PFCs as Dedicated Revenues to be used exclusively to pay debt service on Authority Revenue Bonds from 2008 through 2012 and will extend the current designation of PFCs, and the pending designation of CFCs, as Dedicated Revenues beyond 2010 through 2012. However, as described above, such Dedicated Revenues are not pledged to secure the Authority Revenue Bonds and the application of PFCs to pay debt service on Authority Revenue Bonds will be subject to applicable PFC regulations. Accordingly, the Authority intends to exclude principal of and interest on Authority Revenue Bonds equal to such Dedicated Revenues for purposes of demonstrating debt service coverage under the Rate Covenant and the requirements for issuance of additional Authority Revenue Bonds.

The Airline Agreements (as defined herein) provide a mechanism for setting rates and charges for use of the Airport System based on an annual budget approved by the Authority which estimates sufficient amounts for, among other things, Operation and Maintenance Expenses, the Debt Service Requirement and debt service coverage. The Airline Agreements include a residual rate-making feature that is designed to ensure that the Authority's debt service and related coverage obligations will be met. The Airline Agreements authorize the Authority to make adjustments to the rates and charges in the event of a projected revenue shortfall. The financial information related to 2011 and 2012 contained herein was determined based upon the rate-making mechanism currently in place under the Airline Agreement which expires on December 31, 2010. The rate-making mechanism effective for 2011 and 2012, whether ultimately determined pursuant to a new amended airline agreement or pursuant to an ordinance of the Authority, may be materially different than the rate-making mechanism contained in the Airline Agreement and such differences could be material. See "THE AIRPORT AND THE AIRPORT SYSTEM—Certain Authority Agreements—*Airline Agreements,*" "BONDHOLDER RISKS—Effect of Airline Bankruptcies" and APPENDIX E—"SUMMARY OF THE AIRLINE AGREEMENTS."

In the event that Net Revenues (after including amounts in the Prepaid Airline Fund as described above), together with moneys on deposit in the Coverage Fund, in any Fiscal Year are insufficient to allow the Authority to satisfy the Rate Covenant, the Authority will be required under the Ordinance, promptly upon receipt of the annual audit for such Fiscal Year or upon earlier notice of a deficiency by the Treasurer of the Authority, to request an independent airport consultant or airport consulting firm appointed by the Authority to recommend actions to enable the Authority to secure additional funds for remedying such insufficiency, including revising the Authority's rentals, rates, fees and other charges, reducing Operation and Maintenance Expenses or otherwise changing the method of operation of the Airport System in accordance with law. So long as the Authority substantially complies in a timely fashion with the recommendations of such airport consultant, the Authority will not be deemed to have defaulted in the performance of its duties under the Ordinance even if the resulting Net Revenues, together with moneys on deposit in the Coverage Fund, are not sufficient to be in compliance with the Rate Covenant, so long as there is no other default under the Ordinance.

Additional Bonds

Bond Bank. Additional bonds of the Bond Bank may be issued on a parity with the Series 2003A Bonds, the Series 2004I Bonds, the Series 2005 B Bonds and the 2006 Bonds pursuant to the Indenture only for the purpose of (a) refunding (in whole or in part) bonds issued by the Bond Bank pursuant to the Indenture or (b) purchasing additional bonds of the Authority which are Authority Revenue Bonds under the Ordinance.

Authority Revenue Bonds. The Ordinance provides that the Authority may issue, for any lawful Airport System purpose, one or more series of additional revenue bonds ("Additional Authority Bonds"), payable from and secured by a lien on Net Revenues on a parity with the 2006 Authority Bonds, the 1996 Authority Bonds, the 2003 Authority Bonds, the 2004 Authority Bonds, the 2005 Authority Bonds and any other Authority Revenue Bonds, except with respect to the Revenue Bond Reserve Fund, upon satisfaction of the following conditions:

a) *No Default*. An Authorized Airport Representative must certify that, upon the issuance of such series of Additional Authority Bonds, the Authority will not be in default under any term or provision of any Authority Revenue Bonds then outstanding or any ordinance authorizing the issuance of such Authority Revenue Bonds;

b) *Proper Fund Balances*. An Authorized Airport Representative must certify that, upon the issuance of such series of Additional Authority Bonds, (i) the Revenue Bond Interest and Principal Fund will contain the amounts required to be deposited therein and (ii) the account of the Revenue Bond Reserve Fund, if any, which is held for the benefit of such series of Additional Authority Bonds will contain the amounts required at such time to be on deposit therein;

c) *Historical Coverage on Outstanding Authority Revenue Bonds*. An Authorized Airport Representative must certify that, either for the Authority's most recent complete Fiscal Year or for any consecutive 12 out of the most recent 18 months, Net Revenues, together with monies in the Coverage Fund, were equal to at least

125% of the Debt Service Requirement for all Authority Revenue Bonds for such period (without taking into account the Debt Service Requirement for the proposed Additional Authority Bonds);

d) *Coverage for Additional Authority Bonds*. The Authority must also submit to the Authority Trustee either of the following: (i) a certification by an Authorized Airport Representative of the Authority that, for either the Authority's most recent Fiscal Year or for any consecutive 12 months out of the most recent 18 months, the Net Revenues, together with monies in the Coverage Fund, were equal to at least 125% of the Debt Service Requirement for all outstanding Authority Revenue Bonds for such period, plus 125% of the maximum Debt Service Requirement for the proposed Additional Authority Bonds in any future Fiscal Year; or (ii) a report of an airport consultant setting forth projections indicating that the estimated Net Revenues for each of three consecutive Fiscal Years beginning on the earlier of (A) the first Fiscal Year following the estimated date of completion and initial use of any of the revenue producing facilities to be financed with such series of Additional Authority Bonds, based upon a certified, written estimated completion date by the consulting engineer for such facility or facilities, or (B) the first Fiscal Year in which the Authority will have any scheduled payments of interest on or principal of the series of Additional Authority Bonds to be issued, for the payment of which provision has not been made as indicated in the report of such airport consultant from the proceeds of such series of Additional Authority Bonds, investment income thereon or other appropriated sources (other than Net Revenues) are, together with the moneys in the Coverage Fund, at least equal to 125% of the Debt Service Requirement for all Authority Revenue Bonds for such period scheduled to occur during each such respective Fiscal Year after taking into consideration the additional Debt Service Requirement for the series of Additional Authority Bonds to be issued; and

For all purposes, (i) any principal or interest on Authority Revenue Bonds which is payable from Dedicated Revenues may be excluded from the Debt Service Requirement for such Authority Revenue Bonds; (ii) any amount transferred or credited from the Prepaid Airline Fund to the Airport System Fund is included in Net Revenues for such Fiscal Year; and (iii) any interest due on Authority Revenue Bonds that is paid from moneys in the Capitalized Interest Account is excluded from the Debt Service Requirement. The Authority has irrevocably designated approximately $13.2 million per year through 2010 of PFCs as Dedicated Revenues. In addition, prior to closing on the 2006 Bonds, the Authority intends to designate a total of approximately $26,274,255 of CFCs through 2010 as Dedicated Revenues to be used exclusively to pay debt service on Authority Revenue Bonds through such time period. Based on the Authority's current expectations, the Report of the Airport Consultant assumes that the Authority will designate a total of approximately $18,473,000 between 2008 and 2012 of additional PFCs as Dedicated Revenues to be used exclusively to pay debt service on Authority Revenue Bonds from 2008 through 2012 and will extend the current designation of PFCs, and the pending designation of CFCs, as Dedicated Revenues beyond 2010 through 2012. The Authority has also designated approximately $8.5 million of other moneys of the Authority, not otherwise included in Gross Revenues, as Dedicated Revenues. The principal or interest on Authority Revenue Bonds payable from such Dedicated Revenues will be excluded from the Debt Service Requirement for such Authority Revenue Bonds.

e) *Bond Ordinance Requirement*. The supplemental bond ordinance authorizing such series of Additional Authority Bonds must meet the applicable requirements set out in the Ordinance.

See APPENDIX D – "Summary of Ordinance."

Authority Refunding Revenue Bonds. If the Additional Authority Bonds are being issued for the purpose of refunding all or a portion of the previously issued Authority Revenue Bonds which remain outstanding as of the date of such issuance, none of the certifications described under subparagraph (c) and (d) above will be required so long as for each Fiscal Year during which Authority Revenue Bonds would otherwise have been outstanding the Debt Service Requirement for all outstanding Authority Revenue Bonds in such Fiscal Year, after giving effect to the issuance of such Additional Authority Bonds, will not exceed the scheduled Debt Service Requirement for all Authority Revenue Bonds in such Fiscal Year prior to giving effect to the issuance of such Additional Authority Bonds.

Authority Completion Revenue Bonds. The Authority reserves the right in the Ordinance to issue one or more series of Additional Authority Bonds to pay the cost of completing any project for which Authority Revenue Bonds have been previously issued (individually and collectively, "Completion Revenue Bonds") without complying with the general requirements for Additional Authority Bonds described under subparagraphs (c) and (d) under "—*Authority Revenue Bonds*" above. Prior to the issuance of any series of Completion Revenue Bonds, the Authority must provide, in addition to the applicable certificates required by subparagraphs (a) and (b) under "—*Authority Revenue Bonds*" above, (a) a certificate from the consulting engineer engaged by the Authority to design the project for which the Completion Revenue Bonds are to be issued stating that such project has not been materially changed in scope since the issuance of the most recent series of Authority Revenue Bonds issued for such purpose (except as permitted in the applicable ordinance authorizing such Authority Revenue Bonds) and setting forth the aggregate cost of such project which, in the opinion of such consulting engineer, has been or will be incurred; and (b) a certificate of an Authorized Airport Representative (i) stating that all amounts allocated to pay the costs of such project from the proceeds of the most recent series of Authority Revenue Bonds issued in connection with such project for which the Completion Revenue Bonds are being issued were used or are still available to be used to pay the costs of such project, (ii) containing a calculation of the amount by which the aggregate cost of such project as furnished in the consulting engineer's certificate exceeds the sum of the costs of such project paid to such date plus the monies available at such date within any construction fund or other like account applicable to such project plus any other monies which the Authorized Airport Representative, in his discretion, has determined are available to pay such costs in any other fund, and (iii) certifying that, in the opinion of the Authorized Airport Representative, the issuance of the Completion Revenue Bonds is necessary to provide funds for the completion of such project.

Subordinate Securities

Under the Ordinance, the Authority may issue, for any lawful Airport System purpose, one or more series of revenue bonds, notes or other obligations secured in whole or in part by a lien on Net Revenues junior and subordinate to the lien on Net Revenues securing payment of the 2006 Authority Bonds and other outstanding Authority Revenue Bonds ("Subordinate Securities"). Subordinate Securities may be further secured by any other lawfully available source of payment and need not be issued on a parity with one another. The agreements with respect to the issuance of the Subordinate Securities cannot require that a default or an event of default thereunder will create an event of default under the Ordinance.

From time to time, the Authority has issued Commercial Paper, the proceeds of which are used as interim financing for various capital improvements to the Airport System. The Authority's Commercial Paper constitutes a Subordinate Security payable from and secured by a lien on Net Revenues of the Airport System that is junior and subordinate to the lien of the 2006 Authority Bonds and other Authority Revenue Bonds issued by the Authority. To mitigate the risk of an unsuccessful remarketing of its commercial paper following maturity, repayment of the Commercial Paper is supported by a letter of credit from JPMorgan Chase Bank ("JPMorgan Chase"). The Authority has entered into a reimbursement agreement with JPMorgan Chase to provide for repayment of any draws on the letter of credit and the Authority's obligations under the reimbursement agreement also constitute Subordinate Securities.

Other Obligations

General Obligation Bonds. The Authority Act permits the Authority Board to authorize the issuance of general obligation bonds of the Authority ("General Obligation Bonds") for the purpose of procuring funds to pay the costs of acquiring real property, or constructing, enlarging, improving, remodeling, repairing or equipping buildings, structures, runways or other facilities, for use as or in connection with or for administrative purposes of the Airport System. For the purpose of raising money to pay all General Obligation Bonds and any interest on them, the Authority Board may levy each year a special tax upon all of the property, both real and personal, located within the territorial limits of the County, in a manner and in an amount to meet and pay the principal of the General Obligation Bonds as they severally mature, together with all interest accruing on them. Any taxes collected for the purpose of paying principal and interest on General Obligation Bonds are not Gross Revenues and are not pledged to payment of Authority Revenue Bonds. The Ordinance provides that after funding of the Revenue Bond Interest

and Principal Fund and the Revenue Bond Reserve Fund, Net Revenues may be deposited into the General Obligation Bond Interest and Principal Fund to pay debt service on General Obligation Bonds.

Although the Authority has no General Obligation Bonds outstanding and has no plans to issue General Obligation Bonds, the Authority may issue General Obligation Bonds in the future.

Special Purpose Facilities Bonds. Under the Ordinance, the Authority reserves the right to issue one or more series of bonds to finance and refinance the cost of any Special Purpose Facilities ("Special Purpose Facilities Bonds"), including all reserves required therefor, all related costs of issuance and other amounts reasonably relating thereto; provided, that such Special Purpose Facilities Bonds will be payable solely from payments by Special Purpose Facilities lessees and other security not provided by the Authority. Each Special Purpose Facilities lease must provide that an Airport System improvement or facility is leased by the Authority to a lessee which agrees to pay (i) all of the debt service requirements for the Special Purpose Facilities Bonds issued to finance the Special Purpose Facility and (ii) all administrative expenses allocable to the Special Purpose Facility. In no event will any Gross Revenues or Net Revenues or any other amounts held in any other fund or account maintained by the Authority as security for the Authority Revenue Bonds or for the construction, operation, maintenance or repair of the Airport System be pledged to the payment of Special Purpose Facilities Bonds or to the payment of any lessee expenses of operation and maintenance of Special Purpose Facilities. The Authority has issued and, in the future, may issue one or more additional series of Special Purpose Facilities Bonds for one or more airlines or entities which conduct operations at the Airport System. See "THE AIRPORT AND THE AIRPORT SYSTEM—Facilities—*Maintenance Facilities*" herein.

Events of Defaults and Remedies; No Acceleration

The "Events of Default" under the Ordinance and related remedies are described in APPENDIX D — "SUMMARY OF ORDINANCE," in particular, in the section "—Defaults and Remedies." The occurrence of an Event of Default does not grant any right to accelerate payment of the Authority Revenue Bonds to either the Authority Trustee, the Bond Bank, as owner of the Authority Revenue Bonds, or to the Bond Bank Trustee or the holders of the Bond Bank Bonds. The Authority Trustee and the Bond Bank are authorized to take certain actions upon the occurrence of an Event of Default, including initiating proceedings to enforce the obligations of the Authority under the Ordinance. See "—General." However, because (a) Net Revenues constitute Gross Revenues after payment of all Operation and Maintenance Expenses, and (b) the Authority is not subject to involuntary bankruptcy proceedings, the Authority may be able to continue indefinitely collecting revenues and applying them to the operation of the Airport System even if an Event of Default has occurred and no payments are being made on the Authority Qualified Obligations. In the event that no payments or insufficient payments are being made on the Authority Qualified Obligations, there will be insufficient amounts available for payment of the Bond Bank Bonds.

BOND INSURANCE

The following information has been furnished by Ambac Assurance for use in this Official Statement. Neither the Bond Bank, the Authority nor the Underwriters make any representation as to the accuracy or the completeness of such information or as to the absence of material changes in such information. See APPENDIX H—"SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY" for the form of the financial guaranty insurance policy.

Bond Insurance Policy

Ambac Assurance has made a commitment to issue the Policy relating to both series of the 2006 Bonds effective as of the date of issuance of the 2006 Bonds. Under the terms of the Policy, Ambac Assurance will pay to The Bank of New York, New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the 2006 Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or

within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the 2006 Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the 2006 Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding 2006 Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding 2006 Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the 2006 Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a 2006 Bond which has become Due for Payment and which is made to a Holder (as that term is defined in the Policy) by or on behalf of the Obligor (as that term is defined in the Policy) has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

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

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity;

2. payment of any redemption, prepayment or acceleration premium;

3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Policy, payment of principal requires surrender of 2006 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such 2006 Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Policy. Payment of interest pursuant to the Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the 2006 Bond, appurtenant coupon, if any, or right to payment of principal or interest on such 2006 Bond and will be fully subrogated to the surrendering Holder's rights to payment.

Under the Indenture, Ambac Assurance has certain rights to consent to certain actions by the Bond Bank, the Authority or the Trustee and has certain rights upon an event of default. See APPENDIX F—"SUMMARY OF THE BOND BANK INDENTURE."

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately $9,417,000,000 (unaudited) and statutory capital of $5,879,000,000 (unaudited) as of March 31, 2006. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in the Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the 2006 Bonds.

Ambac Assurance makes no representation regarding the 2006 Bonds or the advisability of investing in the 2006 Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under this caption "BOND INSURANCE."

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580 Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

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

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and filed on March 13, 2006;

2. The Company's Current Report on Form 8-K dated and filed on April 26, 2006; and

3. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2006, and filed on May 10, 2006.

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

THE BOND BANK

Powers and Purposes

The Bond Bank is a body corporate and politic separate from the City. The address of the Bond Bank is Suite 2421, City-County Building, 200 East Washington Street, Indianapolis, Indiana 46204. The Bond Bank was created by the Act for the purpose of buying and selling securities of certain qualified entities, including the Authority, the City, the County, all special taxing districts of the City, all entities whose tax levies are subject to

review and modification by the City-County Council and certain authorities or entities that lease land or facilities to other qualified entities. The Bond Bank was created pursuant to the Act to help the qualified entities lower their respective borrowing costs by having the Bond Bank purchase their debt obligations at interest rates favorable to the qualified entities. To accomplish its purpose, the Bond Bank may issue bonds or notes. The Bond Bank also has general powers which include the power to enter into, make and perform contracts of every lawful kind to accomplish its purpose.

Board of Directors of the Bond Bank

The Bond Bank is governed by a five member board of directors appointed by the Mayor of the City. The directors appoint an executive director who serves as secretary-treasurer of the board. The directors each serve for terms of three years and may be reappointed. No director may be an officer of the City, the County or any other qualified entity. The current members of the board of directors, their positions and their principal occupations are as follows (there is currently one vacancy on the board of directors of the Bond Bank):

Name	Position	Term Expires	Occupation
Mary Titsworth Chandler	Chairperson	April 30, 2009	Attorney
Jacob E. Hall	Member	April 30, 2009	Retired Engineer
Thomas J. O'Donnell	Member	April 30, 2009	Business Manager of International Brotherhood of Electrical Workers
DeVonne Richburg-Pollard	Member	April 30, 2009	Business Consultant

Barbara A. Lawrence was appointed the Executive Director of the Bond Bank on August 1, 2005. Ms. Lawrence previously served as Controller of the City of Indianapolis, Director of the Department of Public Works of the City of Indianapolis and Deputy Director of the Bond Bank. She holds a B.A. from Indiana University and an M.B.A. from Indiana Wesleyan University.

Katherine Aeschliman, Senior Project Manager, joined the Bond Bank in May 2005. Ms. Aeschliman worked as a financial analyst for the City of Indianapolis Controller's Office from 2001 to May 2005, before joining the Bond Bank. She holds a B.S. from Indiana University and is working to complete an M.B.A. at the University of Indianapolis.

Kyle Willis has served as Project Manager of the Bond Bank since November 2005. Mr. Willis worked as a financial analyst for the Authority from 2004 to October 2005. He holds a B.S. from Marian College.

Other Programs; Outstanding Indebtedness

Under the Act, the Bond Bank is authorized to issue other series of notes or bonds to finance different programs to accomplish its purposes. Under separate trust indentures and other instruments authorized under the Act, the Bond Bank has previously issued and had outstanding as of May 1, 2006, an aggregate principal amount of $2,661,847,000 in separate long-term program obligations. Certain of the foregoing obligations of the Bond Bank may mature or otherwise be defeased as of or prior to the issuance of the 2006 Bonds. Other than the Bond Bank Bonds, all such other Bond Bank obligations are and will be secured separately and independently and do not and will not constitute Bond Bank Bonds under the Indenture or for purposes of this Official Statement.

Further, as of the date of this Official Statement, the Bond Bank is considering undertaking other types of financings for qualified entities for purposes authorized by and in accordance with the procedures set forth in the Act. The obligations issued by the Bond Bank in connection with any and all such financings, if any, will be secured separately from the 2006 Bonds and will not constitute Bond Bank Bonds under the Indenture or for purposes of this Official Statement.

THE AUTHORITY

Powers and Purposes

In 1962, the City Council of the City, the Mayor of the City and the County Council of the County created the Authority pursuant to the Authority Act as a municipal corporation, separate from the City and the County. The Authority Act authorizes the Authority to own and operate public airports. The Authority is empowered to do all things necessary or reasonably incident to carrying out the purposes of the Authority Act, including the power to: (i) acquire, establish, construct, improve, equip, maintain, control, lease and regulate municipal airports, landing fields and other air navigation facilities, either inside or outside the County; (ii) manage and operate airports, landing fields and other air navigation facilities acquired or maintained by the Authority; (iii) adopt a schedule of reasonable charges to and collect them from all users of facilities and services within the County; (iv) lease all or any part of an airport, landing field or any buildings or other structures, and fix, charge and collect rentals, tolls, fees, and charges to be paid for the use of the whole or a part of the airports, landing fields or other air navigation facilities by aircraft landing there and for the servicing of the aircraft; (v) make rules and regulations, consistent with laws regarding air commerce, for management and control of its airports, landing fields, air navigation facilities and other property under its control; and (vi) incur indebtedness in accordance with the Authority Act.

Board of the Authority

The Authority is governed by the Authority Board, which is its executive and legislative body. The Authority Board consists of eight members, (a) six of whom are appointed by the Mayor of the City, (b) one of whom is appointed by the Marion County Board of Commissioners, and (c) one of whom is appointed by the Hendricks County Board of Commissioners and must reside in Guilford Township, located in Hendricks County. No more than four of the Authority Board members appointed under clauses (a) and (b) may belong to the same political party, and at least one member of the Authority Board appointed by the Mayor of the City must reside in Decatur Township or Wayne Township, each located in Marion County. Each Authority Board member is appointed for a term of four years and serves until a successor is appointed and qualified by the authority that appointed such Authority Board member. Each Authority Board member is also eligible for reappointment and is subject to removal by impeachment. Any vacancy on the Authority Board is filled by appointment by the entity that appointed such Authority Board member, for the remainder of the unexpired term. The Authority Board also includes an advisory member appointed by the Hamilton County Board of Commissioners, an advisory member appointed by the Hancock County Board of Commissioners and an advisory member appointed by the Morgan County Board of Commissioners. Advisory members have no right to vote on any matters brought before the consideration of the Authority Board. In addition, the Authority Board member appointed by the Hendricks County Board of Commissioners may not vote on any matter brought before the Authority Board relating to imposing, increasing or decreasing property taxes in the County.

The members of the Authority Board are listed below:

Lacy M. Johnson, as the President of the Authority, was appointed by the Mayor of the City in January 2000. He is a partner in the law firm of Ice Miller LLP. Mr. Johnson holds a B.A. from Purdue University and a J.D. from Indiana University School of Law - Indianapolis.

H. Patrick Callahan, as the Vice President of the Authority, was appointed by the Mayor of the City in December 1998. He is a partner in the law firm of Baker & Daniels LLP. Mr. Callahan holds a B.A. from Indiana University and a J.D. from the University of Michigan.

Alfred R. Bennett, as the Secretary of the Authority, was appointed by the Hendricks County Board of Commissioners in 2005. He is a retired superintendent of the Indiana Boys' School and Indiana State Department of Corrections official. He is currently self-employed as a correctional facilities consultant.

N. Stuart Grauel, as the Treasurer of the Authority, was appointed by the Mayor of the City in March 2000. He served as an officer of Indianapolis Power & Light Company and IPALCO Enterprises from 1978 to 2001. Mr. Grauel graduated from DePauw University.

Kelly J. Flynn, as a member of the Authority, was appointed by the Mayor of the City in 2005. He is the senior partner of Flynn & Zinkan Realty Company. Mr. Flynn is a graduate of the University of Notre Dame with a B.A. in economics.

Shirley M. Haflich, as a member of the Authority, was appointed by the Mayor of the City in 2004. Ms. Haflich is a retired high school teacher.

Robert H. Voorhies, as a member of the Authority, was appointed by the Mayor of the City in January 2000. He is President of the Central Indiana Labor Council, serving in that position since 1981.

Michael W. Wells, as a member of the Authority, was appointed by the Marion County Board of Commissioners in January 2000 and has served on the Authority Board since 1992. He is President of REI Investments, Inc. Mr. Wells holds a B.S. in Interdisciplinary Engineering from Purdue University and a J.D. from Indiana University School of Law.

The advisory members of the Authority Board are listed below:

Steven Dillinger, as an advisory member of the Authority, was appointed by the Hamilton County Board of Commissioners in August 2000. He is President of S.C. Dillinger Associates and has served in a variety of elected and appointed political positions in Hamilton County. Mr. Dillinger is currently a Hamilton County Commissioner.

Lynn T. Gordon, as an advisory member of the Authority, was appointed by the Morgan County Board of Commissioners in 2004 and is President of Citizens Bank in Mooresville, Indiana.

Jack Morton, as an advisory member of the Authority, was appointed by the Hancock County Board of Commissioners in September, 2002. Mr. Morton holds a B.S. in Mathematics from Ball State University and an M.B.A. in Information Systems Management from Indiana University.

The Authority Board has retained staff to assist it and has contracted with BAA Indianapolis LLC ("BAAI") for the management of almost all of the Authority's assets. See "—BAAI Management Agreement" below. The Authority staff includes, among others, the individuals set forth below:

John J. Kish, was appointed Midfield Project Director in April 2001. From 1989 to 1992, Mr. Kish served as Commissioner of the Indiana Department of Administration where he was responsible for construction of several major state projects. From 1994 to 1997, Mr. Kish served as executive director of the White River State Park Development Commission where he was widely credited with coordinating federal, state and local involvement in making the park a major regional attraction. From 1997 to 2001, he practiced law with the firm of Dann Pecar Newman & Kleiman. He graduated with a B.A. from Indiana University and a J.D. from the University of Michigan.

Jeremiah Wise was appointed Assistant Project Director for Finance in September 2004. Mr. Wise served in debt management roles for the City of New York and the State of Indiana prior to joining the Authority. Mr. Wise has been involved in many types of debt transactions, including general obligation, revenue, lease appropriation, structured finance, and conduit issues totaling approximately $5 billion. Mr. Wise also spent two years as an economic and finance consultant for a private firm in Chicago, serving Fortune 100 companies in a variety of matters, including competitive analysis, product valuation, legislative impact analysis, and cost modeling. Mr. Wise graduated with a B.A. from Yale University and a Masters of Urban Planning from New York University.

BAAI Management Agreement

In September 1995, after a competitive process, the Authority and BAAI entered into an agreement (the "BAAI Management Contract") pursuant to which BAAI agreed to manage the operation and maintenance of the Airport System beginning October 1, 1995. The BAAI Management Contract, which is not a lease or sale of the Airport System facilities, expires on December 31, 2008.

The BAAI Management Contract grants BAAI all necessary rights and powers to serve as an independent contractor for the operation, maintenance, and management of the Airport System. The scope of BAAI's services includes terminal, airfield, and administrative management. While BAAI may perform planning services for the Authority, it only does so to the extent such planning previously was performed by the Authority's staff. Any planning services which the Authority requests BAAI to conduct and which are normally contracted out by the Authority are outside the scope of the BAAI Management Contract and will be the subject of a separate agreement with BAAI, as an independent contractor. The development of the midfield terminal is managed by Authority staff as opposed to BAAI.

While BAAI serves as the Authority's administrative agent, all billings of the Authority and all remittances due the Authority are in the name of and made payable to the Authority. All of the Gross Revenues collected are directly deposited into the Airport System Fund, which is maintained by the Authority in the Authority's official depository bank. Withdrawals or transfers from the Airport System Fund can only be made by the Authority. See APPENDIX D—"SUMMARY OF ORDINANCE—Airport System Fund." The BAAI Management Contract stipulates that BAAI cannot obligate the Authority to expenditures beyond the Authority's annual operating budget as approved by the Authority Board.

The Authority makes all of the debt service payments on its various indebtedness directly to the trustee or the lender, as the case may be. The Authority also makes direct payments to its reserve funds as such may be required by the Ordinance or other loan documents and directly contracts and makes payments for all capital improvement projects.

In addition, the Authority retains various powers and responsibilities including: (a) compliance with Airline Agreements (defined herein); (b) FAA/Airport Improvement Program ("AIP") grant assurances; (c) passenger and cargo air service development policies and implementation; (d) the issuance of debt in the Authority's name; (e) aviation rates and charges regulation; (f) collection and use of PFCs; (g) long range planning; (h) airport industrial and economic development policy and implementation; (i) land acquisition, wetlands, environmental, and capital expenditure policies; and (j) all other statutory powers not delegated to BAAI, including but not limited to, compliance with bond covenants and approval of the Authority's annual operating budget.

The Authority reimburses BAAI for all salaries, wages and benefits for BAAI employees at the Airport System. In addition, the Authority provides BAAI with rent-free office and parking space. In 2004, the Authority and BAAI amended and restated the BAAI Management Contract. Among other changes, the amendment provides for compensation to BAAI that is comprised of a fixed component and a variable component earned by BAAI based upon actual performance each year compared against certain management performance standards. The fixed component is equal to $602,500 per year and the variable component can range up to a maximum of $1,405,800 per year. Both fee components are subject to annual CPI adjustments, beginning in 2004. The Authority does not expect that the total compensation to be paid to BAAI under the amended contract will materially increase from compensation paid in prior years. From 2003 to 2005, BAAI received compensation payments from the Authority equal to approximately $1.5 million, $1.5 million and $1.8 million, respectively.

In the BAAI Management Contract, BAAI agrees to provide a letter of credit securing the performance of BAAI under the BAAI Management Contract. BAAI has secured such letter of credit from Barclay's Bank plc. The BAAI Management Contract contains standard defaults for agreements of this character with respect to each party as well as dispute resolution procedures. Pursuant to the BAAI Management Contract, BAAI is obligated to cooperate with the Authority for an efficient transition upon expiration or termination of the BAAI Management

Contract. Finally, the BAAI Management Contract may not be modified or amended without the written agreement of both the Authority and BAAI.

Recent Developments. On June 6, 2006, the Board of BAA plc, the parent company of BAAI confirmed that it had agreed to a definitive proposal from Spain's Grupo Ferrovial SA and its consortium partners for the acquisition of BAA plc, subject to final documentation. The Authority does not expect the acquisition of BAA plc by Grupo Ferrovial SA and its consortium partners to result in any material impact on the operation of the Airport System.

BAAI Management Team

BAAI's management team currently consists of the individuals set forth below:

Patrick Dooley, has been Airport Director for BAAI since November 2003. He joined BAAI as Retail Director in 1997 and served as Vice President of Business Development from February, 2000, until his appointment as Airport Director. Prior to joining BAAI, he held various senior marketing and management positions with retail and shopping center development companies working in New England, Hawaii and Indianapolis. Mr. Dooley also operated his own retail consulting business.

Stewart MacVicar, joined BAAI in April 2004 as Vice President of Customer Service, where he oversees BAAI's maintenance, operations, public safety, terminal services, parking, and health and safety departments and was recently promoted to Deputy Airport Director. Mr. MacVicar had worked for BAA plc in the United Kingdom for eighteen years, prior to joining the team in Indianapolis. During his tenure with BAA, he has held various positions, including key roles in Facilities Planning, Project Construction, Development Management and Operations Management at BAA's London Heathrow, Glasgow and Edinburgh airport's. Mr. MacVicar is a graduate in Town and Country Planning (BA hours) and is a member of the Royal Town Planning Institute, and the British Institute of Management. He has been a part of many aviation working groups – most recently as part of a UK Government group on multiple agency threat risk assessment.

Robert A. Duncan, A.A.E., has been General Counsel for BAAI since October 1, 1995, and prior to serving in such capacity he served as the Managing Director of Administration and General Counsel of the Authority since July 1, 1991. He began his career with the Authority in 1973 as Staff Attorney. Mr. Duncan holds a B.A. from Hanover College in Hanover, Indiana, and a J.D. from Indiana University School of Law. Mr. Duncan is an active pilot and serves as an FAA Designated Pilot Examiner for private, commercial, instrument and multi-engine ratings.

Catherine Scionti, has been Vice President of Strategy and Human Resources of BAAI since March 2000, and President of BAAI since November 2003. In addition, Ms. Scionti currently oversees Internal Audit and Compliance. Prior to serving in such capacities, she served as the Personnel Director since May 1996. Prior to joining BAAI, she served as Director of Human Resources for Health Directions, Inc., in Harvey, Illinois. Ms. Scionti holds a B.A. from Purdue University and a Ph.D. in Industrial and Organizational Psychology from Central Michigan University.

Marsha A. Stone, has been Finance Director for BAAI since October 1999. Ms. Stone joined the Authority as Director of Internal Audit in October 1994, and transitioned into the Finance Department in 1995 as Assistant Finance Director for BAAI. She began her career in public accounting with Geo. S. Olive & Co. (now BKD LLP), where she passed the CPA examination and focused significantly on audits of non-profit and governmental agencies. Ms. Stone holds a B.S. from Indiana State University.

Wayne Reynolds, BAAI's Vice President of Planning and Engineering, originally joined the Airport in December of 1998 and served as a project manager in the Engineering Department. In June of 2004, he left to serve as an owner's technical representative for the Midfield Terminal Project. In May of 2005 Mr. Reynolds returned to BAAI as the VP of Planning and Engineering. Mr. Reynolds holds a B.S. in Civil Engineering from Tri-State University and is a registered Professional Engineer in the State of Indiana.

Patzetta Trice, joined BAAI in March 2005 as Vice President, Communications, Marketing and Air Service and oversees all aspects of media relations, government affairs and the Airport's involvement with community and civic organizations. In addition, she manages all marketing initiatives including providing support for air service and air cargo economic development initiatives. Before coming to BAAI, Ms. Trice served as Director, Communications & Public Affairs, with Allison Transmission, General Motors Corporation. She is a graduate of Ball State University and holds a B.S. in Art Education. A recognized community leader, Ms. Trice is a member of several boards, has received numerous awards and holds a commission with State government.

THE AIRPORT AND THE AIRPORT SYSTEM

Overview

The Authority currently operates the Indianapolis International Airport, the Downtown Heliport and four operational general aviation facilities (the "General Aviation Airports"): Eagle Creek Airpark, Metropolitan Airport, Hendricks County Airport/Gordan Graham Field and Mt. Comfort Airport. The General Aviation Airports are located in and around the County. Eagle Creek Airpark, Metropolitan Airport, the Downtown Heliport and Mt. Comfort Airport are classified as reliever airports and are part of an airport system plan for the Indianapolis Metropolitan Statistical Area (the "Indianapolis MSA"). The reliever airports are designed to reduce congestion at the Airport and have been developed by the Authority in accordance with the metropolitan airport system plan. Mt. Comfort Airport has a full instrument landing system and Eagle Creek Airpark has a partial instrument landing system.

The Airport, the largest part of the Airport System, is the principal air carrier airport servicing Indianapolis and central Indiana. According to Airports Council International—North America, the Airport was the 42nd largest airport in the United States in 2005, in terms of total passengers, and the 8th overall in North America in terms of total air cargo tonnage. The Airport is located seven miles west of downtown Indianapolis in Marion and Hendricks counties, Indiana, and encompasses approximately 7,500 acres. The Airport first opened in 1931 as Indianapolis Municipal Airport. In 1976, the Authority changed the name of the Airport to Indianapolis International Airport. The Airport service region includes: (i) a primary area consisting of the Indianapolis MSA, including Marion, Boone, Brown, Hamilton, Hancock, Hendricks, Johnson, Morgan, Putnam and Shelby counties, plus Madison and Monroe counties, which are not included in the Indianapolis MSA; and (ii) a secondary area surrounding the primary area, the limits of which are defined by the distance to other airports (including Cincinnati/Northern Kentucky International Airport, Dayton International Airport, Louisville International Airport, Chicago O'Hare International Airport and Chicago Midway Airport) as well as the availability, price and quality of airline service at those other airports. See APPENDIX A—"REPORT OF AIRPORT CONSULTANT."

As of June 2006, ten major/national passenger airlines will provide scheduled service at the Airport: AirTran Airways, America West Airlines, American Airlines ("American"), Continental Airlines ("Continental"), Delta Air Lines ("Delta"), Frontier Airlines, Northwest Airlines ("Northwest"), Southwest Airlines ("Southwest"), United Airlines and US Airways (as merged with America West Airlines). In addition, the following commuter/regional passenger airlines provided scheduled service: Air Canada Jazz, Air Wisconsin (US Airways Express), American Eagle, Atlantic Southeast Airlines (Delta Connection), Chautauqua Airlines (US Airways Express, Delta Connection and United Express), Comair (Delta Connection), ExpressJet (Continental Express), Mesa (US Airways Express), Midatlantic (US Airways Express), Pinnacle Airlines (Northwest Airlink), PSA (US Airways Express), Republic Airlines (US Airways Express), Shuttle America (Delta Connection and United Express), Skyway (dba Midwest Connect), Skywest (United Express), Trans States Airlines (American Airlines). In addition to scheduled service, charter or "on demand" service is provided at the Airport. As of October 2005, the airlines serving the Airport provided an average of 175 daily scheduled departures from the Airport to 39 cities and the major/national airlines provided 80 daily nonstop departures. The Airport serves primarily origin-destination passengers. During 2005, approximately 86.7% of enplaned passengers at the Airport were origin-destination passengers. Also, Federal Express currently provides regularly scheduled air cargo service at the Airport and operates a national distribution & sortation hub at the Airport. See APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT."

In 2005, 222,275 aircraft operations (takeoffs and landings) were performed at the Airport. These operations consisted of 76,896 air carrier operations, 112,795 air taxi/commuter operations, 31,224 general aviation operations, and 1,360 military operations. In 2004, 212,558 aircraft operations (takeoffs and landings) were performed at the Airport. These operations consisted of 80,589 air carrier operations, 97,519 air taxi/commuter operations, 32,995 general aviation operations, and 1,455 military operations.

Facilities

Airfield Facilities. The Airport has three runways. Runway 5R-23L, which opened in June 1990, runs northeast and southwest, and is 10,000 feet long and 150 feet wide. Runway 5L-23R, which opened in January 1996, is on the northwest side of the Airport, and is 11,200 feet long and 150 feet wide. Both Runway 5R-23L and 5L-23R are equipped with precision instrument landing systems and CAT III operational capability. Runway 14-32 is a crosswind runway, runs northwest and southeast and is 7,600 feet long and 150 feet wide.

Terminal Facilities. The passenger terminal complex, including the terminal building, associated aircraft apron areas, automobile parking lots and access roads, is currently located on the northeast side of the Airport. The terminal building, which has approximately 711,000 square feet, is a two-story structure consisting of four concourses with 34 jet air carrier gates, which simultaneously accommodate two ground-level commuter airline gates, 27 remote commuter aircraft parking positions and 12 jet aircraft parking positions. Street access to the terminal building is by a two-level roadway connected to a roadway system that loops around a parking structure and surface parking lot. Approximately 11,000 parking spaces are provided at the Airport (excluding approximately 1,725 parking spaces provided to employees).

The terminal of the New Indianapolis Airport will be located between the two parallel runways at the Airport. See "CAPITAL IMPROVEMENT PROGRAM—The New Indianapolis Airport Program." The Authority expects to determine the appropriate reuse plan for the existing terminal and related facilities.

Cargo Terminals. The cargo terminals at the Airport total approximately 1.5 million square feet of interior space. The largest of these is the Federal Express package-sorting complex located on the south side of the Airport which includes the sort facility, a fuel-storage facility and a 50-acre aircraft parking apron capable of accommodating up to 65 aircraft. Federal Express began operations at the complex in June 1988, and has expanded its facility at the Airport to become one of two primary national hubs for all Federal Express operations. In September 1997, Federal Express completed an expansion to this facility thereby increasing the total size of the facility to 1,015,000 square feet. In addition, Federal Express added approximately 50 acres of aircraft parking aprons to the existing apron area. This expansion was partially financed with proceeds of Special Purpose Facilities Bonds issued by the Authority in 1994 and refinanced in 2004.

On May 4, 2006, Federal Express announced a planned $162 million investment that would result in the addition of more than 600,000 square feet to the existing sorting facility. As a result of the expansion, Federal Express' peak sorting capacity will increase from approximately 69,000 pieces per hour to approximately 99,000 pieces per hour. On May 5, 2006, the Authority approved an agreement with Federal Express that will result in the addition of fourteen additional aircraft parking spaces adjacent to the current cargo apron. Pursuant to the agreement, the Authority will finance the expansion in three phases at an estimated cost of up to $52 million and lease the parking spaces back to Federal Express. The term of the amended lease between the Authority and Federal Express expires on December 31, 2028. Certain Signatory Airlines have expressed disagreement with the terms of the lease arrangements between Federal Express and the Authority and have indicated that they may seek relief from the FAA to intervene on their behalf. The Authority does not believe that any of the arguments put forth by these Signatory Airlines are valid and does not anticipate any impact on either the terms of the agreement between Federal Express and the Authority or the timing of the Federal Express expansion. However, a delay of the construction of the Federal Express expansion or a change in the terms of the agreement between Federal Express and the Authority could negatively impact the anticipated future volume of cargo landed weight at the Airport.

On the north side of the Airport there is one operational cargo terminal with approximately 90,000 square feet of interior space. These facilities include two buildings and a 864,000 square foot aircraft parking apron. These facilities are leased by Integrated (aircraft and cargo handler), Quantum Aviation (cargo handler) and Transpoint LLC (logistics provider).

The Eagle Air Hub facility, also located on the north side of the Airport, served as the national hub for the U.S. Postal Service ("USPS") Express Mail operations until the end of August 2001. This facility consists of 336,700 square feet of interior space on over 100 acres of real estate leased from the Authority and includes over 46 acres of aircraft parking apron. The material handling system contained in this facility is capable of sorting 26,500 packages per hour at its peak rate. The USPS continues to pay its ground rental to the Authority and to make limited use of the facility, but to the Authority's knowledge, USPS is not actively searching for an entity to sublease or otherwise use the facility or to increase aircraft operations.

Five airline cargo and freight forwarding buildings are located on the east side of the Airport. These facilities total 66,539 square feet of interior space. Currently, these facilities are leased by US Airways, Delta, Southwest, Continental, United, and American.

Maintenance Facilities. The Airport includes three significant maintenance facilities as further described below:

IMC: In the early 1990s, the Authority, the State, the City and United Airlines financed the construction and equipping of the Indianapolis Maintenance Center, an aircraft maintenance and overhaul facility located at the Airport (the "IMC"). As part of the financing of the IMC, the Authority issued $220,705,000 in Special Purpose Facilities Bonds on behalf of United Airlines (the "United SPF Bonds). The interest and principal payments for the United SPF Bonds were funded by rentals paid by United Airlines under its lease agreement with the Authority. Under that lease agreement United Airlines also was responsible for all costs of operating and maintaining the IMC. On December 9, 2002, UAL Corporation ("UAL"), the parent of United Airlines, filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. On May 9, 2003, the Bankruptcy Court granted a motion by UAL to reject United Airlines' lease with the Authority for the IMC. Thereafter, United Airlines abandoned the IMC and possession of the IMC reverted to the Authority. The Authority had, and continues to have, no obligation to make interest and principal payments on the United SPF Bonds other than from net revenues, if any, derived from the IMC.

Since possession of the IMC reverted to the Authority, the Authority has incurred certain costs to operate and maintain the IMC. The Authority filed an action against the trustee for the bondholders of the United SPF Bonds (the "SPF Trustee") seeking reimbursement for costs incurred from certain funds held by the SPF Trustee in connection with the United SPF Bonds. Effective February 13, 2004, the Authority and the SPF Trustee entered into a settlement agreement (the "Settlement Agreement") which, among other things, set aside money to reimburse the Authority for a portion of the operating costs incurred by the Authority for the IMC and established a system for the application of revenues received from the IMC, including reimbursement to the Authority for the payment of past operating expenses. The Settlement Agreement also provides that revenues generated from the IMC, after payment of operating expenses, may be used to reimburse the Authority for previously paid operating expenses of the IMC, with interest, prior to making principal and interest payments on the SPF Bonds.

In June 2004, the Authority entered into a lease agreement with AAR Aircraft Services, Inc. ("AAR") to lease up to approximately 750,000 square feet of the approximately 1.7 million square foot IMC, including ten of the twelve hangar bays. As of March 1, 2006, AAR occupied five of the IMC's hangar bays, plus certain office space at the IMC. In addition, AAR occupies two additional bays on an "as-needed" basis for their immediate, short-term maintenance needs. AAR is expected to grow into their leased space and pays rentals for only the portion of the facility actually occupied. The AAR lease also includes a profit-sharing rental component beginning in 2007. AAR began making rental payments as of December 1, 2004, and unless earlier terminated, the lease is for an initial term of ten years with the option to extend for an additional ten years.

Since executing the AAR lease, the Authority has entered into six other leases related to the IMC as well as one concessionaire agreement. These leases are for various areas of the facility, including the remaining two hangars, the controlled materials building, office areas, the backshops, portions of the supply building and certain portions of land at the IMC. The Authority continues to seek tenants for the remaining leaseable IMC space (0.4 million square feet), consisting primarily of the remainder of the supply building and the commons area.

Under the current lease agreements, the Authority is, and will continue to be, responsible for the operation and maintenance costs of the entire IMC, to the extent revenues from the IMC do not cover such operation and maintenance costs. During 2005, the Authority incurred approximately $10.0 million of operating costs related to the IMC, $3.1 million of which was reimbursed from funds set aside under the Settlement Agreement. The Authority has forecasted approximately $10.9 million of operating costs for 2006 and through March 31, 2006, operating costs have totaled approximately $2.2 million. Of these 2006 costs, approximately $5.5 million are expected to be paid from tenant rentals pursuant to the Settlement Agreement.

In addition to tenant rentals and reimbursements from the Settlement Agreement, the Authority has received $2.5 million in funding from the State with another $2.5 million expected in 2006. The Authority has also received $2.0 million from the City. These funds were provided to assist in offsetting operating and capital costs incurred by the Authority for the IMC.

Federal Express Facility. Federal Express occupies and operates a maintenance facility containing approximately 147,000 square feet of interior space. The Federal Express maintenance facility was financed with proceeds of Special Purpose Facilities Bonds. The Federal Express maintenance facilities were acquired, constructed and equipped on real property located at the Airport, which real property is leased, with the maintenance facilities and certain other property identified in the lease, by Federal Express from the Authority.

ATA Facilities. ATA currently occupies and operates a corporate headquarters facility at the Airport, including office space and a reservation center containing approximately 125,000 square feet. In addition, ATA occupies and operates a maintenance hangar facility at the Airport containing approximately 152,000 square feet, together with an operations and training facility containing approximately 120,000 square feet which is attached to the maintenance facility. In connection with ATA's bankruptcy proceedings, ATA, the Authority and Regions Bank entered into a Master Agreement relating to certain of ATA's facilities at the Airport (the "Master Agreement"). Pursuant to the Master Agreement, (a) the Authority and ATA have entered into a new lease of the corporate headquarters facility, with terms similar to the existing lease for such facility, including a requirement that ATA be responsible for operation and maintenance costs of the facility, (b) ATA assigned the lease for the maintenance facility and operations and training facility to Regions Bank (which had asserted a leasehold mortgage security interest in ATA's leasehold in such property) and concurrently (i) Regions Bank subleases the maintenance facility to ATA for a term ending August 31, 2008, and subleases the operations and training facility to ATA for a term ending December 31, 2005. In October 2005, the Authority and Regions Bank entered into new leases of the maintenance facility and the operations and training facility, with similar terms as the prior leases for such facilities, including a requirement that the tenant be responsible for operation and maintenance costs of the facilities. After August 31, 2008, but not later than August 31, 2015, Regions Bank may terminate the leases of the maintenance facility and operations and training facility, at which time the Authority would become responsible for the operation and maintenance costs of such facilities.

Other Facilities. In addition to the facilities described in the preceding sections, the Airport also contains:

1. General aviation hangars, located in several areas of the Airport, including Raytheon Aircraft Services, Inc. and Signature Support Services, which together contain approximately 263,282 square feet of interior space. In addition, Signature Support Services opened a new executive terminal in March 2006;

2. Corporate hangars, located on the east and northwest sides of the Airport;

3. A New Indianapolis Airport Program office, a former US Airways' reservation center, containing approximately 26,000 square feet of interior space; the unexpired leasehold interest in this facility was purchased by the Authority during the first quarter of 2003 and the facility is being used to house operations related to completion of the New Indianapolis Airport Program;

4. An aviation technology center operated by Vincennes and Purdue Universities for training individuals for employment in aviation technology and other fields related to aircraft, aircraft maintenance and airport operations;

5. The Ground Transportation Center, which provides 2,900 square feet of interior space and offers a centralized location from which shared ride, fixed route, and limousine services operate;

6. The National Weather Service's Forecast Office, containing approximately 6,000 square feet and a Doppler radar system;

7. A full range of support facilities, including navigational aids, a safety facility and a fuel storage/ distribution system; and

8. A three-sided aircraft ground run-up enclosure composed of noise resistant panels. The run-up enclosure or "hush house" is designed to absorb engine noise and will accommodate most types of aircraft, including the Boeing 777.

Certain Authority Agreements

Airline Agreements. As of the date of this Official Statement, twelve passenger carriers and two cargo air carriers (the "Signatory Airlines") operate under an Agreement and Lease of Premises (individually, an "Airline Agreement" and, collectively, the "Airline Agreements"). The term of each Airline Agreement is for the period from the date of execution through December 31, 2010.

Under the Ordinance, the Authority is obligated to fix rentals, fees and charges sufficient, together with other Net Revenues, to meet the Rate Covenant in each Fiscal Year. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2006 BONDS—Rate Covenant." The Airline Agreements represent residual cost agreements, obligating the Signatory Airlines to make payments (the "Signatory Airline Revenue Requirement") to the Authority, in proportion to the use of Airport System facilities by each Signatory Airline, sufficient in the aggregate to pay in each Fiscal Year, together with other available Net Revenues and Federal Payments and any amounts in the Prepaid Airline Fund available to be applied to the Signatory Airline Revenue Requirement for such Fiscal Year: (i) Operation and Maintenance Expenses of the Airport System for such Fiscal Year; (ii) the debt service for the Authority Revenue Bonds for such Fiscal Year plus debt service coverage; (iii) any deposits required to be made in such Fiscal Year to the Revenue Bond Reserve Fund; (iv) annual amortizations of usable capital improvements to the Airport System undertaken in accordance with the Airline Agreements and completed prior to the commencement of such Fiscal Year; (v) net amounts of any assessments, judgments, settlements or charges payable by the Authority and allocated to the Airport System for such Fiscal Year; (vi) 25% of the amount of Gross Revenues plus Federal Payments derived during each Fiscal Year from Airport System concessions and rentals, charges and fees from non-Signatory Airlines and other Airport System tenants and users; and (vii) adjustments for deficiencies in any of the above payments for the preceding Fiscal Year.

To the extent that the Authority determines to classify certain PFCs, CFCs or other revenues as Dedicated Revenues, the Authority anticipates that the debt service that is excluded from Debt Service Requirements pursuant to the Ordinance will also be excluded for purposes of setting rates and charges under the Ordinance. However, if, in the additional bonds test, the Authority identifies the Debt Service Requirements on certain series of Authority Revenue Bonds in a manner different from the actual principal and interest that is due, the setting of rates and charges will be based upon such actual principal and interest payments, not Debt Service Requirements as defined in the Ordinance.

The Airline Agreements' residual rate-making features are designed to ensure that the Authority's debt service and related coverage obligations, including the Rate Covenant, will be met. The Airline Agreements authorize the Authority to adopt an amended budget any time during the Fiscal Year and to implement new fees and charges based on such amended annual budget. Further, if at any time the revenues and balances available in any fund and account are not sufficient to pay when due all items included in the annual budget or to pay any other expense or cost incidental or necessary to, or arising out of, the operation of the Airport System, then the Authority may upon notice to and consultation with the airlines increase landing fees to such amount as is sufficient to assure that all such items, expenses and costs can be paid in full solely from revenues of the Airport System. In the event of an airline bankruptcy, the Authority may adjust the rates and charges for all Signatory Airlines in the current rate period to recover the rates and charges due from the bankrupt carrier. However, there can be no assurance that such other airlines will be financially able to absorb additional costs. See "BONDHOLDER RISKS—Effect of Airline Bankruptcies."

The Airline Agreements provide for the rental of terminal complex space, the use of apron areas and other facilities and services by such Signatory Airline and the periodic and non-discretionary adjustment of the amounts and ratios of the rentals, charges and landing fees to be paid by such Signatory Airline to reflect the changing requirements of the Authority's operating and capital budgets. The Authority must submit certain capital improvements for approval by the Signatory Airlines. For capital improvements less than $5 million, the Signatory Airlines may vote to defer such improvements for a year. The Authority may not construct capital improvements in excess of $5 million if concurrence is specifically withheld by a majority of the Signatory Airlines paying more than 50% of the Signatory Airlines' fees and rentals, subject to certain exceptions. Notwithstanding the foregoing limitations, the Signatory Airlines have approved the New Indianapolis Airport Program under the terms of the Airline Agreements as discussed further below. The financial information related to 2011 and 2012 contained herein was determined based upon the rate-making mechanism in place under the Airline Agreement which expires on December 31, 2010. There can be no assurance that the rate-making mechanism effective for 2011 and 2012, whether ultimately determined pursuant to a new airline agreement or pursuant to an ordinance of the Authority, will not be materially different than the rate-making mechanism contained in the Airline Agreement and such differences could be material. See APPENDIX E—"SUMMARY OF THE AIRLINE AGREEMENTS—Annual Recalculation of Lease Rentals and Fees" and "—Capital Improvements."

Each Airline Agreement provides that the Authority must not enact any bond resolution or ordinance or subsequently amend a bond resolution or ordinance so as to require a material change in the method of calculation of rentals and fees payable under such Airline Agreement or so as to materially affect the rights of the Signatory Airline subject to such Airline Agreement without prior written consent of the Signatory Airline. If the Authority adopts a bond resolution or ordinance or a subsequent amendment to a bond resolution or ordinance, either of which materially affects the method of calculation of such rentals and fees or materially affects the rights of the Signatory Airline under such Airline Agreement, such Signatory Airline may, in writing, cancel such Airline Agreement within 15 days after the adoption date of the bond resolution or ordinance or amendment thereto by the Authority. The Authority has determined that the Ordinance does not materially change the method of calculation of rentals and fees payable under the Airline Agreements or materially affect their rights under the Airline Agreements and, accordingly, is not required to seek prior written consent of the Signatory Airlines.

The negotiation of the current Airline Agreements in 2001 also achieved an agreement and understanding about the timing, scope, size and cost of the New Indianapolis Airport Program. In the Airline Agreements, the Signatory Airlines have approved the New Indianapolis Airport Program in return for certain assurances of the Authority with regard to cost containment and scope of the New Indianapolis Airport Program. Specifically, the Authority has agreed to (1) keep the Signatory Airlines informed and allow an opportunity for their input on the New Indianapolis Airport Program and (2) use its best efforts to assure that the average projected airline cost per enplaned passenger and landing fee rate in years 2007-2010 do not exceed certain targeted levels. If the Authority, at any point, projects that it will be unable to construct and develop the New Indianapolis Airport Program and meet such targets, the Authority must consult with the Signatory Airlines and either redesign the New Indianapolis Airport Program, reallocate money from other capital improvement projects planned by the Authority, revise the New Indianapolis Airport Program budget to limit the effect of the increase in costs and landing fees to the Signatory Airlines or

increase the New Indianapolis Airport Program budget. See APPENDIX E—"SUMMARY OF THE AIRLINE AGREEMENTS."

For additional information about the Airline Agreements, see APPENDIX E—"SUMMARY OF THE AIRLINE AGREEMENTS."

Use Permits. Other airlines operate at the Airport under an Airport Use Permit ("Use Permit"), which generally has a term of three to five years (after which the Authority may allow a holdover period under the terms of the Use Permit on a month-to-month basis). As of the date of this Official Statement, Air Canada Regional (Air Canada Jazz) and ATA hold Use Permits and pay landing fees and terminal complex fees based upon the Authority's annually determined Schedule of Rates, Fees and Charges for the Use of the Airport Facilities. In addition, the following carriers hold Use Permits and pay signatory rates as an affiliate carrier to the respective major/national passenger airlines: Air Wisconsin Airlines Corporation (United Express), American Eagle Airlines (American Eagle), Atlantic Southeast Airlines (Delta Connection), Comair (Delta Connection), Mesa Airlines (United Express / US Airways Express), PSA Airlines (US Airways Express), Pinnacle Airlines (Northwest Airlink), Republic Airlines (United Express / US Airways Express / Delta Connection), Shuttle America (US Airways Express), Simmons Airlines (American Connection), Skywest Airlines (United Express), TransStates Airlines (American Connection / United Express / US Airways Express). In addition, approximately 30 charter cargo carriers operate at the Airport under a Use Permit and/or ordinance fees.

Concession Agreements. The principal concession revenues at the Airport are from parking, rental car and terminal retail operations, including food and beverage, specialty retail and news and gifts. The Authority also derives revenues from telephones, advertising, ground transportation services and other concessions.

Public Parking Facilities. BAAI currently operates, on behalf of the Authority, a significant portion of the public parking facilities at the Airport. There are approximately 1,800 parking spaces in the terminal complex parking garage, 1,450 spaces in the business class and premier lots and a combined 7,700 spaces in the surface and economy lots. Parking revenue of approximately $25,700,989 represented 28% of total operating revenue in 2005. The Premier Business Lot is currently operated by a third party through an agreement entered into with the Authority.

Rental Car Facility Agreements. There are currently eight on-airport rental car operators at the Airport including Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National and Thrifty. Ace Rent A Car is located off-airport.

Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National and Thrifty operate under concession agreements providing for payment to the Authority of a guaranteed minimum fee, plus 10% of gross concession revenues over a specified sales break point. The Authority receives 10% of reported sales from Ace Rent A Car per the ordinance for off-airport operations. In addition rental car companies lease counters and office areas, phone banks, and bus pick-up/drop-off areas at the Airport at prevailing rental rates. Rental car facility revenues of approximately $6,876,671 represented 7.6% of total operating revenue in 2005.

Terminal Concessions. The Authority has agreements to lease space to certain concessionaires who provide food and beverage, news and gifts, specialty retail, and other sundry items in the terminal complex at the Airport. Concession agreements generally obligate the concessionaire to pay a minimum annual guarantee plus a percentage of gross revenues over a specified sales threshold, to the Authority. The minimum annual guarantee will vary based on the offering location, size, exposure to passengers and sales performance. Currently there are 25 food and beverage offerings at the Airport. The food and beverage agreements provide for percentage fee revenues to the Authority ranging from 10% to 15% of gross revenues. Host Marriott is the primary food and beverage concessionaire and operates nine of the 25 concessions under an agreement that expires December 31, 2009. Concession agreements for news and gifts provide for percentage revenues that range from 15% to 25% of gross revenues. Paradies Shops (on a nonexclusive basis) operates four of the seven news and gift concessions at the Airport under the operating name of Capital News and Gifts pursuant to an agreement that extends through September 2006. The Hudson Group (which assumed all W.H. Smith

operations) operates the other three news and gift concessions as Hudson News under a nonexclusive agreement that extends through December 2006. There are also 12 specialty shops that currently operate at the Airport. The Authority expects to extend existing concession agreements at the Airport for the period until occupancy of the New Indianapolis Airport. Since 1995, approximately 12,000 additional square feet has been devoted to specialty retail. Specialty retail experienced a 4% increase from 2001 to 2002, was essentially flat from 2002 to 2003, increased 16% from 2003 to 2004, and 4.9% from 2004 to 2005. Terminal concession revenue of $5,676,769, which excludes car rental, represented 6.2% of total operating revenue in 2005.

Other Concessions. Other concessions include telephones, advertising, shoeshine, vending machines and automated bank teller machines.

See APPENDIX A— "REPORT OF THE AIRPORT CONSULTANT."

Historical Airport Activity

Certain historical information regarding aviation activity at the Airport is set forth below:

	Year Ended December 31,					Four Months Ended April 30,	
	2001	2002	2003	2004	2005	2005	2006
Enplaned Passengers [1] (thousands)	3,620	3,449	3,677	4,022	4,258	1,400	1,275
Air Cargo Enplaned (tons):							
Air Freight/Express	437,373	493,873	506,820	535,318	574,976	179,672	192,092
Air Mail	178,437	18,837 [2]	5,828	5,694	4,584	1,650	1,968
Total Air Cargo	615,810	512,710	512,648	541,012	579,560	182,366	193,781
Landed Weight in 1000-pound units:							
Passenger Airlines [1]	5,550,094	5,446,770	5,542,417	5,897,071	5,964,045	2,132,465	1,726,299
Cargo Airlines [3]	6,328,910	4,750,293	4,578,583	4,648,586	5,080,482	1,608,702	1,690,677
Total Landed Weight	11,879,004	10,197,063	10,121,000	10,545,657	11,044,527	3,741,167	3,416,976

(1) Includes domestic air carriers, international air carriers and air taxi/commuter flights.
(2) Reduction in air mail activity reflects the closing of the USPS Eagle Air Hub facility in August 2001 at which time the USPS contract was acquired by FedEx and as a result a substantial portion of that activity shifted to Memphis International Airport. Approximately 71% of total enplaned cargo in 2001 was freight and express, and the remaining 29% was air mail. In 2002, over 96% of total enplaned cargo was freight and express. See "—*Air Cargo Operations*."
(3) Includes charter and nonscheduled aircraft and cargo.

SOURCE: Indianapolis Airport Authority.

Enplaned Passengers. The number of enplaned passengers decreased 6.6% from 2000 to 2001, and 4.7% from 2001 to 2002. The number of enplaned passengers has rebounded since 2002, increasing 6.6%, 9.4% and 5.9% in 2003, 2004 and 2005, respectively. The Authority attributes the substantial growth from 2003 into 2005 to new service to target markets or underserved markets, lower air fares, increased airline marketing dollars, the improving economy and returning consumer confidence in air travel, and the fact that it has been able to maintain low airfare options for customers based upon the mix of airlines providing service at the Airport. The Authority has experienced an 8.9% decline in enplanements for the four months ended April 30, 2006, as compared to the same period in 2005. Despite the overall growth from 2004 to 2005, the recent decline in enplanements began during the fourth quarter of 2005 and continues to date. The Airport Consultant attributes some of the decline in passengers for the first four months of 2006 to the airlines decreasing capacity throughout the national airport system, including at the Airport. There are approximately 11% fewer scheduled seats departing from the Airport in June 2006 than in June 2005. See APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT."

Air Cargo Operations. Cargo activity for 2005 was 579,560 tons, which was a 7.1% increase as compared to the 541,012 tons of cargo activity for 2004. In 2002, the amount of air cargo enplaned at the Airport decreased by 16.7% from 2001 principally as a result of the cessation of air mail operations of the United States Postal Service hub at the Airport. The market share of enplaned cargo by Federal Express has increased from 68.1% in 2001 to 96% in 2005, and remains at 96% in the first four months of 2006. Approximately 96% of total enplaned cargo in 2002 was freight and express while approximately 99% of total enplaned cargo in 2004 and 2005 was freight and express.

Landed Weight. In 2005, total aircraft landed weight was 11,044,527 thousand pound units, a 4.7% increase from 2004. Passenger airlines accounted for approximately 54.0% of total landed weight at the Airport in 2005 compared to the prior year of 55.9%. The cargo airlines accounted for the remaining 46.0% of the total aircraft landed weight at the Airport in 2005 compared to the prior year of 44.1%. Passenger airline landed weight increased 1.1% in 2005 from the prior year, and the cargo airline landed weight increased 9.3% from the prior year. Through April 30, 2006, passenger airlines accounted for approximately 50.5% of landed weight at the Airport while cargo carriers accounted for the remaining 49.5%.

Environmental Matters

The Airport System is subject to a wide variety of federal, state and local environmental laws and regulations that address, among other things, operations or facilities and properties owned or operated by the Authority. Among types of regulatory requirements faced by the Authority are: air, water and noise quality control requirements; specific regulatory requirements applicable to toxic and hazardous substances; requirements for training employees in the proper handling of hazardous materials; and other similar requirements. The operations at the Airport System, as with most airport systems in similar or larger airport service regions, make the Authority particularly susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations or increase the Authority's cost; may result in legal liability, damages, injunctions or fines; may trigger investigations, administrative proceedings, penalties or other governmental agency actions; third party lawsuits; and may result in material adverse consequences to the operations or financial conditions of the Authority and the Airport System.

In recent years, the Authority has initiated a number of programs to address environmental matters. Pursuant to an Airport Noise and Land Use Compatibility Study (the "Study") adopted by the Authority in 1987, the Authority began a program of land acquisition for noise mitigation. In 1992, the Authority updated and revised the Study (the "1992 Study") and expanded the land acquisition program to include approximately 750 additional homes at an estimated cost of $100,945,000. As of December 31, 2005, the Authority has spent approximately $98,400,000, which includes relocation costs, under this program. Land acquisition approved in the 1992 Study is essentially complete with an estimated 51 homes remaining eligible for purchase.

In September 1996, the Authority initiated a second update of the noise compatibility plan developed in accordance with Federal Aviation Regulation Part 150 (the "Noise Compatibility Plan") to validate noise impacts with respect to the opening of the new runway 5R-23L and to maximize runway capacity during the late night cargo operations. The updated Noise Compatibility Plan recommends a continuation of the 1992 guaranteed purchase program to include an additional 132 homes and the addition of a sound insulation program with the option of purchase assurance for 368 homes. The updated Noise Compatibility Plan also recommended a second new program, sales assistance, for 963 homes that experience noise impact but do not meet the requirements for the other federally assisted programs. The FAA approved the 1996 update of the Noise Compatibility Plan in October 1998 that is being implemented over a ten-year period at an estimated cost of $97.5 million. As of December 31, 2005, the Authority has spent approximately $67,500,000 in connection with these programs. The updated Noise Compatibility Plan will be funded through a combination of federal grants, PFCs and funds of the Authority.

In September 2002, the Authority initiated an update of its noise exposure maps with respect to the Airport. The update of the noise exposure maps was completed during the summer of 2003. The Airport's noise contours, as determined by the map update, are somewhat smaller, thereby reducing the number of persons exposed to 65 DNL

(yearly day/night average sound levels, or DNL) noise levels primarily due to the United States Postal Service's (USPS) Agreement with FedEx that relocated the USPS daytime and nighttime aircraft operations to Memphis, Tennessee. The 65 DNL noise level is the federal standard for noise mitigation programs.

Although the Authority has been proactive in its noise mitigation program, a total of 138 residents of two subdivisions southwest of the Airport have filed separate lawsuits against the Authority and its manager, BAAI, alleging claims based on inverse condemnation, access to public records, nuisance, negligence, promissory estoppel, intentional misrepresentation and fraud. See "LITIGATION—Other Litigation" for further details.

The Authority was issued authorization to discharge storm water from the Airport under a National Pollutant Discharge Elimination System (NPDES) permit on December 14, 1997. The NPDES permit was valid through October 31, 2002, and the Authority has applied to renew this permit. The Authority is currently operating under the original NPDES permit that has been administratively extended and expects to be granted a new NPDES permit for an additional five years. In 2003, a draft permit was issued in response to the Authority's permit renewal application. The draft permit is currently being revised in order to accommodate the New Indianapolis Airport and the use of urea as a runway pavement deicing chemical. With the exception of these additions, the Authority expects no significant changes from the original NPDES permit. This permit establishes discharge limitations for various elements with particular emphasis on ammonia, COD, and propylene glycol resulting from aircraft and airfield deicing activities. The Authority undertook capital projects in 1998 and 1999 to enlarge the Mars Ditch and Seerley Creek detention basins as required by the NPDES permit to achieve compliance with applicable standards, limitations and other requirements. The Authority currently meets all requirements as specified in the NPDES permit. The EPA is in the midst of rulemaking on development of an Effluent Limitations Guideline (ELG) for deicing activity discharges. This rulemaking has the potential to change the requirements of the NPDES permit which the Authority is required to meet in the future.

CAPITAL IMPROVEMENT PROGRAM

The Authority has developed the 2001–2010 CIP which represents the Authority's current expectations of future Airport System capital needs. The 2001–2010 CIP contemplates approximately $1.6 billion (in actual and inflated dollars) in capital improvements to the Airport System. The New Indianapolis Airport Program represents a substantial portion of the 2001-2010 CIP, totaling approximately $1.066 billion (in inflated dollars). Other elements of the 2001-2010 CIP include, without limitation, airfield capacity projects, taxiway improvements, roadway improvements, rental car facilities, environmental mitigation projects, deicing control projects, and projects associated with the Authority's noise program, many of which are eligible for federal and/or state grant funding. In addition, the Authority's current plan for capital improvements includes the 2011–2012 Capital Projects, expected to cost approximately $80.6 million.

Of the $1.6 billion of total capital improvements included in the 2001–2010 CIP, the Authority expects that approximately $1.2 billion will be for capital projects from 2006 through 2010, which includes $918.1 million in 2006 and 2007 and $423.4 million incurred from 2001 to 2005. The Authority anticipates that the date of substantial beneficial occupancy of the New Indianapolis Airport Program will be in 2008. Actual completion of projects included in the 2001-2010 CIP is dependent upon several factors including, but not limited to, the economy and the financial condition of airlines using the Airport System, receipt of environmental and other required approvals, site conditions, the coordination of interrelated contracts, design and construction scheduling, availability of specialty contractors, supplies and equipment and the effect of these factors on ongoing operations. See "BONDHOLDER RISKS—Capital Improvement Program" and APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT."

Annually, the Authority and BAAI, with the assistance of the Airport Consultant, review and update the 2001-2010 CIP. Pursuant to the Airline Agreements, the Authority is entitled to recover the costs of capital expenditures within the Airport System from rates and charges imposed under the Airline Agreements. The Signatory Airlines have consented to the scope and funding of the New Indianapolis Airport Program. However, additional capital projects included in the 2001-2010 CIP may require future consent of the Signatory Airlines. See

"THE AIRPORT AND THE AIRPORT SYSTEM—Certain Authority Agreements—*Airline Agreements*" and APPENDIX E—"SUMMARY OF THE AIRLINE AGREEMENTS."

The New Indianapolis Airport Program

In 1975, the Authority adopted a Master Plan which addressed expansion and construction projects at the Airport System, which plan was then revised in 1990 (collectively, the "Master Plan"). The Master Plan included expansion of the passenger terminal facilities to accommodate demand, expansion of cargo areas and other support facilities, and continuation of the Authority's land acquisition program to accommodate Airport expansion and satisfy noise and environmental mitigation requirements. The Master Plan included discussion of the possible relocation of the passenger terminal facilities to a midfield location.

In 1997, the Authority and BAAI, along with various consultants, updated certain aspects of the Master Plan and prepared a revised Master Plan which specifically addressed the various options facing the Authority for addressing future terminal needs, including renovation of the existing terminal or construction of a new midfield terminal. The revised Master Plan included discussion of the possible relocation of the passenger terminal facilities some time between 2000 and 2005. In April 2000, the Authority completed a nine month process to define the project scope and requirements for the Midfield Terminal Program, now known as the New Indianapolis Airport Program, which resulted in a detailed manual that enabled the Authority to produce a cost estimate and which would serve as the basis for negotiations with the airlines and the subsequent design and construction phase. Based upon the results of that process, the Authority reached an agreement with the Signatory Airlines and expected the cost of the New Indianapolis Airport Program, excluding the checked baggage system, to be approximately $939 million (in inflated dollars through 2007).

In April 2001, John J. Kish was hired as the Midfield Project Director and, in May 2002, the Authority selected Hellmuth, Obata + Kassabaum, Inc. as the master designer for the New Indianapolis Airport. Partially as a result of the events of September 11, 2001 and in response to airline requests, the Authority announced in December 2003 that it would defer the opening of the New Indianapolis Airport to late 2008. As a result of an inflation adjustment related to the revised construction schedule and the inclusion of a checked baggage system, the estimated cost of the project increased from approximately $939 million to approximately $975 million.

Also, several aspects of the New Indianapolis Airport Program have expanded in scope since the original project design. The Authority has included costs related to an increased size of the New Indianapolis Airport parking facilities, which are expected to result in a substantial increase in parking revenues generated by the Authority. Including these items, the cost of the New Indianapolis Airport Program is now estimated to be approximately $1.066 billion. The preparation for and construction of the New Indianapolis Airport constitutes a significant component of the 2001-2010 CIP.

In conjunction with the New Indianapolis Airport Program, the Authority, along with the Indiana Department of Transportation, planned to relocate a portion of I-70 to create a new entrance to the New Indianapolis Airport and to expand the available space adjacent to the current Federal Express facilities for future cargo-related growth. In December 2004, the relocation of I-70 was completed. As part of the New Indianapolis Airport Program, the Authority, in conjunction with the Federal Aviation Administration, planned to build a new air traffic control tower and terminal radar approach control building to serve the Airport. Construction of the new tower is complete and the new tower began operating on April 29, 2006.

In 2005, the Authority began taking bids on certain construction elements of the terminal building at the New Indianapolis Airport. These elements include excavation, structural steel, and concrete foundation. The Authority has received bids for approximately 75 percent of the estimated construction costs for the New Indianapolis Airport and to date, the bids that the Authority has received are consistent with the Authority's cost estimates. The Authority has begun construction on certain elements of the New Indianapolis Airport and expects to occupy the new terminal in late 2008.

Plan of Funding for 2001-2010 CIP

The cost of projects included in the 2001-2010 CIP is expected to be approximately $1.6 billion when adjusted for inflation. The Authority has financed the cost of the 2001-2010 CIP to date with proceeds of the 2003 Authority Bonds, 2004 Authority Bonds and 2005 Authority Bonds as well as Commercial Paper, certain PFCs, federal and state grants and other Authority funds. In addition, the Authority plans to finance the remaining costs of such projects with proceeds of Authority Revenue Bonds (including the 2006 Authority Bonds), Subordinate Securities, federal and state grants, PFCs, CFCs and other available Authority funds. The Authority has used its Commercial Paper program as a source of interim financing for the 2001–2010 CIP. The Authority's Commercial Paper program currently authorizes up to $120 million of Commercial Paper to be outstanding at any time. As of May 1, 2006, the Authority has outstanding $15 million in Commercial Paper. The Authority intends to repay the outstanding Commercial Paper periodically from Net Revenues and/or proceeds of Authority Revenue Bonds including, possibly, the 2006 Authority Bonds. The Authority expects to continue to use Commercial Paper or similar Subordinate Securities as a source of interim financing for the costs of additional components of the 2001-2010 CIP. The Authority may increase the authorized amount of Commercial Paper that can be issued to provide such interim financing. In addition, a portion of the proceeds of the 2006 Authority Bonds will be used for payment of certain costs of the 2001-2010 CIP. The Authority expects to pay the costs of the 2001-2010 CIP as set forth below. See APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT."

Source of Funds	Amount ($1,000's)
2003 Authority Bonds[1]	$ 56,880
2004 Authority Bonds[1]	202,963
2005 Authority Bonds[1]	156,283
2006 Authority Bonds[1]	332,792
Future Authority Revenue Bonds[1][2][3][4]	378,858
PFCs[5]	84,389
Federal and State Grants	213,811
Authority Funds[6]	216,975
Total	$ 1,642,951

[1] Excludes reserve requirements, capitalized interest and financing costs and includes assumed interest earnings. The Authority Revenue Bonds are payable in part by certain PFCs and CFCs that have been, or will be, designated as Dedicated Revenues pursuant to the Ordinance. See "AUTHORITY PLAN OF FINANCING."

[2] The Report of the Airport Consultant assumes the issuance of future Authority Revenue Bonds to be secured by a senior lien on Net Revenues. However, the Authority has not determined whether future financings may include the issuance of Subordinate Securities or obligations having no lien on Net Revenues (*e.g.*, secured solely by PFCs).

[3] The Authority has entered into certain hedge agreements to mitigate interest rate risk relating to a portion of the future Authority Revenue Bonds. See "AUTHORITY PLAN OF FINANCING."

[4] Includes certain projects funded with proceeds of Commercial Paper expected to be repaid by Net Revenues.

[5] Represents PFCs to be used to pay the cost of capital improvements included in the 2001–2010 CIP on a "pay as you go" basis. Excludes PFCs which the Authority has designated or intends to designate as Dedicated Revenues through 2010 pursuant to one or more resolutions and which have been or are expected to be dedicated for the payment of principal of and interest on a portion of the Authority Revenue Bonds.

[6] Authority funds include amounts included in the annual budgets for capital improvements and recovered from rates and charges from airlines and other users of the Airport System, as well as a portion of the proceeds of the 2003 Authority Bonds, the 2004 Authority Bonds, the 2005 Authority Bonds and the 2006 Authority Bonds which have been or will be used to refund then outstanding Commercial Paper.

Authority Revenue Bonds. As described above, a substantial portion of the cost of the 2001-2010 CIP is expected to be funded from proceeds of Authority Revenue Bonds payable from the Net Revenues of the Airport System. The issuance of Authority Revenue Bonds to be secured by a senior lien on Net Revenues is subject to satisfaction of the additional bonds tests set forth in the Ordinance. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2006 F BONDS—Pledge of Authority Net Revenues" and "—Additional Bonds– Authority *Revenue Bonds*."

PFCs. The Aviation Safety and Capacity Expansion Act of 1990 (P.L. 101-508) (the "1990 Act") allows public agencies controlling certain commercial service airports (those with regularly scheduled service and enplaning 2,500 or more passengers annually) to charge each enplaning passenger using the airport a $1.00, $2.00 or $3.00 facility charge, referred to as a PFC. The Wendel H. Ford Aviation Investment and Reform Act for the 21st Century (P.L. 106-181) ("AIR 21," and together with the 1990 Act, the "PFC Enabling Acts") increased the maximum PFC allowed to be charged by qualifying airports from $3.00 to $4.50. Public agencies wishing to impose and use a PFC must apply to the FAA for such authority and meet certain requirements indicated in the legislation and pending regulations issued by the FAA. Regardless of the number of PFC applications which have been approved by the FAA, an airport can only collect a maximum of $4.50 on each enplaning passenger. The purpose of the charge is to develop additional capital funding sources to provide for the expansion of the national airport system. The proceeds from a PFC must be used to finance eligible airport-related projects that serve or enhance safety, capacity or security of the national air transportation system, reduce noise from an airport that is part of such system, or furnish opportunities for enhanced competition between or among air carriers. PFCs are not included in Net Revenues.

The Authority received approval from the FAA to impose a PFC of $3.00 per eligible enplaned passenger and has imposed the PFC since September 1993. Under this approval, the Authority was authorized to collect up to $115 million in PFCs through the Fiscal Year ending December 31, 2005, which was applied toward approved projects in the 2001-2010 CIP. In January, 2001, the Authority received approval from the FAA to increase its PFC collection level from $3.00 to $4.50 per eligible passenger effective April 1, 2001. As a result of subsequent approvals in March 2001 and August 2003, the Authority currently has approval to impose and use approximately $524 million in PFCs, with an estimated charge expiration date of 2022, to fund PFC-eligible project costs associated with the 2001–2010 CIP, including the New Indianapolis Airport Program. The FAA is authorized to terminate the authority to impose a PFC if the Authority's PFCs are not being used for approved projects, if project implementation does not commence within the time period specified in the FAA's regulations or if the Authority otherwise violates FAA regulations. The authority to impose a PFC may also be terminated if the Authority violates certain informal and formal procedural safeguards which must be followed. See APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT—FINANCIAL ANALYSIS—PFC Program."

Pursuant to the Ordinance, the Authority may adopt an ordinance or resolution irrevocably designating certain revenues, including PFCs, as Dedicated Revenues to be used exclusively to pay debt service on Authority Revenue Bonds, and in such ordinance or resolution, the Authority will elect to exclude from debt service an amount of principal and/or interest on Authority Revenue Bonds in an amount equal to such Dedicated Revenues. Thereafter, such amounts will be excluded from debt service for purposes of determining compliance with the Rate Covenant and the requirements for issuance of Additional Authority Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2006 BONDS—Rate Covenant" and "—Additional Bonds." Pursuant to the Ordinance, the Authority adopted resolutions on January 17, 2003, and November 5, 2004, irrevocably designating $1,100,000 and approximately $12,100,000, respectively, per year in PFCs as Dedicated Revenues to be used exclusively for the payment of debt service on Authority Revenue Bonds through 2010, to the extent allowed by law. Based on the Authority's current expectations, the Report of the Airport Consultant assumes that the Authority will designate a total of approximately $18,473,000 between 2008 and 2012 of additional PFCs as Dedicated Revenues to be used exclusively to pay debt service on Authority Revenue Bonds from 2008 through 2012 and will extend the current designation of PFCs as Dedicated Revenues beyond 2010 through 2012. The Authority also designated approximately $8,500,000 of other available moneys of the Authority, which are not otherwise included in Gross Revenues, as Dedicated Revenues to be used exclusively to pay debt service on Authority Revenue Bonds. However, such Dedicated Revenues are not pledged to secure the Authority Revenue Bonds. No PFCs or similar charges collected by the Authority are currently pledged to secure the Authority Revenue Bonds, including the 2006 Authority Bonds.

The following table sets forth the PFCs collected annually from 2000 through 2005:

Year	PFCs (excludes interest income)
2001	$ 13,909,327
2002	14,568,444
2003	15,606,697
2004	16,722,939
2005	17,460,359

CFCs. On March 17, 2006, the Authority adopted an ordinance revising its Schedule of Charges to include CFCs to be collected by car rental companies serving the Airport. Beginning on May 1, 2006, a CFC of $3 per contract day (up to a maximum of fourteen (14) contract days) will be collected by car rental companies and remitted to the Authority. Prior to closing on the 2006 Bonds, the Authority intends to designate a total of approximately $26,274,255 of CFCs through 2010 as Dedicated Revenues to be used exclusively to pay debt service on Authority Revenue Bonds through such time period. Based on the Authority's current expectations, the Report of the Airport Consultant assumes that the Authority will extend the pending designation of CFCs as Dedicated Revenues beyond 2010 through 2012.

Federal and State Grants. The FAA's AIP consists of an entitlement fund and a discretionary fund. Entitlement funds are distributed through grants by formula based on the number of enplanements and the amount of cargo landed weight at individual airports. The FAA issues letters of intent ("LOI") for grants from the discretionary fund based on the FAA's assessments of national priorities. The LOI represents the intention to obligate funds from future federal budget appropriations for the program. On April 15, 2002, the FAA awarded an LOI to the Authority in the amount $120.8 million (including $70.5 million in discretionary AIP grants) dedicated towards the New Indianapolis Airport Program. Under the AIP legislation and assuming subsequent passage of continuing authorizing legislation, the Authority expects to receive a total of approximately $205 million in entitlement and discretionary grants to fund the 2001-2010 CIP.

AIRPORT FINANCIAL INFORMATION

Historical Operating Results

Certain historical operating results for the Authority are summarized below:

	Year Ended December 31,			Three Months Ended March 31,
	2003	2004	2005	2006 (unaudited)
Operating Revenue:				
Airfield	$ 20,808,068	$ 21,690,817	$ 22,597,017	$ 5,075,439
Terminal complex	25,127,768	27,565,939	27,861,804	7,194,560
Parking	20,704,266	23,202,459	25,700,989	6,657,773
Rented buildings and other	9,401,063	8,849,440	9,383,960	2,275,969
Indianapolis Maintenance Center (IMC)	2,185,101 (1)	4,468,590 (1)	3,313,305 (1)	881,399
Reliever airports	1,946,983	2,008,175	2,028,307	480,759
Total operating revenues	80,173,249	87,785,420	90,885,382	22,565,899
Operating Expense:				
Airfield	5,348,653	5,623,758	5,618,991	1,594,480
Terminal complex	6,485,498	7,135,770	7,689,386	1,936,162
Parking	4,128,845	4,166,245	4,456,680	1,122,603
Rented buildings and other	1,325,047	1,496,221	848,969	190,236
Indianapolis Maintenance Center (IMC)	3,669,396 (2)	9,138,759 (2)	9,569,568 (2)	2,249,217(2)
Reliever airports	1,003,867	917,716	930,834	242,359
Public safety	9,364,832	9,040,303	8,606,715	2,071,981
Administration	9,715,745	10,416,850	11,332,001	2,827,489
Subtotal	41,041,883	47,935,622	49,053,144	12,234,527
Depreciation	45,103,799	45,112,467	42,742,883	10,254,880
Total operating expenses	86,145,682	93,048,089	91,796,027	22,489,407
Income (Loss) From Operations	(5,972,433)	(5,262,669)	(910,645)	76,492
Nonoperating Revenues (Expenses)				
State and local appropriations	31,132,781	31,547,272	17,575,077	5,325,562
Federal operating grants	840,412	1,381,131	1,135,661	282,895
Investment income	1,438,762	1,764,989	11,006,724	4,119,472
Interest expense	(28,893,536)	(27,264,175)	(29,172,465)	(8,098,659)
Loss on disposals of capital assets and other	(389,382)	(349,365)	(7,385,333)	68
	4,129,037	7,079,852	(6,840,336)	1,629,338
Increase (Decrease) in Net Assets Before Capital Contributions, Grants and Charges	(1,843,396)	1,817,183	(7,750,981)	1,705,830
Capital Contributions, Grants and Charges				
Passenger facility charges	15,606,697	16,722,939	17,460,359	4,399,178
Federal and state grants	23,031,884	30,704,700	28,791,022	260,502
Contributions from lessees	1,846,047	647,372	14,062,887	-
Contributions from other governments	-	-	7,554,179 (3)	-
	40,484,628	48,075,011	67,868,447	4,659,680
Increase in Net Assets	38,641,232	49,892,194	60,117,466	6,365,510
Net Assets, Beginning of Year	461,149,531	660,880,100	710,772,294	770,889,760
Cumulative Effect of Change in Accounting Principle(4)	161,089,337	-	-	-
Net Assets, End of Period	$660,880,100	$710,772,294	$770,889,760	$777,255,270

SOURCE: The Indianapolis Airport Authority

(1) Based on the terms of a Settlement Agreement reached in February 2004 between the Authority and the SPF Trustee, reimbursements are received by the Authority for expenses incurred related to the Indianapolis Maintenance Center. See Note 9 to the Authority's financial Statements for the years ended December 31, 2005 and 2004, contained in APPENDIX B hereto.

(2) The IMC reverted to the Authority on May 9, 2003, as a result of United Airlines' rejection of its lease with the Authority upon filing Chapter 11 bankruptcy, at which time the Authority became responsible for operating this facility, including all associated costs.

(3) Represents governmental reimbursements, primarily from the City of Indianapolis as related to the Indianapolis Maintenance Center.

(4) In 2003, the Authority changed its method of accounting for conduit debt obligations, namely, special facility bonds. This reflects the removal of special facility bonds and all related items from the Authority's financial statements.

Management's Discussion and Analysis of Results of Operations

The Authority's audited financial statements, attached as APPENDIX B, include a discussion and analysis of the financial performance and activity of the Authority as of December 31, 2004 and 2005. The Authority's financial report includes comparative balance sheets, statements of revenues, expenses and changes in net assets and statements of cash flows. Also included are notes to the financial statements that provide more detailed data.

The annual financial statements of the Authority have been audited each year, beginning with Fiscal Year 1962. The Authority has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for its comprehensive annual financial report for each Fiscal Year from 1982 through 2004, and is awaiting a decision on the 2005 financial report.

The following is a discussion of the Authority's results of operations for the three months ended March 31, 2006. This discussion, which has been prepared by management of the Authority, is derived from the Authority's unaudited financial statements. Certain transactions and adjustments are calculated and recorded annually at year-end and, therefore, are not reflected in the year-to-date March 2006 results. Such adjustments include recording the effect of reversions of lessee-financed improvements, market value adjustments to investments, grant revenue accruals, certain expense accruals, gain or loss on disposal of asset transactions and similar items.

Three Months Ended March 2006 Unaudited Results

For the three months ended March 2006, operating income of $22.6 million was below budget by $.4 million, or 1.9%. Contributing to the revenue variance, airfield income was below budget by $185,907, or 3.5%. Landed weights in total were 6.8% below the anticipated budget, of which passenger carrier landed weights were below budget by 18.5% primarily due to reduced service by ATA. This was offset by cargo landed weights that exceeded budget by 9.0% as a result of a different FedEx fleet mix and various non-signatory cargo operators increasing operations more than budgeted. The unfavorable landed weights were offset by a favorable variance in apron fees of $103,266. Terminal complex revenue was below budget by $86,872, or 1.2%, attributable to passenger traffic below anticipated budget by 9.1% and changes in terminal leased space. Parking revenue was $6.7 million through March 2006, which was 4.2% above budget, attributable to rate increases and product mix. Income from Rented Buildings and Other exceeded budget by $198,972, or 9.6%, due to rental payments meeting future debt requirements on the ATA facilities not anticipated in the budget. Revenues due to the Authority as reimbursement of eligible expenditures under the terms of a Settlement Agreement as related to the Indianapolis Maintenance Center were $637,039 below budget related to lower percentage rental revenue earned than budgeted, less space rented than originally planned, and the acceleration in timeline of rental credits issued to a tenant.

For the three months ended March 2006, operating expense before depreciation was $12.2 million, under budget by $1.6 million, or 11.6%. Airfield operating expenses were below budget by $444,453, or 21.8%, as a result of the mild winter experienced January through March, as well as timing differences in expenses resulting in temporarily lower environmental fees (audit, professional and remediation) than originally budgeted. The IMC expenses were below budget by $217,245, or 8.8%, as contracted facility maintenance and other costs to operate the facility were lower than originally projected in the budget. Public safety costs were under budget by $348,651, or 14.4%, primarily related to delays in the staffing of open positions in public safety. Administration expenses were under budget by $393,088, or 12.2%, due to a delay in hiring for certain open positions, as well as tight control on discretionary spending in areas such as training, travel, printing, marketing and advertising.

For the three months ended March 2006, net non-operating revenue (expense) of $1.6 million was favorable to budget by $4.3 million resulting from increased investment income due to higher investment balances relating to proceeds of the 2004 Authority Bonds and 2005 Authority Bonds, and lower interest expense due to the delay in issuance of additional long-term debt compared to the budget. Capital Contributions, Grants and Charges of $4.7 million fell below budget expectations by $.9 million, or 15.4%, as federal/state grants are primarily recorded on a cash basis at year-end and timing differences were experienced for the project expenditures and receipt of federal and state grant proceeds recognized through March 2006. As of March 31, 2006, additional federal and state grants in support of various capital projects have been awarded and will be available to be drawn by the Authority during the last half of the year, and will be recognized as revenue in accordance with generally accepted accounting principles as the Authority prepares its year-end audited financial statements.

REPORT OF THE AIRPORT CONSULTANT

Leigh Fisher Associates has prepared the Report of the Airport Consultant dated May 30, 2006, included herein as APPENDIX A. The Report of the Airport Consultant presents forecasts of Gross Revenues, Operation and Maintenance Expenses, Net Revenues, and debt service coverage for Fiscal Years 2006 through 2012 and sets forth the information and assumptions upon which the forecasts are based. The financial forecasts are based on assumptions that were provided by, or reviewed and agreed to by, the Authority and BAAI. In the opinion of the Airport Consultant, these assumptions provide a reasonable basis for the forecasts. The Report of the Airport Consultant utilizes historical and current information from 1980 through 2005 to project enplanements at the Airport over the forecast period through 2012. The Report of the Airport Consultant must be read in its entirety for an understanding of the forecasts and the underlying rationale and assumptions contained therein. However, as set forth in the Report of the Airport Consultant, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast period will vary from those forecast, and the variations may be material. See "BONDHOLDER RISKS—Assumptions in the Report of the Airport Consultant" and "—Forward-Looking Statements." MAC Consulting, LLC, also acted as consultant to the Bond Bank and the Authority in this transaction.

The following table summarizes the forecast Net Revenues, Debt Service Requirements and debt service coverage over the period 2006 through 2012. This table is taken from the Report of the Airport Consultant. In making such forecasts, the Airport Consultant has utilized a number of assumptions outlined in the Report of the Airport Consultant that were provided or reviewed and agreed to by the Authority and BAAI management and deemed by the Airport Consultant to be reasonable.

Forecast of Net Revenues and Debt Service Coverage
(amounts in thousands except for coverage)

Fiscal Year	Forecast Net Revenues (including amounts in the Prepaid Airline Fund and Coverage Fund) [A]	Estimated Revenue Bond Debt Service Requirements (1)(2) [B]	Estimated Revenue Bond Debt Service Coverage Ratio [A/B]
2006	$ 55,466	$ 25,886	2.14
2007	63,081	25,011	2.52
2008	95,916	40,997	2.34
2009	115,674	58,580	1.97
2010	131,341	69,039	1.90
2011	132,381	68,862	1.92
2012	134,887	70,744	1.91

(1) Estimated Debt Service Requirements on the 2006 Authority Bonds and Additional Authority Bonds were provided by the Authority's financial advisor, and Debt Service Requirements on the 1996 Authority Bonds, the 2003 Authority Bonds, the 2004 Authority Bonds and the 2005 Authority Bonds were provided by the Authority.

(2) Revenue Bonds include the 1996 Authority Bonds, the 2003 Authority Bonds, the 2004 Authority Bonds, the 2005 Authority Bonds, the 2006 Authority Bonds, and approximately $446.7 million in Additional Authority Bonds (includes reserve requirements, capitalized interest

and financing costs). Amounts shown exclude a portion of debt service equal to the amount of PFCs, CFCs and other available moneys of the Authority that the Authority has designated or intends to designate as Dedicated Revenues pursuant to the Ordinance. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2006 BONDS—Additional Bonds." In addition, the above reflects accelerated debt service on the 1996 Authority Bonds. The Authority expects to use Net Revenues to redeem a portion of the 1996 Bonds (prior to maturity) in 2007, and the remainder in 2008. See "AUTHORITY PLAN OF FINANCING" and APPENDIX A-"REPORT OF THE AIRPORT CONSULTANT."

SOURCE: Leigh Fisher Associates, "Report of the Airport Consultant, Indianapolis Airport Authority Airport Revenue Bonds, Series 2006 A and 2006 B" (APPENDIX A of this Official Statement).

FINANCIAL CONDITION OF CERTAIN AIRLINES SERVING THE AIRPORT

The information provided below regarding the financial condition of certain airlines serving the Airport has been obtained exclusively from publicly available information available as of June 6, 2006, including information publicly filed by such airlines or their parent corporations with the Securities and Exchange Commission. However, the information below is not a complete summary of such publicly filed information. Information publicly filed by the airlines or their parent corporations may be examined and copies may be obtained at the places and in the manner set forth in the section captioned "—Airline Information" below. None of the Bond Bank, the Authority or the Underwriters undertake any responsibility for and make no representations as to the accuracy or completeness of the content of such information or undertake any obligation to update such information, whether as a result of new information, future events or otherwise.

General

The Authority derives a substantial portion of its operating revenues from landing and facility rental fees paid by airlines using the Airport. The financial strength and stability of these airlines, together with numerous other factors, influence the level of aviation activity at the Airport and revenues of the Authority. Individual airline decisions regarding level of service, particularly hubbing activity at the Airport, also affect total enplanements. Since September 11, 2001, substantially all airlines have been downgraded by the rating agencies, several have filed petitions for relief under the United States Bankruptcy Code, including United Airlines, US Airways, ATA, Northwest, Delta, Independence Air and Transmeridian Airlines. Many other airlines have implemented service reductions and layoffs of employees in response to a reduction in passenger demand. Independence Air ceased scheduled operations on January 5, 2006.

Northwest. For the three months ended March 31, 2006, Northwest represented approximately 22.6% of the market share of enplaned passengers at the Airport. This represents a substantial increase in market share over 2004 when Northwest represented approximately 12.4% of the market share of enplaned passengers. On September 14, 2005, Northwest Airlines Corporation and certain of its subsidiaries filed petitions for relief under Chapter 11 of the United States Bankruptcy Code. Northwest has neither assumed nor rejected its Airline Agreement with the Authority but has continued paying its obligations thereunder. However, Northwest has announced certain flight schedule changes including the elimination of nonstop service from the Airport to two destinations prior to its bankruptcy filing and two additional destinations after its bankruptcy filing. Northwest has approximately 10% fewer scheduled seats departing the Airport in June 2006 compared to June 2005. There can be no assurance that Northwest will not make further flight schedule modifications, including reducing or eliminating existing service at the Airport.

ATA. For the three months ended March 31, 2006, ATA represented approximately .1% of the market share of enplaned passengers at the Airport, a substantial decrease in market share over 2004 when ATA represented approximately 23.3% of the market share of enplaned passengers. In addition, ATA leases its corporate headquarters from the Authority. On October 26, 2004, ATA Holdings Corp. and seven of its subsidiaries, including ATA and Chicago Express Airlines, Inc. (the "ATA Debtors"), filed petitions for relief under Chapter 11 of the United States Bankruptcy Code. Shortly after the filing of its Chapter 11 proceeding, ATA announced that it would continue to operate its businesses as usual and would maintain its headquarters in Indianapolis. ATA subsequently reduced its operations at the Airport and, effective January 6, 2006, suspended all scheduled service to and from the Airport. The ATA Debtors emerged from bankruptcy on February 28, 2006. Pursuant to the terms of

the Chapter 11 Plan of Reorganization confirmed by the Bankruptcy Court, ATA rejected its Airline Agreement with the Authority. ATA continues to lease its corporate headquarters from the Authority. The Authority continues to pursue claims against both ATA and Chicago Express for unpaid amounts that accrued prior to and subsequent to the filing of their bankruptcy petitions.

US Airways. For the three months ended March 31, 2006, US Airways (as merged with America West) represented approximately 14.1% of the market share of enplaned passengers at the Airport. US Airways has approximately 14% fewer scheduled seats departing the Airport in June 2006 compared to June 2005 (taking into account its merger with America West). US Airways filed a petition for relief under Chapter 11 of the United States Bankruptcy Code on August 11, 2002, and, pursuant to a Chapter 11 Plan of Reorganization confirmed by the Bankruptcy Court, emerged from bankruptcy on March 31, 2003. US Airways filed for Chapter 11 bankruptcy protection again on September 12, 2004. On September 16, 2005, the Unites States Bankruptcy Court confirmed US Airways' Chapter 11 Plan of Reorganization, and on September 27, 2005, US Airways Group Inc. emerged from Chapter 11 and completed its merger with America West Holding Corp., creating the fifth largest domestic airline. US Airways has continued to operate under its Airline Agreement.

United Airlines. For the three months ended March 31, 2006, United Airlines (and United Express) represented approximately 9.1% of the market share of enplaned passengers at the Airport. On December 9, 2002, UAL Corporation ("UAL"), the parent of United Airlines, and certain of its subsidiaries and affiliates (including United Airlines) filed petitions for relief under Chapter 11 of the United States Bankruptcy Code. United Airlines has continued to operate at the Airport during its Chapter 11 proceeding. On September 7, 2005, UAL filed a Chapter 11 Plan of Reorganization with the United States Bankruptcy Court in preparation for UAL's emergence from bankruptcy protection. On January 20, 2006, the Bankruptcy Court confirmed the Plan of Reorganization submitted by UAL (as modified during the confirmation process). Pursuant to the Chapter 11 Plan of Reorganization, United Airlines assumed its Office Lease Agreement and Lease of Premises with the Authority. The Authority continues to pursue claims against UAL for unpaid amounts that accrued prior to and subsequent to the filing of UAL's bankruptcy petitions. See "THE AIRPORT AND THE AIRPORT SYSTEM—Facilities—*Maintenance Facilities.*"

Delta. For the three months ended March 31, 2006, Delta represented approximately 9.5% of the market share of enplaned passengers at the Airport. On September 14, 2005, Delta Air Lines and its subsidiaries filed petitions for relief under Chapter 11 of the United States Bankruptcy Code. At the time of the filing of the Delta bankruptcy petitions, Delta officials stated that the airline expected to continue normal business operations. Delta has neither assumed nor rejected its Airline Agreement with the Authority but has continued paying its obligations thereunder.

Other Airlines Serving the Airports. Several other airlines with significant market share of enplaned passengers at the Airport have reported financial difficulties and may be forced to seek bankruptcy protection to remain competitive with those carriers that are in Chapter 11.

The Authority cannot predict the duration or extent of these financial difficulties or their effect on air travel or the extent of any adverse impact on Revenues, PFCs, CFCs, passenger enplanements, operations or the financial condition of the Authority. All airlines have remitted all material post-bankruptcy payments due to the Authority under the Airline Agreements. As of the date of this Official Statement substantially all airlines are current on their payment obligations to the Authority. The Authority is not able to accurately predict how long any airline in bankruptcy protection will continue operating at the Airport or whether any of these airlines will liquidate or substantially restructure their operations. Additional bankruptcies, liquidations or major restructurings of other airlines could occur. Further, the Authority cannot predict nor can it give any assurance that the airlines serving the Airport will continue to pay or to make timely payment of their obligations under the Airline Agreements. Further, the Authority cannot predict the likelihood of future incidents similar to the events of September 11, 2001, the likelihood of future air transportation disruptions or the impact on the Airport System or the airlines from such incidents or disruptions. See "BONDHOLDER RISKS."

For additional information regarding airlines generally and United Airlines, US Airways, ATA, Northwest and Delta specifically, see *"—Airline Information"* below and APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT—AIRLINE TRAFFIC ANALYSIS—Key Factors Affecting Future Airline Traffic—*Financial Health of the Airline Industry.*"

Airline Information. Certain of the airlines or their parent corporations are subject to the information reporting requirements of the Securities Exchange Act of 1934, and as such are required to file periodic reports, including financial and operational data, with the Securities and Exchange Commission ("SEC"). All such reports and statements may be inspected in the public reference room of the SEC at Room 1024, Judiciary Plaza, 450 5th Street, N.W., Washington, D.C. 20549, and at the SEC's regional offices at the Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, IL 60661-2511 and at 233 Broadway, New York, NY 10279. Copies of these reports and statements also may be obtained from the public reference section of the SEC at 450 5th Street, N.W., Washington, D.C. 20549, at prescribed rates. The SEC maintains a website at http://www.sec.gov containing reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, each domestic airline is required to file periodic reports of financial and operating statistics with the U.S. Department of Transportation. These reports may be inspected at the following location: Department of Transportation, Research and Special Programs Administration, Office of Airlines Statistics at Room 4125, 400 7th Street, S.W., Washington, D.C. 20590, and copies of the reports may be obtained from the U.S. Department of Transportation at prescribed rates.

None of the Bond Bank, the Authority or the Underwriters undertake any responsibility for and make no representations as to the accuracy or completeness of the content of information available from the SEC or the U.S. Department of Transportation as discussed in the preceding paragraph, including, but not limited to, updates of such information or links to other internet sites accessed through the SEC's website.

Effect of Airline Bankruptcies

Assumption or Rejection of Agreements. In the event an airline that has executed an Airline Agreement or other agreement with the Authority seeks protection under the bankruptcy laws, such airline or its bankruptcy trustee must determine whether to assume or reject its agreements with the Authority (a) within 60 days (or later if ordered by the court) with respect to its Airline Agreement or leases of non-residential real property, or (b) prior to the confirmation of a plan of reorganization with respect to any other agreement. Bankruptcy courts are courts of equity, however, and as such can, and often do, grant exceptions to statutory limitations. In the event of assumption and/or assignment of any agreement to a third party, an airline would be required to cure any pre- and post-petition monetary defaults and provide adequate assurance of future performance under the applicable Airline Agreement or other agreements.

Rejection of an Airline Agreement or other agreement or executory contract will give rise to an unsecured claim of the Authority for damages, the amount of which in the case of an Airline Agreement or other agreement is limited by the U.S. Bankruptcy Code generally to the amount unpaid prior to bankruptcy plus the greater of (i) one year of rent or (ii) 15% of the total remaining lease payments, not to exceed three years. The amount ultimately received in the event of a rejection of an Airline Agreement or other agreements could be considerably less, however, than the maximum amount allowed under the U.S. Bankruptcy Code. Amounts unpaid as a result of a rejection of an Airline Agreement by an airline in bankruptcy and additional maintenance costs incurred by the Authority can be passed on to the remaining Signatory Airlines under the Airline Agreements, thereby increasing such airlines' cost per enplanement, although there can be no assurance that the Authority will pass along those costs or that such other airlines would be financially able to absorb the additional costs. In addition, in the event of a rejection of leases for facilities or other agreements, certain properties or facilities may be turned over to the Authority. As a consequence, the Authority, as owner of the property, may be obligated to maintain and operate such facilities until such time as a new tenant can be secured and/or may be obligated to subsidize the costs of maintenance and operation in order to secure a new tenant for such facilities.

PFCs. Pursuant to the PFC Enabling Acts, the FAA has approved the Authority's applications to require airlines to collect and remit to the Authority a $4.50 PFC for each enplaning revenue passenger at the Airport. See "CAPITAL IMPROVEMENT PROGRAM—Plan of Funding for 2001-2010 CIP—*PFCs*."

The PFC Enabling Acts provide that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (*i.e.*, the Authority) imposing the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFCs separately and to disclose the existence and amount of funds regarded as trust funds for financial statements. Airlines generally are permitted, however, to commingle PFCs with other revenues and also are entitled to retain interest earned on PFCs until such PFCs are remitted. If an airline is in liquidation or bankruptcy proceedings, however, it is prohibited from commingling PFCs with other revenues and from granting a security interest in the PFCs to a third party. The Authority cannot predict whether an airline that files for bankruptcy protection would have properly accounted for the PFCs or whether the bankruptcy estate would have sufficient moneys to pay the Authority in full for the PFCs owed by such airline. PFCs are not pledged to the repayment of the Authority Revenue Bonds. Certain PFCs, however, have been designated as Dedicated Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2006 BONDS." As of March 31, 2006, all airlines are current in their payment of PFCs owed to the Authority.

BONDHOLDER RISKS

The purchase and ownership of the 2006 Bonds may involve investment risk. Prospective purchasers of the 2006 Bonds should give careful consideration to the information set forth in this Official Statement, including, in particular, the matters referred to in the following summary.

In considering the matters set forth in this Official Statement, prospective investors should carefully review all investment considerations set forth throughout this Official Statement and should specifically consider risks associated with the 2006 Authority Bonds. The Authority's ability to derive Net Revenues from operation of the Airport System sufficient to pay debt service on the 2006 Authority Bonds depends upon many factors, many of which are not subject to the control of the Authority. These factors include the financial strength of the air transportation industry in general and the financial strength of the firms in that industry that operate at the Airport.

Certain Factors Affecting the Air Transportation Industry and the Airport System

The financial difficulties of most domestic airlines, including the bankruptcy of several airlines, the general economic downturn of the U.S. economy, the significant fluctuations in fuel prices, the terrorist attacks of September 11, 2001, and the threat of future terrorist attacks, the conflicts in Iraq and Afghanistan and increased security requirements in air transportation, have significantly adversely affected the North American transportation system, including operations of the Airport, and the financial condition of the airlines. Specifically, from September 11, 2001, through 2004, enplanements at the Airport, and collections of PFCs and revenues were adversely affected by security restrictions on the Airport and the financial condition of the air travel industry. Certain airlines have filed for protection under the U.S. Bankruptcy Code and most other airlines report continuing financial difficulties. Potential investors are urged to review the airlines' financial information on file with the Securities and Exchange Commission and the Department of Transportation. See "FINANCIAL CONDITION OF CERTAIN AIRLINES SERVING THE AIRPORT." Like many airport operators, the Authority has experienced increased operating costs due to compliance with federally mandated and other security and operating changes. The Authority cannot predict the likelihood of future incidents similar to September 11, 2001, the likelihood of future air transportation disruptions or the impact on the Airport or the airlines from such incidents or disruptions.

Level of Airline Traffic

The 2006 Authority Bonds are payable solely from and secured by a pledge of the Net Revenues of the Airport System and certain Airport System funds and accounts held under the Ordinance. The revenues of the Authority are affected substantially by the economic health of the airline industry and the airlines serving the Airport. Historically, the financial performance of the airline industry generally has correlated with the strength of the national economy. Certain factors that may materially affect the air transportation industry, the Airport and the airlines include, but are not limited to, growth of population and the economic health of the region and the nation, airline service and route networks, national and international economic and political conditions, changes in demand for air travel, service and cost competition, mergers, the availability and cost of aviation fuel and other necessary supplies, levels of air fares, fixed costs and capital requirements, the cost and availability of financing, the capacity of the national air traffic control system, national and international disasters and hostilities, the cost and availability of employees, labor relations within the airline industry, regulation by the federal government, environmental risks and regulations, noise abatement concerns and regulation, the financial health and viability of the airline industry, bankruptcy and insolvency laws, acts of war or terrorism and other risks. Many of these factors, most of which are outside the Authority's control, are discussed in detail in the Report of the Airport Consultant attached hereto as APPENDIX A. As a result of these and other factors, the U.S. airline industry as a whole has experienced huge financial losses, with the major U.S. passenger airlines collectively recovering net losses of approximately $40 billion from 2001 through 2005. Further, many have filed for bankruptcy, ceased operations and/or merged with other airlines. In addition, all the major legacy carriers have taken many actions to restructure their route networks and flight schedules and to reduce costs including reducing their workforce, renegotiating their labor agreements, consolidating connecting activity and replacing mainline jets with regional jets.

Although the Airport System experienced substantial growth in enplaned passengers from 2003 through 2005, through the first four months of 2006, enplaned passengers are approximately 8.8% less than for the same period in 2005. The Airport Consultant attributes some of the decline in passengers for the first four months of 2006 to the airlines decreasing capacity throughout the national airport system, including at the Airport. There are approximately 11% fewer scheduled seats departing from the Airport in June 2006 than in June 2005. If aviation activity and enplaned passenger traffic at the Airport are slower than currently forecast, a corresponding reduction would occur both in forecast revenues (absent an increase in Airport rentals, fees and charges) and in forecast PFCs. See "APPENDIX A—REPORT OF THE AIRPORT CONSULTANT—AIRLINE TRAFFIC ANALYSIS—Key Factors Affecting Future Airline Traffic" and "—FINANCIAL ANALYSIS—Sensitivity Analysis."

Cost of Aviation Fuel

The price of aviation fuel continues to be an important and uncertain determinate of an air carrier's operating economics. As a result of the high prices of crude oil as well as additional factors, such as refining capacity and product distribution interruptions, aviation fuel prices increased significantly in 2005, and the product-to-crude gap, known as the "crack spread," also increased in 2005. As of May 15, 2006, a barrel of aviation fuel cost $87.44, or $18.19 more than a barrel of crude oil. The long-term historical average of the aviation fuel crack spread has been approximately $5 per barrel. According to the Air Transportation Association, airlines spent more than $30 billion on fuel during 2005, double what they spent in 2003, and up from $21 billion in 2004. Fuel prices increased approximately 14.3% per year (in current dollars) from 1998 through 2004. In January 2006, the price of aviation fuel was approximately 40% higher than the price of aviation fuel in January 2005. Historically, aviation fuel prices have been particularly sensitive to worldwide political instability. Economic expansion in emerging markets also contributes to higher aviation fuel prices. Significant and prolonged increases in the cost of aviation fuel have had and are likely to continue to have an adverse impact on the air transportation industry by increasing airline operating costs, hampering airline recovery plans and reducing airline profitability. See "APPENDIX A—REPORT OF THE AIRPORT CONSULTANT—AIRLINE TRAFFIC ANALYSIS—Key Factors Affecting Future Airline Traffic."

Effect of Airline Bankruptcies

The profitability of the airline industry has declined since 2000, with many airlines reporting substantial financial losses and several airlines filing for bankruptcy protection, due not only to the events of September 11,

2001, but also to a general economic slowdown, significantly increased aviation fuel costs, increased competition from low-cost carriers, labor disruptions and other factors. Airlines currently in bankruptcy represented a combined 32% of the market share of enplaned passengers at the Airport for the three months ended March 31, 2006. See "FINANCIAL CONDITION OF CERTAIN AIRLINES SERVING THE AIRPORT." It is not possible to predict the impact on the Airport System of the bankruptcies of Northwest and Delta and any future bankruptcies, liquidations or major restructurings of other airlines.

In the event of bankruptcy proceedings involving one or more of the Signatory Airlines, the debtor airline or its bankruptcy trustee must determine within a time period determined by the court whether to assume or reject the applicable Airline Agreement. In the event of assumption, the debtor airline would be required to cure any prior defaults and to provide adequate assurance of future performance under the applicable Airline Agreement. Rejection of the Airline Agreement by any Signatory Airline would give rise to an unsecured claim of the Authority for damages, the amount of which may be limited by the U.S. Bankruptcy Code. Bankruptcy courts are courts of equity, however, and as such can, and often do, grant exceptions to statutory limitations and generally, claims and remedies are subject to significant discretion of the bankruptcy court. In addition, in the event of a rejection of leases or other agreements, certain properties or facilities may be turned over to the Authority and thus the Authority may incur additional maintenance and related costs in connection with such properties and facilities. See "THE AIRPORT AND THE AIRPORT SYSTEM—Facilities—*Maintenance Facilities*." Due to the residual nature of the Airline Agreements, the amounts unpaid as a result of a rejection of the Airline Agreement by a Signatory Airline in bankruptcy and additional maintenance and related costs incurred by the Authority can be passed on to the remaining Signatory Airlines. However, there can be no assurance that the remaining Signatory Airlines would be able, individually or collectively, to meet their additional obligations under the Airline Agreements or that the increased cost borne by the remaining airlines would not negatively impact their future operations at the Airport. Additionally, during the pendency of the bankruptcy proceeding, a debtor airline may not, absent a court order, make any payments to the Authority on account of goods and services provided prior to the bankruptcy. Thus, the Authority's stream of payments from a debtor airline would be interrupted to the extent of pre-petition goods and services, including accrued rent and landing fees. See "FINANCIAL CONDITION OF CERTAIN AIRLINES SERVING THE AIRPORT," "THE AIRPORT AND THE AIRPORT SYSTEM—Certain Authority Agreements—*Airline Agreements*" and APPENDIX E—"SUMMARY OF THE AIRLINE AGREEMENTS."

The PFC Enabling Acts provide that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency imposing the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFCs separately and to disclose the existence and amount of funds regarded as trust funds for financial statements. The airlines, however, are permitted to commingle PFC collections with other revenues and are also entitled to retain interest earned on PFCs until such PFCs are remitted. If an airline is in liquidation or bankruptcy proceedings, however, it is prohibited from commingling PFCs with other revenues and from granting a security interest in the PFCs to a third party. The bankruptcy courts have not fully addressed such trust arrangements. Therefore, the Authority cannot predict how a bankruptcy court might rule on this matter in the event of a bankruptcy filing by one of the Signatory Airlines or other airlines operating at the Airport. It is possible that the Authority could be held to be an unsecured creditor with respect to unremitted PFCs held by an airline that has filed for bankruptcy protection. Additionally, the Authority cannot predict whether an airline that files for bankruptcy protection would have properly accounted for the PFCs owed to the Authority or whether the bankruptcy estate would have sufficient moneys to pay the Authority in full for the PFCs owed by such airline.

Geopolitical Risks

The terrorist attacks in the United States and other parts of the world, the conflicts in Iraq and Afghanistan and the increased threat of further terrorist attacks decreased passenger traffic levels commencing in 2001. Although passenger traffic has rebounded and in 2005 exceeded prior September 11 levels, the Authority cannot assess the threat of terrorism and the probability of another attack on American soil or against Americans traveling or American interests abroad. Should new attacks occur against the air transportation industry, the travel industry,

cities, utilities, infrastructure, office buildings or manufacturing plants, the effects on travel demand could be substantial.

Aviation Security Concerns and Related Costs

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of international hostilities (such as those that have occurred in Iraq and Afghanistan) and terrorist attacks, may influence passenger travel behavior and air travel demand. These concerns have intensified in the aftermath of the events of September 11, 2001. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes.

Intensified security precautions have been instituted by government agencies, airlines and airport operators since the events of September 11, 2001. These precautions include the strengthening of aircraft cockpit doors, the federal program to allow and train domestic commercial airline pilots to carry firearms during flights, changes to prescribed flight crew responses to attempted hijackings, increased presence of armed air marshals, federalization of airport security functions under the Transportation Security Administration ("TSA"), revised procedures and techniques for the screening of baggage for weapons and explosives and technology for the screening of passengers, such as the United States Visitor and Immigration Status Indicator Technology ("US VISIT"). No assurance can be given that these precautions will be successful. Also, the possibility of international hostilities and/or further terrorists attacks involving or affecting commercial aviation are a continuing concern that may affect future travel behavior and airline passenger demand.

After the events of September 11, 2001, the United States government launched military offensives against Afghanistan and Iraq, and has warned that these hostilities may continue for years. The Authority cannot predict the duration of the effects of the recent hostilities on the air transportation system, the likelihood of any retaliation or the likelihood of any future terrorist attacks. Any such action could directly or indirectly reduce passenger traffic and depress airline industry revenues and Authority revenues. The Authority also cannot predict the effect of any future government-required security measures on passenger activity at the Airport. Nor can the Authority predict how the government will staff the security screening functions or the effect on passenger activity of government decisions regarding its staffing levels.

The Report of the Airport Consultant states that, historically, air travel demand has recovered after temporary declines stemming from terrorist attacks, hijackings, aircraft crashes and international hostilities and, provided that the intensified security precautions now being implemented in the United States and elsewhere are effective in restoring confidence in the safety of commercial aviation while not imposing unacceptable inconveniences for air travelers, of which there can be no assurance, it can be expected that future demand for airline travel at the Airport will depend primarily on economic rather than security factors. See "APPENDIX A—REPORT OF THE AIRPORT CONSULTANT—AIRLINE TRAFFIC ANALYSIS—Key Factors Affecting Future Airline Traffic—*Aviation Security Concerns*."

The Aviation and Transportation Security Act (the "Aviation Security Act") requires that all United States airports use TSA-approved explosive detection systems ("EDS") to screen all checked baggage. EDS equipment purchased by the federal government has been installed at the Airport. The Aviation Security Act also requires that eventually all passenger bags, mail and cargo be screened to prevent the carriage of weapons (including chemical and biological weapons), explosives or incendiary devices; however, as of the date hereof, no regulations regarding these enhanced security measures have been proposed. The Authority continues to follow and implement security initiatives based on the policy and guidelines established by the TSA and is currently in compliance with all federally mandated security requirements. However, TSA has broad discretion to modify security requirements from time to time.

The Authority's operating costs increase when "Code Orange" (high) or "Code Red" (severe) national threat levels are declared by the Department of Homeland Security and heightened procedures are implemented consistent with those declarations. Since the institution of the alert system, the national threat level has never been raised to

Code Red, but it has been raised to Code Orange a number of times. Historically, each time the Department of Homeland Security raises the threat level to Code Orange, the Authority's operating costs increase by approximately $30,000 per week.

In January 2004, the federal government announced a plan to protect commercial airplanes from shoulder-mounted missile attacks by adapting anti-missile technology used by the U.S. military to commercial airplanes. Costs of installation and maintenance of such technology are estimated in billions of dollars. It is not clear whether the federal government will require airlines to pay for such costs.

The Authority expects that, pursuant to federal regulations, airports in the United States will be required to implement the Transportation Workers Identification Credential (TWIC) program in the future. It is likely that the TSA will require airports to bear the cost of the daily operation of the program, including the purchase, maintenance and operation of card readers and ongoing verifications of credentials for airport workers. The TWIC program may impose increased short and long term security costs for the Airport. In addition, the TSA published a notice of proposed rulemaking (NPRM) on November 10, 2005, to solicit public comment on certain proposed air cargo regulations. Compliance with the proposed security measures, if implemented, could increase the Authority's security costs.

To the extent that the Authority incurs substantial security costs in the future, such costs could adversely affect the Authority's financial condition. Although the Authority has received various capital grants and reimbursements for a portion of security operating costs from the federal government since 2002, there can be no assurance that the Authority will continue to receive such federal assistance or that such assistance will be sufficient to mitigate the impact of such costs. In addition, if the airlines are required to pay substantial security costs, it would place an additional financial burden on many already financially troubled airlines which, in turn, could have a negative impact on the operations of the Airport and the Authority's revenues. The Authority cannot predict the likelihood or impact of any future government-required security measures.

Regulations and Restrictions Affecting the Airport

The operations of the Airport are affected by a variety of contractual, statutory and regulatory restrictions and limitations including, without limitation, the provisions of the Airline Agreements, the federal acts authorizing the imposition and collection of PFCs and extensive federal legislation and regulations applicable to all airports in the United States. In the aftermath of the events of September 11, 2001, the Airport also has been required to implement enhanced security measures mandated by the FAA, the TSA and Airport management. See "—Aviation Security Concerns and Related Costs."

Loss of PFCs

The FAA also has the power to terminate the authority to impose PFCs if the Authority's PFCs are not used for approved projects, if project implementation does not commence within the time period specified in the FAA's regulations or if the Authority otherwise violates FAA regulations. The Authority's plan of funding for the 2001-2010 CIP is premised on certain assumptions with respect to the timing and amounts of the Authority's PFC applications, and the availability of PFCs to fund portions of certain projects in the 2001-2010 CIP. In the event that PFCs are lower than those expected or that certain portions of the 2001-2010 CIP are not determined to be PFC-eligible, the Authority may elect to delay certain projects or seek alternative sources of funding, including the possible issuance of Additional Authority Bonds. See "CAPITAL IMPROVEMENT PROGRAM." It is not possible to predict whether future restrictions or limitations on Airport operations will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC revenue collections for capital projects for the Airport or whether such restrictions or legislation or regulations would adversely affect Gross Revenues.

Travel Substitutes

Teleconference, video-conference and web-based meetings have improved in quality and price and are often considered satisfactory alternatives to face-to-face business meetings. In addition, leisure and business travelers

may choose alternative modes of transportation, such as cars. Events such as the terrorist attacks of September 11, 2001, have accelerated this trend. Although the impact cannot be accurately quantified, it is possible that business travel to and from the Airport may be negatively affected by this trend.

Capital Improvement Program

The estimated costs of, and the projected schedule for, the projects included in the 2001-2010 CIP, including the New Indianapolis Airport Program, depend on various sources of funding, including Additional Authority Bonds, PFCs, and federal and state grants, and are subject to a number of uncertainties. The ability of the Authority to complete the various projects in the 2001-2010 CIP, including the New Indianapolis Airport Program, may be adversely affected by various factors including: (i) estimating errors, (ii) design and engineering errors, (iii) changes to the scope of the projects, (iv) delays in contract awards, (v) material and/or labor shortages, (vi) unforeseen site conditions, (vii) adverse weather conditions, (viii) contractor defaults, (ix) labor disputes, (x) unanticipated levels of inflation and (xi) environmental issues, including environmental approvals that the Authority has not obtained at this time. A delay in the completion of certain projects under the 2001-2010 CIP including, in particular, the New Indianapolis Airport, could delay the collection of revenues in respect of such projects, increase the costs for such projects, and may cause the rescheduling of other projects. In addition, the Authority expects to collect certain non-airline revenues, including, in particular, revenues from parking facilities that the Authority expects will begin operation in conjunction with the New Indianapolis Airport. A delay in the completion or operation of such parking facilities, or the New Indianapolis Airport, could delay the collection of such non-airline revenues. See APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT—REVENUES—Public Automobile Parking Revenues" and "—Exhibit E—Historical and Forecast Net Revenues." There can be no assurance that the cost of the 2001-2010 CIP will not exceed the currently projected dollar amount or that the completion of the projects will not be delayed beyond the currently projected completion dates. Any schedule delays or cost increases could result in the need to issue additional bonds and may result in increased costs per enplaned passenger to the airlines, which may place the Airport at a competitive disadvantage to other airports. See "CAPITAL IMPROVEMENT PROGRAM."

Hedge Agreements

In 2004, the Authority entered into the 2004 Hedge Agreement in order to provide a hedge against future interest rate risk with regard to additional Authority Revenue Bonds to be issued in 2006 and 2007. On May 19, 2006 the Authority entered into an amendment of the 2004 Hedge Agreement to postpone its effective date until July 1, 2008, and to relate the 2004 Hedge Agreement to $200 million of the Authority Revenue Bonds expected to be issued in 2008. In October, 2005, the Bond Bank and the Authority entered into the 2005 Hedge Agreements with the 2005 Counterparties in order to provide a hedge against future interest rate risk with regard to additional Authority Revenue Bonds to be issued by the Authority and purchased by the Bond Bank in 2008. The ability of the Authority and the Bond Bank to realize the benefit of the 2004 Hedge Agreement and the 2005 Hedge Agreements will be dependent, in part, on the continuing creditworthiness of the Counterparty of each of those agreements. In the event that any such party, due to financial difficulties or otherwise, is unable to honor its obligations under the 2004 Hedge Agreement or the 2005 Hedge Agreements, the Authority and the Bond Bank could lose the benefit of its hedging strategy. There can be no assurance that the parties to these agreements will be able to honor their obligations under the hedge agreements. See "AUTHORITY PLAN OF FINANCING—Hedging Activities."

Limitations on Bondholders' Remedies

The occurrence of an Event of Default under the Ordinance does not grant a right to accelerate payment of the 2006 Authority Bonds to either the Authority Trustee, the Bond Bank, as the owner of the 2006 Authority Bonds, the Bond Bank Trustee or the holders of the 2006 Bonds. As a result, the Authority may be able to continue indefinitely collecting revenues and applying them to the operation of the Airport even if an Event of Default has occurred and no payments are being made on the 2006 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2006 BONDS—Events of Default and Remedies; No Acceleration."

Assumptions in the Report of the Airport Consultant

The Report of the Airport Consultant incorporates numerous assumptions as to the utilization of the Airport and other matters and states that any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast period will vary, and the variations may be material. See "REPORT OF THE AIRPORT CONSULTANT" and APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT."

Forward-Looking Statements

This Official Statement, and particularly the information contained under the captions "INTRODUCTION," "AUTHORITY PLAN OF FINANCING," "THE AIRPORT AND THE AIRPORT SYSTEM," "CAPITAL IMPROVEMENT PROGRAM," "REPORT OF THE AIRPORT CONSULTANT," and APPENDIX A — "REPORT OF THE AIRPORT CONSULTANT," contain statements relating to future results that are "forward looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect," and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Among the factors that may cause projected revenues and expenditures to be materially different from those anticipated are an inability to incur debt at assumed rates, construction delays, increases in construction costs, general economic downturns, factors affecting the airline industry in general, federal legislation and/or regulations, and regulatory and other restrictions, including but not limited to those that may affect the ability to undertake the timing or the costs of certain projects. Any forecast is subject to such uncertainties. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

LITIGATION

Absence of Litigation Relating to the 2006 Bonds and 2006 Authority Bonds

There is not now pending or, to the Bond Bank's or Authority's respective knowledge, threatened any litigation restraining or enjoining the issuance, sale, execution or delivery of the 2006 Bonds or the 2006 Authority Bonds, or the execution and delivery of, and performance by the respective parties to, the Indenture, the Ordinance or any other agreement; prohibiting the Bond Bank from purchasing the Series 2006A Authority Bonds and the Series 2006B Authority Bonds with the proceeds of the Series 2006 F Bonds and the Series 2006 G Bonds, respectively; in any way contesting or affecting the validity of the 2006 Bonds or the 2006 Authority Bonds or any proceedings of the Bond Bank taken with respect to the issuance or sale thereof, or the Pledges (as hereinafter defined under the caption "ENFORCEABILITY OF REMEDIES") or application of any moneys or security provided for payment of the 2006 Bonds or the 2006 Authority Bonds. Neither the creation, organization or existence of the Bond Bank or the Authority nor the title of any of the present directors or other officers of the Bond Bank or Authority to their respective offices is being contested.

Other Litigation

Although the Authority has been proactive in its noise mitigation program, a total of 138 residents of two subdivisions southwest of the Airport filed separate lawsuits against the Authority and its manager, BAAI, alleging claims based on inverse condemnation, access to public records, nuisance, negligence, promissory estoppel, intentional misrepresentation and fraud. The promissory estoppel, intentional misrepresentation and fraud allegations relate to the terms, conditions and application of the Authority's offer to purchase air navigation easements over these plaintiffs', as well as other eligible homeowners' real estate in the two subdivisions. The Authority believes the allegations are without merit. The first lawsuit which included 103 plaintiffs was filed in December 2001, and the second lawsuit which included 35 plaintiffs was filed in June 2002. On May 12, 2004, summary judgment was entered in favor of the Authority on all counts except the plaintiffs' allegations of promissory estoppel as to certain plaintiffs. The plaintiffs appealed the summary judgment ruling as to inverse

condemnation as well as promissory estoppel (as to those individual plaintiffs the court determined did not have a promissory estoppel claim). The appellate court's decision was issued and the appealed inverse condemnation and promissory estoppel claims have been reinstated. A Petition for Transfer to the Indiana Supreme Court was filed by the Authority with respect to the inverse condemnation claim, which petition was granted by the Court. The second lawsuit has been settled in a manner that is not expected to adversely affect the use and operation of the Airport or have a material adverse impact on the Authority's financial condition. Although the Authority cannot predict with certainty the outcome of any litigation, the first lawsuit continues to be strenuously defended, and the Authority anticipates that the litigation will not adversely affect the use and operation of the Airport or have a material adverse impact on the Authority's financial condition.

The Authority also is a named defendant in several matters in which contractors seek additional compensation beyond the contract price for certain work or seek mechanic's liens in connection with work done by such contractor. The cases are at various stages in the legal process. None of the lawsuits seeks damages from the Authority in excess of $1,000,000. The Authority does not believe that an adverse result in any or all of these cases would adversely affect the use and operation of the Airport or have a material adverse impact on the Authority's financial condition.

TAX MATTERS

General

In the opinion of Ice Miller LLP, Indianapolis, Indiana, and Coleman Graham & Stevenson, LLC, Indianapolis, Indiana, Co-Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Series 2006 F Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2006 F Bonds (the "Code"), except for interest on any Series 2006 F Bond for any period during which such Series 2006 F Bonds is owned by a person who is a "substantial user" of the Airport System or a "related person" as defined in Section 147(a) of the Code. This opinion relates only to the exclusion from gross income of interest on the Series 2006 F Bonds for federal income tax purposes under Section 103 of the Code and is conditioned on continuing compliance by the Bond Bank and Authority with the Tax Covenants (hereinafter defined). Failure to comply with the Tax Covenants could cause interest on the Series 2006 F Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue.

Interest on the Series 2006 G Bonds is <u>not</u> excludable from gross income for federal income tax purposes.

In the opinion of Ice Miller LLP, Indianapolis, Indiana, and Coleman Graham & Stevenson, LLC, Indianapolis, Indiana, Co-Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Series 2006 F Bonds and the Series 2006 G Bonds is exempt from income taxation in the State. This opinion relates only to the exemption of interest on the Series 2006 F Bonds and the Series 2006 G Bonds for State income tax purposes. See APPENDIX C for the form of opinion of Co-Bond Counsel.

The Code imposes certain requirements which must be met subsequent to the issuance of the Series 2006 F Bonds as a condition to the exclusion from gross income of interest on the Series 2006 F Bonds for federal income tax purposes. The Bond Bank and Authority will covenant not to take any action, within its power and control, nor fail to take any action with respect to the Series 2006 F Bonds that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Series 2006 F Bonds pursuant to Section 103 of the Code (collectively, "Tax Covenants"). The Indenture, the Ordinance and certain certificates and agreements to be delivered on the date of delivery of the Series 2006 F Bonds establish procedures to permit compliance with the requirements of the Code. It is not an event of default under the Indenture if interest on the Series 2006 F Bonds is not excludable from gross income for federal tax purposes or otherwise pursuant to any provision of the Code which is not in effect on the date of issuance of the Series 2006 F Bonds.

The interest on the Series 2006 F Bonds is a specific preference item for purposes of the federal individual or corporate alternative minimum taxes.

Indiana Code 6-5.5 imposes a franchise tax on certain taxpayers (as defined in Indiana Code 6-5.5) which, in general, includes all corporations which are transacting the business of a financial institution in Indiana. The franchise tax is measured in part by interest excluded from gross income under Section 103 of the Code minus associated expenses disallowed under Section 265 of the Code. Taxpayers should consult their own tax advisors regarding the impact of this legislation on their ownership of the Series 2006 F Bonds and the Series 2006 G Bonds.

Although Co-Bond Counsel will render an opinion that interest on the Series 2006 F Bonds is excluded from federal gross income and interest on the Series 2006 F Bonds and the Series 2006 G Bonds is exempt from State income tax, the accrual or receipt of interest on the Series 2006 F Bonds and the Series 2006 G Bonds may otherwise affect a bondholder's federal income tax or state tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and a bondholder's other items of income or deduction. Taxpayers who may be affected by such other tax consequences include, without limitation, financial institutions, certain insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Series 2006 F Bonds. Co-Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the Series 2006 F Bonds and Series 2006 G Bonds should consult their own tax advisors with regard to the federal and state tax consequences of owning the Series 2006 F Bonds and Series 2006 G Bonds.

Original Issue Discount

The initial public offering price of the Series 2006 F Bonds maturing on January 1, 2012, and January 1, 2037 (the "Discount Bonds"), is less than the principal amount payable at maturity. As a result, the Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price of the Discount Bonds, as set forth on the inside cover page of this Official Statement (assuming it is the first price at which a substantial amount of that maturity is sold) (the "Issue Price" for such maturity), and the amount payable at maturity of the Discount Bonds will be treated as "original issue discount."

The original issue discount on each of the Discount Bonds is treated as accruing daily over the term of such Discount Bond on the basis of the yield to maturity determined on the basis of compounding at the end of each six-month period (or shorter period from the date of the original issue) ending on January 1 and July 1 (with straight line interpolation between compounding dates).

A taxpayer who purchases a Discount Bond in the initial public offering at the Issue Price for such maturity and who holds the Discount Bond to maturity may treat the full amount of original issue discount as interest which is excludable from the gross income of the owner of that Discount Bond for federal income tax purposes and will not, under present federal income tax law, realize taxable capital gain upon payment of the Discount Bond at maturity.

Section 1288 of the Code provides, with respect to tax-exempt obligations such as the Discount Bonds, that the amount of original issue discount accruing each period will be added to the owners tax basis for the Discount Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Bonds (including sale, redemption or payment at maturity). Owners of Discount Bonds who dispose of Discount Bonds prior to maturity should consult their tax advisors concerning the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bonds prior to maturity.

As described earlier in "Tax Matters," the original issue discount that accrues in each year to an owner of a Discount Bond may result in certain collateral federal income tax consequences. Owners of any Discount Bonds should be aware that the accrual of original issue discount in each year may result in a tax liability from these collateral tax consequences even though the owners of such Discount Bonds will not receive a corresponding cash payment until a later year.

Owners who purchase Discount Bonds in the initial public offering but at a price different from the Issue Price for such maturity, should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bonds such as the Discount Bonds. It is possible under the applicable provisions governing the determination of state or local income taxes accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

Owners of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discount Bonds. It is possible under the applicable provisions governing the determination of state or local income taxes that accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

Amortizable Bond Premium

The initial offering price of the Series 2006 F Bonds maturing January 1, 2008, through January 1, 2011, the Series 2006 F Bonds maturing January 1, 2013, through January 1, 2023 and the Series 2006 F Bonds maturing January 1, 2036 (the "Premium Bonds"), is greater than the principal amount payable at maturity or call date. As a result, the Premium Bonds will be considered to be issued with amortizable bond premium (the "Bond Premium"). An owner who acquires a Premium Bond in the initial offering will be required to adjust the owner's basis in the Premium Bond downward as a result of the amortization of the Bond Premium, pursuant to Section 1016(a)(5) of the Code. Such adjusted tax basis will be used to determine taxable gain or loss upon the disposition of the Premium Bonds including sale, redemption or payment at maturity or call date. The amount of amortizable Bond Premium will be computed on the basis of the owner's yield to maturity, with compounding at the end of each accrual period. Rules for determining (i) the amount of amortizable Bond Premium and (ii) the amount amortizable in a particular year are set forth at Section 171(b) of the Code. No income tax deduction for the amount of amortizable Bond Premium will be allowed pursuant to Section 171(a)(2) of the Code, but the amortization of Bond Premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining other tax consequences of owning the Premium Bonds. Owners of the Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of such Premium Bonds and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

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

ENFORCEABILITY OF REMEDIES

The remedies available to the Bond Bank Trustee or the holders of the 2006 Bonds upon a default under the Indenture; to the Authority Trustee or the Bond Bank under the 2006 Authority Bonds, the Ordinance or the purchase agreement for the 2006 Authority Bonds; or to any party seeking to enforce the pledges securing the 2006 Bonds or the 2006 Authority Bonds described herein (collectively the "Pledges"), are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the United States Bankruptcy Code), the remedies provided in the Indenture, the purchase agreement for the 2006 Authority Bonds, the 2006 Authority Bonds and the Ordinance, or to any party seeking to enforce the Pledges, may not be readily available or may be limited. Under federal and State environmental laws certain liens may be imposed on property of the Bond Bank or the Authority from time to time, but the Bond Bank has no reason to believe, under existing law, that any such lien would have priority over the lien on the Authority Qualified Obligation Payments pledged to owners of the 2006 Bonds under the Indenture or over the liens on the Net Revenues pledged to the owners of the 2006 Authority Bonds under the Ordinance.

The various legal opinions to be delivered concurrently with the delivery of the 2006 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the Bond Bank, the Authority, the City, the County, the State and the United States of America and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). These exceptions would encompass any exercise of the federal, State or local police powers (including the police powers of the Authority, the City and the County) in a manner consistent with the public health and welfare. Enforceability of the Indenture, the purchase agreement for the 2006 Authority Bonds, the Ordinance and the Pledges in a situation where such enforcement may adversely affect public health and welfare may be subject to these police powers.

The various legal opinions to be delivered concurrently with the delivery of the 2006 Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization, issuance, sale and delivery of the 2006 Bonds are subject to the approval of Ice Miller LLP, Indianapolis, Indiana, and Coleman Graham & Stevenson, LLC, Indianapolis, Indiana, Co-Bond Counsel, whose approving legal opinions will be delivered with the Series 2006 F Bonds and Series 2006 G Bonds, substantially in the form found as APPENDIX C. Certain legal matters will be passed on by the Corporation Counsel of the City of Indianapolis, Indiana, as General Counsel to the Bond Bank and the City, by Robert A. Duncan, Esq., Indianapolis, Indiana, special counsel for the Authority, and by Baker & Daniels LLP, Indianapolis, Indiana, and the JCLewis Group Inc., Indianapolis, Indiana, as co-counsel for the Underwriters. Ice Miller LLP and Coleman Graham & Stevenson, LLC also serve as co-bond counsel to the Authority.

RATINGS

The 2006 Bonds are expected to be rated "Aaa" by Moody's Investors Service ("Moody's"), "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), and "AAA" by Fitch Ratings ("Fitch"), with the understanding that Ambac Assurance will deliver the Policy insuring the timely payment of the principal of, and interest on, the 2006 Bonds concurrently with the issuance of the 2006 Bonds. See "BOND INSURANCE." The 2006 Bonds have received an underlying rating of "A1" by Moody's, "A" by S&P, and "A+" by Fitch without taking into account the delivery of the Policy by Ambac Assurance. These ratings reflect only the views of Moody's, S&P and Fitch. Any desired explanation of the significance in such ratings should be obtained from Moody's, S&P and Fitch, respectively. Such ratings are not a recommendation to buy, sell or hold the 2006 Bonds. There is no assurance that such ratings will remain in effect for any given period of time or that such ratings will not be lowered or withdrawn entirely by Moody's, S&P and Fitch if, in their judgment, circumstances so warrant. The Underwriters have undertaken no responsibility either to bring to the attention of the owners of the 2006 Bonds any proposed revision or withdrawal of the ratings of the 2006 Bonds or to oppose any such proposed revision or withdrawal. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price or marketability of the 2006 Bonds.

UNDERWRITING

The 2006 Bonds are being purchased by the Underwriters, as set forth on the inside cover page of this Official Statement. The Underwriters have agreed to purchase the Series 2006 F Bonds at an aggregate purchase price of

$352,746,279.00 which represents the par amount set forth on the inside cover page hereof, plus net original issue premium of $7,750,306.25, less an underwriter's discount of $1,999,027.25, pursuant to a bond purchase contract entered into by and between the Bond Bank and the Underwriters. The Underwriters have agreed to purchase the Series 2006 G Bonds at an aggregate purchase price of $42,595,305.50 which represents the par amount set forth on the inside cover page hereof, less an underwriter's discount of $194,694.50 pursuant to a bond purchase contract entered into by and between the Bond Bank and the Underwriters. Such bond purchase contract provides that the Underwriters will purchase all of the 2006 Bonds if they are purchased. The initial offering price may be changed from time to time by the Underwriters.

The Underwriters have agreed to make a bona fide public offering of all of the 2006 Bonds at prices not in excess of the initial public offering prices set forth or reflected on the inside cover page of this Official Statement. The Underwriters may sell the 2006 Bonds to certain dealers (including dealers depositing 2006 Bonds into investments trusts) and others at prices lower than the offering prices set forth on the inside cover page hereof.

2006 BONDS AS LEGAL INVESTMENTS

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

AGREEMENT WITH STATE

The Act provides that the State will not limit or restrict the rights vested in the Bond Bank to fulfill the terms of any agreement made with the owners of the 2006 Bonds or in any way impair the rights or remedies of the owners of the 2006 Bonds for so long as the 2006 Bonds are outstanding.

AVAILABILITY OF DOCUMENTS AND FINANCIAL INFORMATION

Audited financial statements of the Bond Bank are prepared annually and are presently available for the year ended December 31, 2004 and prior years. Those statements are not included herein because the Bond Bank is not obligated on the 2006 Bonds except to the extent of the Trust Estate. See APPENDIX B for the Authority's audited financial statements for the years ended December 31, 2005 and 2004.

Upon request and receipt of payment for reasonable copying, mailing and handling charges, the Bond Bank will make available copies of the most recent Authority financial reports, any authorizing or governing instruments defining the rights of owners of the 2006 Bonds or the owners of the 2006 Authority Bonds and available financial and statistical information regarding the Bond Bank and the Authority. Requests for documents and payments therefor should be directed and payable to Ms. Barbara Lawrence, Executive Director, The Indianapolis Local Public Improvement Bond Bank, Suite 2421, 200 East Washington Street, Indianapolis, Indiana 46204.

CERTAIN RELATIONSHIPS

Lacy M. Johnson, President of the Authority Board, is a partner in Ice Miller LLP, co-bond counsel for the Bond Bank in this transaction. Ice Miller LLP, under a contract with the Bond Bank, provides legal services to the Authority, including serving as co-bond counsel to the Authority. Randle B. Pollard, an attorney with Ice Miller LLP, is married to DeVonne Richburg-Pollard, a member of the board of directors of the Bond Bank. H. Patrick Callahan, Vice President of the Authority Board, is a partner in Baker & Daniels LLP, co-counsel to the Underwriters. JPMorgan Chase Bank, N.A., an affiliate of the Authority Trustee and Bond Bank Trustee, provides a Letter of Credit to support the Authority's Commercial Paper program. JPMorgan Chase Bank, the counterparty

to the 2004 Hedge Agreement, is also an affiliate of the Authority Trustee and the Bond Bank Trustee. JPMorgan Chase & Co. has entered into an agreement with The Bank of New York Company ("BONY") pursuant to which JPMorgan Chase & Co. intends to exchange portions of its corporate trust business, including municipal and corporate trusteeships, for BONY's consumer, small business and middle market banking businesses. This transaction has been approved by both companies' boards of directors and is subject to regulatory approvals. It is expected to close in the late third quarter or fourth quarter of 2006.

FINANCIAL ADVISOR

First Albany Capital Inc., New York, New York ("First Albany"), will serve as financial advisor to the Bond Bank with respect to the sale of the 2006 Bonds. As the Bond Bank's financial advisor, First Albany, as assisted by D+G Consulting Group, LLC, has assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring, rating and issuance of the 2006 Bonds. In its role of financial advisor to the Bond Bank, First Albany has not undertaken either to make an independent verification of, or to assume responsibility for, the accuracy or completeness of the information contained in the Official Statement and the Appendices hereto.

CONTINUING DISCLOSURE

Pursuant to continuing disclosure requirements promulgated by the Securities and Exchange Commission in SEC Rule 15c2-12, as amended (the "SEC Rule"), the Authority will enter into a Continuing Disclosure Undertaking Agreement (the "Undertaking") with the Bond Bank and the Authority Trustee ("Counterparty"), to be dated the date of delivery of the 2006 Bonds. The Authority is the only obligor under the SEC Rule. Pursuant to the terms of the Undertaking, the Authority will agree to provide the following information while any of the 2006 Bonds are outstanding:

- Audited Financial Statements. To the Bond Bank, each nationally recognized municipal securities information repository ("NRMSIR") then in existence and to the Indiana state information depository then in existence, if any ("SID"), when and if available, the audited comprehensive annual financial report of the Authority for each twelve month period ending December 31st, beginning with the twelve month period ending December 31, 2005, together with the opinion of such accountants and all notes thereto, within sixty days of receipt from the certified public accountants; and

- Financial Information in this Official Statement. To the Bond Bank, each NRMSIR then in existence and to the SID, within 210 days of each December 31st, beginning with the calendar year ending December 31, 2005, unaudited annual financial information for the Authority for such calendar year including operating data of the type included in the following sections of this Official Statement: "THE AIRPORT AND THE AIRPORT SYSTEM—Historical Airport Activity," "CAPITAL IMPROVEMENT PROGRAM—Plan of Funding for 2001-2010 CIP—*PFCs*," "AIRPORT FINANCIAL INFORMATION—Historical Operating Results," and in APPENDIX A — REPORT OF THE AIRPORT CONSULTANT—AIRLINE TRAFFIC ANALYSIS—Historical Airline Traffic" and "—AIRLINE TRAFFIC ANALYSIS—Key Factors Affecting Future Airline Traffic" (collectively, the "Annual Information").

- Event Notices. In a timely manner, to the Bond Bank, to each NRMSIR or to the Municipal Securities Rulemaking Board (MSRB), and to the SID notice of certain events listed in the Rule, if material with respect to the 2006 Bonds (which determination of materiality shall be made by the Authority in accordance with the standards established by federal securities laws).

- Failure to Disclose. In a timely manner, to the Bond Bank, each NRMSIR or to the MSRB, and to the SID notice of the Authority failing to provide the audited financial statements or Annual Information as described earlier.

The Authority and the Counterparty may, from time to time, amend or modify the Undertaking without the consent of or notice to the owners of the 2006 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 Authority, or type of business conducted; (ii) the Undertaking, as so amended or modified, would have complied with the requirements of the SEC Rule on the date of execution of the Undertaking, after taking into account any amendments or interpretations of the SEC Rule, as well as any change in circumstances; and (iii) such amendment or modification does not materially impair the interests of the holders of the 2006 Bonds, as determined either by (A) the Counterparty, the Bond Bank Trustee under the Indenture or nationally recognized bond counsel or (B) an approving vote of the holders of the 2006 Bonds pursuant to the terms of the Indenture at the time of such amendment or modification; or (C) such amendment or modification (including an amendment or modification which rescinds the Undertaking) is permitted by the SEC Rule, as then in effect.

The Authority and Counterparty may, at its sole discretion, use an agent in connection with the dissemination of any annual financial information required to be provided by the Authority pursuant to the terms of the Undertaking.

The purpose of the Undertaking is to enable the Underwriters to purchase the 2006 Bonds by providing for an undertaking by the Authority in satisfaction of the SEC Rule. The Undertaking is solely for the benefit of the owners of the 2006 Bonds and creates no new contractual or other rights for, nor can it be relied upon by, the SEC, underwriters, brokers, dealers, municipal securities dealers, potential customers, other obligated persons or any other third party. The sole remedy against the Authority for any failure to carry out any provision of the Undertaking shall be for specific performance of the Authority's disclosure obligations under the Undertaking and not for money damages of any kind or in any amount or any other remedy. The Authority's failure to honor its covenants under the Undertaking shall not constitute a breach or default of the 2006 Bonds, the Indenture, the 2006 Authority Bonds, the Ordinance or any other agreement to which the Authority or Bond Bank is a party.

Except for the delayed filing of a continuing disclosure filing due June 30, 1998, as a result of an administrative oversight, the Authority has complied substantially with all obligations under its existing continuing disclosure agreements.

MISCELLANEOUS

The references, excerpts, and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is made to all such documents for full and complete statements of all matters of fact relating to the 2006 Bonds, the security for the payment of the 2006 Bonds and the rights of the owners thereof. Copies of such documents may be examined at the offices of the Bond Bank.

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

Any statements made in this Official Statement involving matters of opinions or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information presented herein since the date hereof. This Official Statement is submitted in connection with the issuance and sale of the 2006 Bonds and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract or agreement between the Bond Bank, the City, the County, the Authority, the Bond Bank Trustee, the Authority Trustee, the Registrar and Paying Agent or the Underwriters and the purchasers or owners of any 2006 Bonds. The delivery of this Official Statement has been duly authorized by the Board of Directors of the Bond Bank and the Authority Board.

THE INDIANAPOLIS LOCAL PUBLIC IMPROVEMENT BOND BANK

By: /s/ Mary Titsworth Chandler
Mary Titsworth Chandler, Chairperson

INDIANAPOLIS AIRPORT AUTHORITY

By: /s/ Lacy M. Johnson
Lacy M. Johnson, President

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Appendix A

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

INDIANAPOLIS AIRPORT AUTHORITY
AIRPORT REVENUE BONDS, SERIES 2006A AND SERIES 2006B

Prepared for

Indianapolis Airport Authority
Indianapolis, Indiana

Prepared by

Leigh Fisher Associates
San Francisco, California

May 30, 2006

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LEIGH FISHER ASSOCIATES
A Division of Jacobs Consultancy Inc.

555 Airport Boulevard, Suite 300
Burlingame, California 94010 U.S.A.
1.650.579.7722 Fax 1.650.343.5220

May 30, 2006

Mr. Lacy M. Johnson
President
Indianapolis Airport Authority
Indianapolis International Airport
Indianapolis, Indiana 46241-4941

Re: Report of the Airport Consultant, Indianapolis Airport Authority
Airport Revenue Bonds, Series 2006A and Series 2006B

Dear Mr. Johnson:

We are pleased to submit this Report of the Airport Consultant on certain aspects of the proposed issuance of Indianapolis Airport Authority Airport Revenue Bonds, Series 2006A and Series 2006B (the proposed 2006 Bonds). The Indianapolis Airport Authority (the Authority) owns Indianapolis International Airport (the Airport), the Downtown Heliport, and four operational general aviation airports—Eagle Creek Airpark, Hendricks County Airport/Gordon Graham Field, Metropolitan Airport, and Mt. Comfort Airport (collectively, the Reliever Airports). The Airport and the Reliever Airports make up the Airport System.

Since October 1, 1995, BAA Indianapolis LLC (BAAI) has operated, maintained, and managed the Authority's Airport System under a management agreement that extends through December 31, 2008.

The Authority retains certain powers and duties, including compliance with its obligations under all bond ordinances and other financing documents. The Authority makes the debt service payments on its various indebtedness directly to the Trustee or lender, as the case may be. In addition, the Authority directly contracts and makes payments for all capital improvement projects. (For a more complete description, see "Retained Powers of Authority" in the "Background" section of this report.)

SERIES 2006A BONDS AND SERIES 2006B BONDS

The proposed 2006 Bonds are to be issued on parity with the Authority's Refunding Revenue Bonds, Series 1996A, and the Authority's Airport Revenue Bonds, Series 2003A, Series 2004A, and Series 2005A (with the proposed 2006 Bonds, the Revenue Bonds). The Revenue Bonds are to be payable from Net Revenues of the Airport System and a portion of the Revenue Bonds are also payable from passenger facility charge (PFC) and customer facility charge (CFC) revenues designated by the Authority as Designated Revenues.

On December 20, 2002, the Authority adopted General Ordinance No. 4-2002 (the Revised Master Bond Ordinance) amending and restating General Ordinance No. 6-1985, as previously supplemented and amended (the Original Ordinance). The Revised Master Bond Ordinance became effective with the issuance of the 2003A Bonds. The proposed 2006 Bonds are to be issued under the Revised Master Bond Ordinance, as further supplemented by General Ordinance No. 3-2006 (the 2006 Supplemental Ordinance), adopted by the Authority on May 19, 2006.

The Revised Master Bond Ordinance, and all amendments and supplements thereto, including the 2006 Supplemental Ordinance, are referred to in this report and the attachment as the Ordinance.* The financial forecasts presented in this report were prepared in accordance with the Ordinance. (See the Official Statement for a more detailed description of the Ordinance.)

The proposed 2006 Bonds are to be issued in two series, Series 2006A (tax-exempt) and Series 2006B (taxable).

The Authority expects to issue the Series 2006A Bonds, in the approximate principal amount of $369.0 million, as fixed rate bonds. The Series 2006A Bonds are being issued to:

- Fund approximately $292.8 million of estimated costs of certain elements of the Airport's 2001-2010 Capital Improvement Program (referred to herein as the 2001-2010 CIP) (see "Capital Improvement Program" herein).
- Fund a deposit to the Series 2006A Account of the Revenue Bond Reserve Fund.
- Fund a deposit to the Series 2006A Capitalized Interest Account to pay interest on Revenue Bonds
- Pay other costs incurred in connection with the issuance of the proposed Series 2006A Bonds.

The Authority expects to issue the Series 2006B Bonds, in the approximate amount of $43.5 million, as fixed rate bonds. The Series 2006B Bonds are being issued to:

- Fund approximately $40.0 million of estimated costs related to certain rental car and ground transportation facilities of the 2001-2010 CIP.

---

*Capitalized terms not otherwise defined in this report are used as defined in the Ordinance or the Airline Agreement, discussed later.

- Fund a deposit to the Series 2006B Account of the Revenue Bond Reserve Fund.
- Pay other costs incurred in connection with the issuance of the proposed Series 2006B Bonds.

The debt service on the proposed 2006 Bonds is to be paid from Net Revenues of the Airport System, PFC revenues, and CFC revenues. In addition to the proposed 2006 Bond proceeds and proceeds from prior bonds, the Authority expects to use state and federal grants, Commercial Paper (defined herein), PFC revenues, CFC revenues, and other Authority funds to pay for costs of the 2001-2010 CIP (defined herein), and further expects that a substantial portion of the projects to be undertaken in the remainder of 2007 through 2010 are to be funded from the Planned Bonds (defined herein) and commercial paper, including:

- Airfield and taxiway improvements, including the expansion of cargo apron
- Certain elements of the New Indianapolis Airport Program, previously referred to as the Midfield Terminal Program (as described herein), including design, site grading, utilities, access roadway ramps, glycol recovery, some terminal construction, and other components, including certain rental car and ground transportation facilities
- Certain other capital projects, including land acquisition for noise mitigation

As of March 23, 2006, the total cost of project elements in the 2001-2010 CIP through 2007 is estimated by the Authority to be approximately $1.3 billion, which includes $918.1 million estimated in 2006-2007 and $423.4 million incurred in 2001-2005. (See Exhibit A in the Financial Analysis section of the attachment.) The Authority anticipates that the date of beneficial occupancy of the New Indianapolis Airport will be in late 2008.

In addition to the 2001-2010 CIP, the Authority's current plan for capital improvements in 2011 and 2012 includes estimated project costs of approximately $80.6 million (the 2011-2012 Capital Projects). The financial forecasts presented herein reflect the implementation the 2001-2010 CIP, as well as the 2011-2012 Capital Projects, as shown in Exhibit A.

PLANNED BONDS

The Authority expects to issue at least one series of additional revenue bonds as needed to fund the Airport's 2001-2010 CIP (as well as the 2011-2012 Capital Projects). These additional bonds are referred to as "Planned Bonds" in this report. The proceeds of the Planned Bonds may be used to pay project costs, pay interest during

construction, repay any subordinate Commercial Paper notes or other interim financing costs, meet the Revenue Bond Reserve Fund requirements for the Planned Bonds, and pay issuance costs.

For purposes of this report, the Planned Bonds are estimated to be issued in 2008 in the collective amount of approximately $446.7 million, with the Debt Service Requirement expected to be paid from Net Revenues of the Airport System, PFC revenues, and CFC revenues.

SUBORDINATE COMMERCIAL PAPER NOTES

The Authority has provided interim financing for implementation of the 2001-2010 CIP through its Commercial Paper Program. Under its Commercial Paper Program, the Authority may borrow up to $120.0 million. JP Morgan Chase Bank, N.A. has provided a letter of credit that provides credit enhancement and liquidity for the payment of principal of and interest on the Commercial Paper notes. The letter of credit currently expires on December 31, 2007.

As of May 1, 2006, $15 million of subordinate Commercial Paper notes was outstanding. This amount provided financing for certain capital projects from 2003 to 2006. The Authority expects to continue financing certain projects with subordinate Commercial Paper notes or similar sources of Subordinate Securities as an interim financing or short-term borrowing mechanism.

THE RATE COVENANT

In the Ordinance, the Authority covenants that it will:

> at all times fix, charge, impose and collect rentals, rates, fees and other charges for the use of the Airport System . . . in order that upon measurement in each Fiscal Year the Net Revenues, together with moneys in the Coverage Fund, will at all times be at least sufficient to equal the larger of either:
>
> (i) all amounts required to be deposited in such Fiscal Year to the credit of the Revenue Bond Interest and Principal Fund and the Revenue Bond Reserve Fund; or
>
> (ii) an amount not less than 125% of the annual principal and interest due for all Revenue Bonds in such Fiscal Year.*

*Does not include Subordinate Securities.

This provision is referred to as the Rate Covenant. The Ordinance allows consideration of amounts in the Prepaid Airline Fund and Coverage Fund and excludes certain debt service payments to be paid with Dedicated Revenues (defined herein) for purposes of meeting the Rate Covenant.

PASSENGER FACILITY CHARGE PROGRAM

The Authority's PFC program is administered in accordance with applicable PFC Regulations under Federal Aviation Regulations (FAR), Part 158.

PFC Approvals

As approved by the Federal Aviation Administration (FAA), the Authority imposed a PFC of $3 per eligible enplaned passenger from September 1993 through March 2001. Under this approval (through the beginning of 2001), the Authority was authorized to collect and use PFC revenues up to $115.0 million to be applied toward FAA-approved Airport capital costs. On January 17, 2001, the Authority received approval from the FAA to increase its PFC from $3.00 to $4.50. Additionally, on March 28, 2001, the Authority received approval from the FAA to impose the $4.50 PFC to collect PFC revenues up to $533.9 million to fund PFC-eligible estimated project and financing costs related to the construction of the New Indianapolis Airport.

On August 25, 2003, the Authority received "use approval" for the $4.50 PFC to be applied to elements of the 2001-2010 CIP, including the New Indianapolis Airport, and amended the costs of two previously approved projects. As a result, the Authority currently has approval to collect and use $524.5 million to fund PFC-eligible project costs. The Authority plans to use PFC revenues for the direct payment of project costs ("pay-as-you-go") and to pay certain debt service and interest and financing costs associated with Revenue Bonds.

PFC Framework and Forecast Assumptions

Although PFC revenues are not defined as Gross Revenues under the Ordinance, the Ordinance does contemplate the use of PFC revenues, stating that:

> From time to time the Authority may adopt an ordinance or resolution irrevocably designating certain revenues received by the Authority (and not otherwise treated as Gross Revenues) as Dedicated Revenues to be used exclusively to pay debt service on Revenue Bonds. In such resolution or ordinance, the Authority shall elect to exclude from the Debt Service Requirement, an amount of principal of and/or interest on Revenue Bonds in an amount equal to such Dedicated Revenues. If the Authority adopts an

> ordinance or resolution as described in this paragraph, the Authority shall transfer such Dedicated Revenues into the Revenue Bond Interest and Principal Fund at such time as is needed to pay such debt service when due.

This provision permits the Authority to exclude the debt service to be paid from PFC revenues from the Debt Service Requirement for purposes of demonstrating debt service coverage under the Rate Covenant and compliance with the test for issuing additional bonds.

The financial forecasts presented in this report reflect the Authority's historical and planned dedication of certain of its PFC revenues to be used exclusively to pay debt service on Revenue Bonds. The amount of PFC revenues that the Authority intends to use to pay principal of and interest on Revenue Bonds is shown in Exhibit C. Any PFC revenues that the Authority intends to use for the payment of debt service are to be transferred from the PFC fund to the Revenue Bond Interest and Principal Fund, as needed. The Authority intends to use the remaining PFC revenues collected to fund projects in the 2001-2010 CIP on a pay-as-you-go basis or to pay additional debt service.

Although it is the Authority's intention, there is no assurance that the Authority will use PFC revenues to pay project costs on a pay-as-you-go basis or for the payment of debt service on a portion of the Revenue Bonds, as described above and reflected in Exhibits A, B, and C.

CUSTOMER FACILITY CHARGE

On March 17, 2006 the Authority adopted an ordinance revising its Schedule of Charges to include customer facility charges (CFCs) to be collected by rental car companies serving the Airport. Effective May 1, 2006 a CFC of $3.00 per contract day (up to a maximum of 14 days) shall be collected by the rental car companies and remitted to the Authority. Prior to closing on the proposed 2006 Bonds, the Authority intends to designate approximately $40.9 million of CFCs through 2012 as Dedicated Revenues to be used exclusively to pay debt service on Authority Revenue Bonds through such time period.

THE AIRLINE AGREEMENT

The Authority and the airlines negotiated an airline agreement that has been in effect since March 15, 2001. The following passenger and cargo airlines have entered into an Agreement and Lease of Premises (the Airline Agreement) with the Authority: AirTran Airways, America West Airlines, American Airlines, Cargolux Airlines, Chautauqua Airlines, Continental Airlines, Delta Air Lines, FedEx, Frontier Airlines,

Northwest Airlines, Skyway Airlines, Southwest Airlines, United Airlines, and US Airways (collectively referred to as the Signatory Airlines).*

As part of the Airline Agreement, the airlines approved the development and construction of the New Indianapolis Airport Program, which includes a new Midfield Terminal, with a budgeted cost of $1.066 billion (in escalated dollars**) and a current Date of Beneficial Occupancy (DBO) in late 2008. In Section 8.04 of the Airline Agreement, the Authority has agreed to use its best efforts to assure that, upon completion of the New Indianapolis Airport Program, the average projected cost per enplaned passenger and landing fee rate do not exceed Targeted Limits during the projection period—January 1, 2007, through December 31, 2010. Additionally, in Section 8.04, "The Authority and the Airline(s) agree the Targeted Limits are not a guaranty, but are targets to be used by the Authority in planning the New Indianapolis Airport Program. The Airline(s) and Authority recognize that the Targeted Limits may need to be increased or decreased" in accordance with changes in program scope, such as the federally mandated checked-bag screening project and other security measures.

The Airline Agreement establishes procedures for the review and adjustment of Signatory Airline Terminal Complex rental rates, Apron Area rents, and Landing Fees each Fiscal Year to ensure that the Gross Revenues of the Airport System are at least sufficient to meet the Operation and Maintenance Expenses of the Airport System, the Debt Service Requirements of the Authority's Outstanding Revenue Bonds and Subordinate Securities, and other funding requirements established by the Ordinance. The Airline Agreement expires on December 31, 2010. For purposes of this report, however, it was assumed that the current procedures in the Airline Agreement for calculating airline rents and fees would be in effect throughout the forecast period (2006 through 2012).

CAPITAL IMPROVEMENT PROGRAM

In 2001, the Authority developed a 10-year CIP for the Airport System from 2001 through 2010. Estimated project costs for all capital projects in the 2001-2010 CIP total approximately $1.6 billion (in actual and escalated dollars) and the estimated project costs from 2006-2010 total approximately $1.2 billion (in escalated dollars). The major element of the Authority's 2001-2010 CIP is the New Indianapolis Airport Program, which was originally estimated at $939.9 million (in escalated dollars) and is now budgeted to be $1.066 billion (in escalated dollars), including inflation, approximately $35.0 million for the federally mandated checked-bag screening project, and

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*On September 27, 2005, US Airways emerged from bankruptcy and completed its merger with America West Airlines.

**All project costs presented in this report were escalated to account for price inflation and construction indices.

approximately $60 million for expanded automobile parking facilities. The New Indianapolis Airport is anticipated to open in late 2008. Other elements of the 2001-2010 CIP* to be financed with the proposed 2006 Bonds include airfield capacity projects, taxiway improvements, rental car facilities, roadway improvements, cargo apron expansion, environmental mitigation projects, deicing control projects, and projects associated with the Authority's noise program, many of which are eligible for federal and/or state grants.

The forecasts of Net Revenues and Debt Service Requirements presented in the exhibits accompanying this report reflect debt service on Planned Bonds that the Authority expects to issue during the forecast period to fund—together with available Airport System moneys, proceeds from subordinate Commercial Paper notes, and other sources of funds—the 2001-2010 CIP. The Authority expects to use proceeds from the proposed 2006 Bonds, subordinate Commercial Paper notes, federal and state grants, PFC revenues, CFC revenues, and other Authority funds to pay for certain elements of the 2001-2010 CIP and currently expects that a substantial portion of the projects to be undertaken in the remainder of 2007 through 2012 are to be funded from the net proceeds of Planned Bonds and Commercial Paper. For purposes of this report, the Planned Bonds are assumed to be issued on a parity with the other Revenue Bonds under the Ordinance. The financial forecasts presented herein reflect debt service associated with the implementation of the 2001-2010 CIP, as well as the 2011-2012 Capital Projects.*

SCOPE OF REPORT

We have been retained by the Authority to serve as the Airport Consultant in connection with the issuance of the proposed 2006 Bonds. Our report was undertaken to evaluate the ability of the Airport System to generate sufficient Net Revenues to meet the annual funding requirements of the Ordinance—including 125% coverage of Debt Service Requirements on the Outstanding 1996A, 2003A, 2004A, 2005A, and proposed 2006 Bonds during each of the Fiscal Years** (FY) 2006 through 2012 (refer to the "Background" and "Financial Analysis" sections of the attachment). For the purposes of this report, the financial forecasts include the Planned Bonds.

In conducting our study, we analyzed:

- Future airline traffic demand at the Airport, giving consideration to the demographic and economic characteristics of the Indianapolis region; historical

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*In addition to the 2001-2010 CIP, the Authority's current plan for capital improvements in 2011 and 2012 include estimated project costs of approximately $80.6 million (the 2011-2012 Capital Projects).

**Note: The Authority's Fiscal Year is the same as the calendar year.

trends in airline traffic (passenger and cargo); the recovery in passenger traffic at the Airport since the terrorist attacks of September 11, 2001; economic conditions; recent airline service developments; and other key factors that will affect future airline traffic.

- Estimated sources and uses of funds for the 2001-2010 CIP and the 2011-2012 Capital Projects, and resultant forecast annual Debt Service Requirements.
- Historical relationships among revenues, expenses, and airline traffic at the Airport and other factors that may affect future revenues and expenses of the Airport System.
- Audited financial results for 2005, the Authority's current budget/estimate of Operation and Maintenance Expenses and nonairline revenues for 2006 and estimated 2007 Operation and Maintenance Expenses and nonairline revenues, projected staffing requirements, and other operational considerations, including those associated with federally mandated security requirements at the Airport.
- The Authority's ordinances, policies, and contractual agreements relating to the use and occupancy of Airport System facilities, including the calculation of airline rents and fees, the operation of concession privileges, and the leasing of buildings and grounds.
- The Management Agreement between the Authority and BAAI, including operational considerations, staffing requirements, the operation of public automobile parking facilities and other concession and service privileges as managed by BAAI, the various powers and responsibilities retained by the Authority, and management compensation payments to BAAI by the Authority.

We also identified key factors upon which the future financial results of the Airport System may depend and formulated assumptions about those factors. On the basis of the assumptions, we assembled the financial forecasts presented in the accompanying exhibits:

Exhibit A	Capital Improvement Program
Exhibit B	Estimated Plan of Finance
Exhibit C	Historical, Estimated, Budget, and Forecast Debt Service Requirements
Exhibit D	Historical, Estimated, Budget, and Forecast Operation and Maintenance Expenses and Cost Center Allocations
Exhibit E	Historical, Estimated, Budget, and Forecast Nonairline Revenues
Exhibit F-1	Calculation of Airline Terminal Complex Rental Rates
Exhibit F-2	Calculation of Airline Apron Area Rental Rate
Exhibit F-3	Calculation of Signatory Airline Landing Fee Rate

Exhibit G Application of Gross Revenues and Federal Payments

Exhibit H Forecast Debt Service Coverage

The Plan of Finance (Exhibit B) and Debt Service Requirements (Exhibit C) were provided by the sources noted on the exhibits.

FORECAST DEBT SERVICE COVERAGE

As indicated in the accompanying exhibits, Net Revenues of the Airport System together with consideration of amounts in the Prepaid Airline Fund and Coverage Fund, in accordance with the Ordinance, are forecast to be sufficient to meet the funding requirements of the Ordinance, including 125% coverage of Debt Service Requirements (as reduced by Dedicated Revenues), in each year of the forecast period. The forecasts of Net Revenues (together with consideration of amounts in the Prepaid Airline Fund and the Coverage Fund), estimated Revenue Bond Debt Service Requirements (as reduced by Dedicated Revenues), and estimated debt service coverage are summarized as follows:

Fiscal Year	Forecast Net Revenues (including amounts in the Prepaid Airline Fund and Coverage Fund) *(a)*	Estimated Revenue Bond Debt Service Requirements *(b)(c)*	Estimated Revenue Bond debt service coverage ratio
	[A]	[B]	[A/B]
2006	$ 55,466,000	$25,886,000	2.14
2007	63,081,000	25,011,000	2.52
2008	95,916,000	40,997,000	2.34
2009	115,674,000	58,580,000	1.97
2010	131,341,000	69,039,000	1.90
2011	132,381,000	68,862,000	1.92
2012	134,887,000	70,744,000	1.91

(a) The amounts in the Prepaid Airline Fund for the preceding fiscal year and amounts in the Coverage Fund are permitted under the Ordinance to be included in demonstrating coverage.

(b) Estimated Debt Service Requirements on the proposed 2006 Bonds and Planned Bonds were provided by the Authority's financial advisor, and Debt Service Requirements on Outstanding Revenue Bonds were provided by the Authority.

(c) Estimated Revenue Bond Debt Service Requirements are shown net of the expected level of Dedicated Revenues.

For each Fiscal Year 2006 through 2012, Net Revenues together with consideration of amounts in the Prepaid Airline Fund for the preceding fiscal year and amounts in the Coverage Fund, are forecast to exceed 125% of the Debt Service Requirements for all outstanding Revenue Bonds and Planned Bonds (after taking into account Dedicated Revenues). Therefore, the Rate Covenant is forecast to be met in each year of the forecast period.

NOTE: A sensitivity analysis has been prepared to evaluate the effect on passenger airlines cost per enplaned passenger and debt service coverage assuming possible cutbacks in air service and the resultant reductions in air traffic activity, enplaned passengers and airline landed weights (see pages 90-92).

AIRLINE COST PER ENPLANED PASSENGER

As shown in Exhibit G, airline rentals and fees include Terminal Complex rents, Apron Area rents, gate use fees, security fees, and landing fees. These passenger airline payments (costs) are expressed on a per enplaned passenger basis as follows:

	2006 *(a)*	2007	2008	2009	2010	2011	2012
Passenger airline payments (cost)	$26,770,000	$29,722,000	$42,222,000	$47,810,000	$51,757,000	$51,651,000	$53,260,000
Enplaned passengers	4,215,000	4,388,000	4,640,000	4,886,000	5,035,000	5,186,000	5,342,000
Airline cost per enplaned passenger	$6.35	$6.77	$9.10	$9.79	$10.28	$9.96	$9.97

(a) Passenger airline payments are based on estimates.

ASSUMPTIONS UNDERLYING THE FINANCIAL FORECASTS

The accompanying financial forecasts are based on information and assumptions that were provided by or reviewed with and agreed to by both the Authority and BAAI management. Accordingly, the forecasts reflect the Authority's and BAAI management's expected course of action during the forecast period and, in the Authority's and BAAI management's judgment, present fairly the expected financial results of the Airport System. The key factors and assumptions that are significant to the forecasts are set forth in the attachment, "Background, Assumptions, and Rationale for the Financial Forecasts." The attachment should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

In our opinion, the assumptions underlying the financial forecasts provide a reasonable basis for the forecasts. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of the report

* * * * *

We appreciate the opportunity to serve as Airport Consultant to the Authority in connection with this proposed financing.

Respectfully submitted,

Leigh Fisher Associates

LEIGH FISHER ASSOCIATES

Attachment

BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS

Indianapolis Airport Authority
Indianapolis, Indiana

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BACKGROUND

THE AIRPORT SYSTEM

The Indianapolis Airport Authority (the Authority) owns the Airport System, which consists of Indianapolis International Airport (the Airport), the Downtown Heliport, and four operational general aviation airports—Eagle Creek Airpark, Hendricks County Airport/Gordon Graham Field, Metropolitan Airport, and Mt. Comfort Airport.

Indianapolis International Airport is the principal air carrier airport serving Indianapolis and central Indiana. According to statistics compiled by Airports Council International-North America (ACI-NA), the Airport was the 42nd largest airport in the United States in 2005 in terms of total passengers. Indianapolis is classified as a medium air traffic hub by the Federal Aviation Administration (FAA).* In 2005, 4,258,054 passengers were enplaned at the Airport.

THE AIRPORT

As of June 2006, the Airport was served by 10 major/national and 16 regional/commuter passenger airlines, which together provided 175 daily scheduled departures to 39 cities, and two all-cargo airlines. The major/national airlines provide 80 daily nonstop departures from the Airport.

According to ACI-NA, in 2005, the Airport ranked 8th overall in North America in terms of total air cargo tonnage. Cargo activity at the Airport has increased significantly in the past decade. From 1990 to 2005, the amount of air cargo enplaned at the Airport increased an average of 8.6% per year. Since 1988, FedEx has operated an overnight package sorting hub facility at the Airport—one of its two primary national hubs.

Located 7 miles west of downtown Indianapolis, the Airport occupies approximately 7,500 acres of land in Marion and Hendricks counties. The Airport has three runways, two of which—Runway 5R-23L (10,000 feet long) and Runway 5L-23R (11,200 feet long)—are equipped with Category III precision instrument landing systems. Runways 5L-23R and 5R-23L have the necessary separation to allow for simultaneous independent operations. Crosswind Runway 14-32 is 7,600 feet long; however, a project to shorten the runway by 324 feet to allow direct line of sight from the tower is expected to begin in Spring 2006.

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*A medium hub is defined as a community that enplanes between 0.25% and 0.99% of all passengers enplaned on certificated route air carriers in all services in the 50 states, the District of Columbia, and other designated territorial possessions of the United States.

The current passenger terminal complex, including the terminal building, associated aircraft apron areas, automobile parking lots, and access roads, is on the northeast side of the Airport. The existing terminal building consists of approximately 711,000 square feet and has four concourses with 33 second-level-loading aircraft parking positions and five ground-level commuter aircraft gates. The current terminal complex is served by a two-level roadway connected to a roadway system that loops around a parking structure and surface parking lot, which together with remote lots provide approximately 11,000 parking spaces.

Situated on approximately 300 acres of land in the northwest corner of the Airport, the Airport has a 1.7 million-square-foot aircraft maintenance and overhaul facility, the Indianapolis Maintenance Center (the IMC). One of the largest facilities of its type in the world, the IMC includes hangars, repair and maintenance shops, machine shops, an energy plant, a wastewater treatment facility, atrium, common areas, cafeteria, and office space. Among other things, the IMC also includes extensive airplane docking systems, an automated parts storage and delivery system, and an underground fuel pipeline for the fueling and defueling of planes during the maintenance process.

The Airport has several cargo buildings totaling approximately 1.5 million square feet of interior space. This includes the FedEx complex (which is slightly over 1 million square feet), the United States Postal Service express mail facility, and several other cargo buildings.

THE AUTHORITY

The Authority is a municipal corporation that was created in 1962 by the City of Indianapolis (the City) and Marion County in accordance with the provisions of Indiana Code 19-6-2, which has been superseded by Indiana Code 8-22-3.

The Authority currently is governed by an eight-member board (the Board). Six members of the Board are appointed by the Mayor of the City, the seventh member is appointed by the Marion County Board of Commissioners, and the eighth member is appointed by the Hendricks County Board of Commissioners. Each member is appointed to a 4-year term. In addition, the Board has three nonvoting advisory members.

THE BAAI MANAGEMENT AGREEMENT

On October 1, 1995, BAA Indianapolis LLC (BAAI) began operating, maintaining, and managing the Airport System for and on behalf of the Authority in accordance with an Agreement for the Operation and Maintenance of the Indianapolis International Airport Facilities (the Management Agreement). The Management Agreement, which does not constitute a lease or sale of Airport System facilities,

extends through December 31, 2008. The Management Agreement grants BAAI all necessary rights and powers to serve as an independent contractor for the operation, maintenance, and management of the Airport System. The Authority retains certain powers and duties, including compliance with its obligations under the Authority's Ordinance authorizing the issuance of Bonds and other financing documents (see the section that follows entitled "Retained Powers of Authority").

All billings of the Authority and all remittances sent to the Authority are in the name of and made payable to the Authority. All Gross Revenues are deposited into the Airport System Fund, which is maintained by the Authority in the Authority's official depository bank. Withdrawals or transfers from the Airport System Fund can only be made by the Authority. BAAI serves administratively as the Authority's agent for all such billings and remittances, but does not take title to, nor become owner of, any of these funds.

The Authority makes all debt service payments on its various indebtedness directly to the Trustee or the lender, as the case may be. The Authority also makes direct deposits to its reserve funds as such may be required by the Ordinance or other loan documents. In addition, the Authority directly contracts and makes payments for all Capital Improvements, including the construction of the New Indianapolis Airport, as described later in this report.

The Management Agreement stipulates that BAAI cannot obligate the Authority to make expenditures beyond the Authority's annual operating budget as approved by the Board.

In 2004, the Authority and BAAI negotiated an amended and restated management agreement (the Amended Management Agreement). Beginning in 2004, the Amended Management Agreement provides for compensation equal to a fixed annual component and a variable component earned by BAAI based on actual performance each year. The Authority does not expect that the total compensation to be paid to BAAI will materially increase from compensation paid in prior years. For the last 3 years, 2003 through 2005, BAAI has received compensation payments from the Authority amounting to approximately $1.5 million, $1.5 million, and $1.8 million per year, respectively.

Notwithstanding the fact that the termination date of the Management Agreement is December 31, 2008, an estimated operating expense for the management of the Airport has been included in the forecasts through 2012.

RETAINED POWERS OF AUTHORITY

As owner of the Airport System, the Authority retains, and BAAI is not ultimately responsible for, the following responsibilities and powers:

- Compliance with covenants of the Ordinance
- Compliance with the Airline Agreements
- Compliance with FAA Airport Improvement Program (AIP) grant assurances
- Passenger and cargo air service development policies and implementation
- Debt issuance in the Authority's name
- Airline/aviation rates and charges regulation
- Collection and use of passenger facility charge (PFC) revenues
- Long-range planning
- Airport industrial and economic development policy and implementation
- Land acquisition policies
- Wetlands and environmental mitigation policies
- Capital expenditures
- Approval of its annual operating and capital budgets
- All other statutory powers not delegated to BAAI

As mentioned previously, the Authority makes all debt service payments on its various indebtedness.

CAPITAL IMPROVEMENT PROGRAM—THE NEW INDIANAPOLIS AIRPORT PROGRAM

In 2001, the Authority developed a 10-year Capital Improvement Program (2001-2010 CIP) for the Airport System. The current cost of the 2001-2010 CIP is estimated to be approximately $1.6 billion (in actual and escalated dollars), and the estimated project costs from 2006-2010 total approximately $1.2 billion (in escalated dollars). The New Indianapolis Airport Program, previously referred to as the Midfield Terminal Program is a substantial part of the 2001-2010 CIP, comprising approximately 65% of the total cost of the 2001-2010 CIP. The proposed 2006 Bonds, the Planned Bonds, Commercial Paper, and other funds of the Authority (together with PFCs, CFCs, and federal grants-in-aid) are to be used to fund the remaining costs of the 2001-2010 CIP (as well as the 2011- 2012 Capital Projects).

The 2011- 2012 Capital Projects are included on Exhibit A. The implementation of these capital improvements is reflected in the accompanying financial exhibits.

The New Indianapolis Airport Program involves the development of a new passenger terminal complex, situated between the Airport's parallel runways—5L-23R and 5R-23L. Relocation of the Airport's terminal complex to a midfield location has been under consideration by the Authority since it was originally recommended in the 1975 Master Plan for the Airport.

As shown on Figure 1, the site upon which the New Indianapolis Airport is being constructed is an unencumbered "greenfield" site that has been reserved for Airport expansion since 1975. The New Indianapolis Airport Program includes, among other features, a new Airport Traffic Control Tower (ATCT), a new interstate highway interchange for airport access, new parking facilities, and the new terminal building, apron, and taxiways. Use of the site for the New Indianapolis Airport has been endorsed by the FAA through its approval of the 1975 Master Plan, 1991 Master Plan Update, subsequent related Environmental Impact Statement (EIS), PFC applications, and most recently, an FAA Letter of Intent grant for $121 million.

The New Indianapolis Airport is designed to complement the Airport's widely spaced parallel runway system, enabling the full operational benefits of the runways to be realized by (1) moving aircraft gates closer to the ends of the runways, (2) reducing aircraft taxiing distances and times, and (3) eliminating the need for passenger aircraft to taxi across Runway 14-32 to reach the terminal complex. The New Indianapolis Airport consists of a main terminal area enclosing ticketing, security, baggage make-up and claim areas, airline offices, airport staff offices, and concessions and attached concourse(s) with passenger holdrooms (approximately 40 air carrier aircraft gate positions), federal inspection services (FIS) facilities, airline ramp operations facilities, and additional concessions. Overall, the main terminal building and attached concourse(s) are expected to enclose approximately 1.2 million square feet of space.

On the airside, a new aircraft parking apron surrounding the New Indianapolis Airport and supporting taxilanes and taxiways are to be constructed to ensure suitable aircraft circulation in and around the apron area. This taxiway system will enable efficient aircraft circulation into and out of the terminal area. Finally, to ensure that aircraft operations can be controlled safely and efficiently, the Airport traffic control tower (ATCT) and Terminal Radar Approach Control (TRACON) building were constructed by the FAA under contract to the Authority. Construction of the new tower is complete and it became operational in late April 2006.

In conjunction with the New Indianapolis Airport Program, the Authority, along with the Indiana Department of Transportation, has relocated a portion of I-70 to create a new entrance to the New Indianapolis Airport and to expand the available space adjacent to the current FedEx facilities for future cargo-related growth. In December 2004, the relocation of I-70 was completed. On May 4, 2006, FedEx announced a planned $162 million investment that would result in the addition of more than 600,000 square feet to the existing sorting facility. As a result of the expansion, FedEx's peak sorting capacity will increase from 69,000 pieces per hour to 99,000 pieces per hour. On May 5, 2006, the Authority approved an agreement with FedEx, that will result in the addition of fourteen additional aircraft parking spaces adjacent to the current cargo apron. (See Rental Buildings and Other Areas Revenues, page 88.)

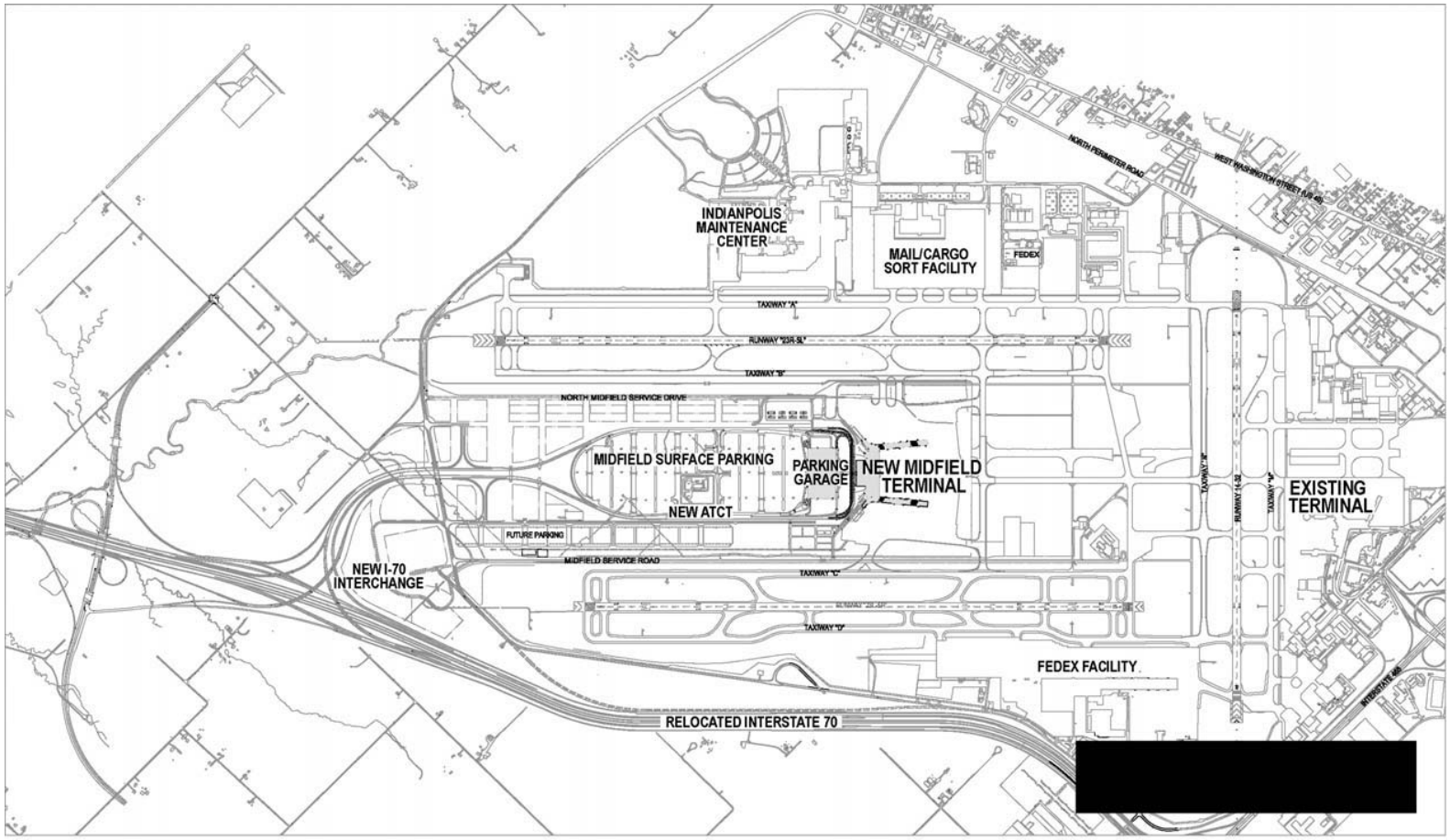

Figure 1
NEW INDIANAPOLIS AIRPORT PROGRAM
Indianapolis International Airport
October 2005

LEIGH FISHER ASSOCIATES
A Division of Jacobs Consultancy Inc.

In addition, short-term, long-term, and employee parking lots providing approximately 17,700 parking spaces are being planned and will connect with the new access roadway system.

In April 2001, John J. Kish was hired as the Midfield Project Director and, in May 2002, the Authority selected Hellmuth, Obata + Kassabaum, Inc. as the master designer for the Midfield Terminal. Partially as a result of the events of September 11, 2001, and in response to airline requests, the Authority announced in December 2003 that it would defer the opening of the New Indianapolis Airport to late 2008. As a result of an inflation adjustment related to the revised construction schedule and the inclusion of a checked baggage system, the estimated cost of the project increased from approximately $940 million to approximately $975 million.

Also, several aspects of the New Indianapolis Airport project have expanded in scope since the original project design. The Authority has included costs related to an increased size of the New Indianapolis Airport parking facilities; the expanded parking facilities are expected to result in a substantial increase in parking revenues generated at the New Indianapolis Airport. Including these items, the cost of the New Indianapolis Airport Program is now estimated to be approximately $1.066 billion. The preparation for and construction of the New Indianapolis Airport Program constitutes a significant component of the 2001-2010 CIP.

In 2005, the Authority began taking bids on certain construction elements of the New Indianapolis Airport. These elements include excavation, structural steel, and concrete foundation. To date, the bids that the Authority has received are consistent with the Authority's cost estimates. The Authority has begun construction on certain elements of the New Indianapolis Airport and expects to occupy the new midfield terminal in late 2008.

Construction of the New Indianapolis Airport and other elements of the 2001-2010 CIP (as well as the 2011- 2012 Capital Projects) will substantially complete the development program for the Airport through the forecast period. According to the Authority, additional projects (such as a third parallel runway) would be undertaken only if there is demonstrated demand and if such projects are economically justified and financially feasible.

AIRLINE TRAFFIC ANALYSIS

Enplaned passengers at the Airport increased an average of 4.1% per year between 1980 and 2005, from about 1.54 million to about 4.26 million. The passenger airlines offered an average of 175 daily scheduled flights to 39 cities from Indianapolis as of June 2006.

According to the U.S. Department of Transportation (DOT), the Airport accommodates primarily origin and destination (O&D) traffic. In 2005, about 86.7% of the Airport's passengers began or ended their air journeys at the Airport and 13.3% connect in Indianapolis on their way to and from other cities. The Airport also serves as one of two major U.S. cargo hubs for FedEx. According to preliminary data reported by ACI-NA, the Airport ranked 42nd in the United States in terms of total passengers and 8th in North America terms of cargo tonnage in calendar year 2005.

AIRPORT SERVICE REGION

As shown on Figure 2, the primary region served by the Airport consists of the ten-county Indianapolis Metropolitan Statistical Area (MSA)— Boone, Brown, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan, Putnam, and Shelby counties* plus Madison and Monroe counties, which are not included in the MSA. These twelve counties are referred to in this report as the Airport Service Region and are located within a 1-hour drive of the Airport.

The Airport Service Region is surrounded by a secondary service region, the limits of which are defined by the driving distance to other airports as well as by the availability, price, and quality of airline service at those other airports. As shown on Figure 2, the air carrier airports that have historically defined this secondary region are Cincinnati/Northern Kentucky International (110 miles southeast); Dayton International (120 miles east); Louisville International (120 miles south); and Chicago's O'Hare International and Midway (180-200 miles northwest). The driving distances from Indianapolis and the average number of daily departures from each of these airports are presented in Table 1.

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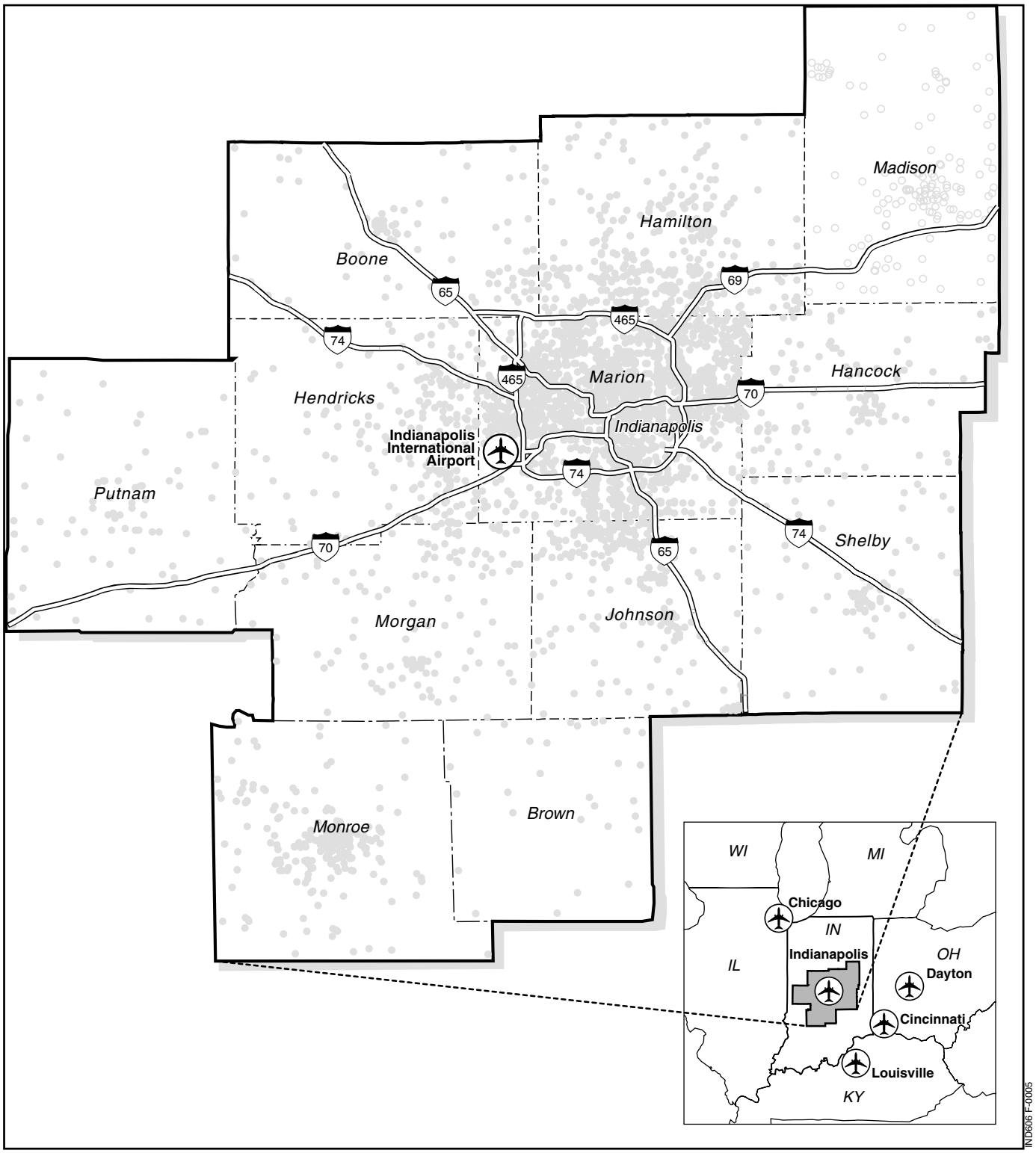
*In 2003, the counties that constitute the Indianapolis MSA were changed by the U.S. Office of Management and Budget to exclude Madison county and include Brown and Putnam counties.



LEGEND

Air carrier airport

County boundary

Population density (1 dot equals 500 people)

Figure 2
AIRPORT SERVICE REGION
Indianapolis International Airport
May 2006

LEIGH FISHER ASSOCIATES

Table 1

DRIVING DISTANCES AND AVERAGE DAILY DEPARTURES AT AIR CARRIER AIRPORTS SURROUNDING THE AIRPORT SERVICE REGION

Airport	Approximate driving distance from Indianapolis (miles)	Average number of daily scheduled departures		
		Air carrier	Commuter	Total
Indianapolis International	--	80	95	175
Cincinnati/Northern Kentucky International	110	89	390	479
Dayton International	120	14	58	72
Louisville International	120	25	65	90
Chicago Midway	180	268	20	288
Chicago O'Hare International	200	659	655	1314

Source: BACK Associates, online data from Official Airline Guides, Inc., June 2006.

According to data compiled by the U.S. Department of Commerce, Bureau of the Census, the twelve-county Airport Service Region had a population of approximately 1.9 million in 2005. Table 2 shows the distribution of the 2005 population in the Airport Service Region by county.

Table 2

POPULATION DISTRIBUTION IN THE AIRPORT SERVICE REGION
2005

County	Estimated population	Percent of Airport Service Region
Marion	863,133	46%
Hamilton	240,685	13
Madison	130,412	7
Johnson	128,436	7
Hendricks	127,483	7
Monroe	121,407	6
Morgan	69,778	3
Hancock	63,138	3
Boone	52,061	3
Shelby	43,766	2
Putnam	36,957	2
Brown	15,154	1
Total	1,892,410	100%

Source: U.S. Department of Commerce, Bureau of the Census, March 16, 2006.

PASSENGER CHARACTERISTICS

Using airline data reported to the U.S. DOT for the first nine months of 2005, it was estimated that O&D passengers represented approximately 86.7% of total traffic at the Airport. As shown in Table 3, trip purpose has been around 65% leisure travel since 2002. However, prior to 2002, the split between business and leisure travel was approximately even. This shift is due in part to a decrease in business travel that occurred nationally following the September 11, 2001 terrorist attacks, a downturn in the national economy, and in part due to the growing presence of the low-cost carriers such as Southwest, Frontier, and America West providing service from the Airport to a growing number of leisure destinations. According to surveys conducted by BAAI, approximately 50% of passengers using the Airport in 2004 and 2005 were Indiana residents.

The demographic profile of passengers using the Airport indicates a strong traffic base. Because most of the traffic is O&D, it is generated by the population and economy of the region rather than the airlines.

Table 3

AIRPORT MARKET CHARACTERISTICS

	June/ July 2002	December 2002 - January 2003	June/ July 2003	July/ August 2004	November/ December 2005
Business	32.5%	27.5%	35.2%	38.1%	36.0%
Leisure	67.5	72.5	64.8	61.9	64.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Resident	72.5%	72.4%	51.9%	49.9%	50.1%
Visitor	27.5	27.6	48.1	50.1	49.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: BAA Indianapolis, *Passenger Profiles*.

COMPARATIVE ECONOMIC TRENDS

This section presents data on the economy of the Airport Service Region and other determinants of passenger traffic, such as tourism. As the Airport's passenger traffic is primarily O&D, growth in the population, nonagricultural employment, and per capita income of the region are key drivers of airline traffic at the Airport. These key drivers will continue to be determinants of airline traffic growth at the Airport and provide the basis for the forecasts that follow.

The Airport Service Region has a diverse economic base and is a financial, government, manufacturing, and transportation center for the State of Indiana. The diversity of economic activity contributed to the region's steady economic growth and growth in activity at the Airport over the past 20 years, and has historically mitigated the effects of particular sector downturns on the overall economy.

The nation began to recover from the 2001 economic recession in 2003. Growth since 2003 has been characterized by about 3% or better growth per year in gross domestic product and uneven growth in employment. For the Airport Service Region, the region's population has grown more quickly than the State and the nation since 2000, and is expected to continue to grow faster than the State and slightly faster than the nation as a whole. According to data from the U.S. Department of Labor, the Indianapolis MSA has experienced an increase in nonagricultural employment of 0.8% per year between 2000 and 2005, slightly better than the State and the nation.

Projections of population, employment, and per capita personal income used in this report were as reported by the National Planning Association (NPA), Data Services Inc., a nationally recognized private firm that analyzes and projects trends by county across the United States.

Population

As shown in Table 4, between 1990 and 2005, population in the Airport Service Region increased an average of 1.4% per year, slightly higher than the population increase in the nation as a whole and at almost twice the rate of the State. According to the NPA, between 2005 and 2010, population in the Airport Service Region is projected to increase an average of 0.9% per year, compared with an average increase of 0.8% per year in the nation as a whole and 0.5% per year for the State.

Table 4

HISTORICAL AND PROJECTED POPULATION

	Population (thousands)			Average annual increase		
Year	Airport Service Region *(a)*	Indiana	United States	Airport Service Region *(a)*	Indiana	United States
Historical						
1990	1,541	5,558	249,623	-.-%	-.-%	-.-%
2000	1,785	6,092	282,193	1.5	0.9	1.2
2001	1,808	6,126	285,108	1.3	0.6	1.0
2002	1,830	6,155	287,985	1.2	0.5	1.0
2003	1,852	6,196	290,850	1.3	0.7	1.0
2004	1,873	6,227	293,657	0.9	0.5	1.0
2005	1,892	6,272	296,410	1.3	0.7	0.9
1990-2005				1.4%	0.8%	1.2%
Projected						
2010	1,975	6,425	309,176	0.9	0.5	0.8

(a) The Airport Service Region consists of Boone, Brown, Hamilton, Hancock, Hendricks, Johnson, Madison, Marion, Monroe, Morgan, Putnam, and Shelby counties. Historical data has been adjusted to reflect the current Airport Service Region.

Sources: Historical: U.S. Department of Commerce, Bureau of the Census, from www.census.gov, March 16, 2006.

Projected: National Planning Association, Data Services, Inc., *Key Indicators of County Growth*, *1970-2030*, 2005 edition. Data for 2010 were estimated by applying projected population growth rates.

Income

As shown in Table 5, per capita personal income in the Airport Service Region has historically been higher and has increased at a faster rate than that of Indiana and the United States, increasing an average of 1.3% per year between 1990 and 2003 compared with 1.1% in the nation and 1.2% in the State. According to the NPA, between 2003 and 2010, per capita personal income in the Airport Service Region is projected to increase an average of 2.0% per year compared with 2.1% per year in the nation as a whole and 2.2% for the State.

Table 5

HISTORICAL AND PROJECTED PER CAPITA PERSONAL INCOME

	Income (in 2000 dollars)			Average annual increase		
Year	Airport Service Region	Indiana	United States	Airport Service Region	Indiana	United States
Historical						
1990	$25,728	$23,045	$25,661	--%	--%	--%
2000	30,793	27,132	29,845	1.8	1.6	1.5
2001	30,522	26,639	29,729	(0.9)	(1.8)	(0.4)
2002	30,569	26,763	29,486	0.2	0.5	(0.8)
2003	30,523	26,989	29,455	(0.1)	0.8	(0.1)
1990-2003				1.3%	1.2%	1.1%
Projected						
2010	34,988	31,527	34,120	2.0	2.2	2.1

Sources: Historical: U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, from www.bea.gov, April 2005. Adjusted to constant 2000 dollars using the Consumer Price Index published by the U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov, August 15, 2005.

Projected: National Planning Association, Data Services, Inc., *Key Indicators of County Growth, 1970-2030*, 2005 Edition. Data for 2010 were estimated by applying projected per capita income growth rates.

Nonagricultural Employment

As shown in Table 6, nonagricultural employment in the Indianapolis MSA* increased an average of 1.9% per year between 1990 and 2005, compared with 1.3% per year in the nation as a whole and 1.1% for the State. According to the NPA, between 2005 and 2010, nonagricultural employment in the Indianapolis MSA is projected to increase an average of 1.5% per year, slightly slower than the average projected increase of 1.6% per year in the nation as a whole, but higher than the 1.2% projected State increase.

Table 6

HISTORICAL AND PROJECTED NONAGRICULTURAL EMPLOYMENT

	Jobs (thousands)			Average annual increase (decrease)		
Year	Indianapolis MSA	Indiana	United States	Indianapolis MSA	Indiana	United States
Historical						
1990	672	2,522	109,487	--%	--%	--%
2000	853	3,000	131,785	2.4	1.8	1.9
2001	861	2,933	131,826	0.9	(2.2)	0.0
2002	858	2,901	130,341	(0.4)	(1.1)	(1.1)
2003	866	2,895	129,999	0.9	(0.2)	(0.3)
2004	879	2,930	131,435	1.5	1.2	1.1
2005	887	2,963	133,463	1.0	1.1	1.5
1990-2005				1.9%	1.1%	1.3%
Projected						
2010	955	3,152	144,579	1.5	1.2	1.6

Sources: Historical: U.S. Department of Labor, Bureau of Labor Statistics, from www.bls.gov, January 2006.

Projected: National Planning Association, Data Services, Inc., *Key Indicators of County Growth, 1970-2030*, 2005 Edition. Data for 2010 were estimated by applying projected employment growth rates.

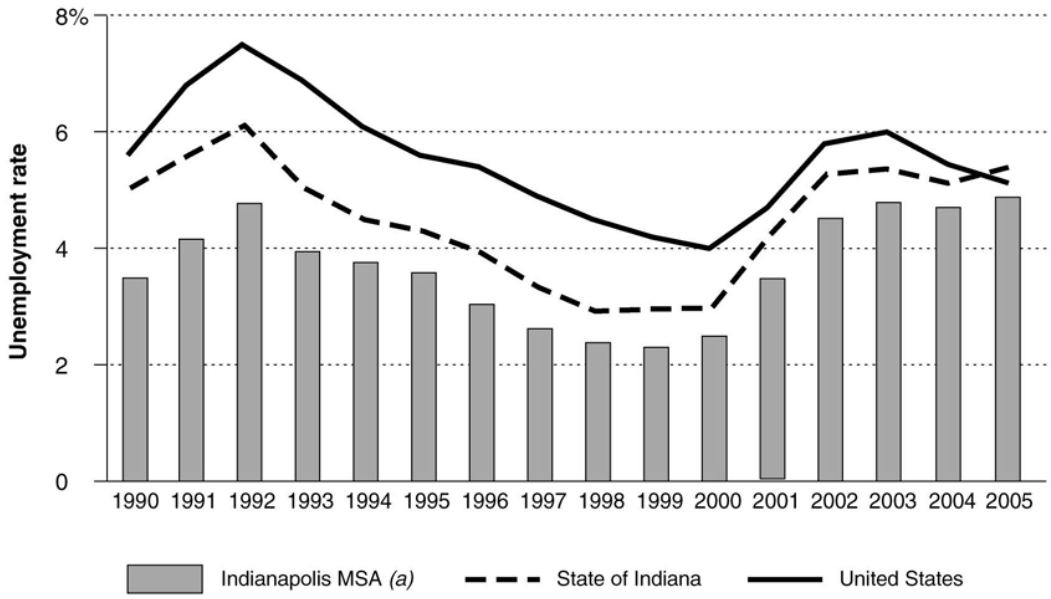
*Nonagricultural employment data are not available on a county-specific basis from the U.S. Department of Commerce, Bureau of Labor Statistics. Ten of the twelve counties in the Airport Service Region are included in the Indianapolis MSA and reflected in Table 6 and Figures 3 and 4, including Boone, Brown, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan, Putnam, and Shelby counties.

Unemployment

Historically, the unemployment rate of the Indianapolis MSA has compared favorably to both the State and the nation, as shown on Figure 3. In 2005, the unemployment rate of the Indianapolis MSA was 4.8%, compared to the State and national unemployment rates of 5.4% and 5.1%, respectively. 2005 is the first year that Indiana had a higher unemployment rate than the nation since 1985. Although the Indiana unemployment rate has remained constant since 2003, total employment has improved. Indiana lost about 104,700 jobs from 2000 through 2003, a large percentage of which were attributable to reductions in the manufacturing sector. 2003 represented the lowest level of employment for the State during the most recent recession, with employment increasing through 2004 and 2005. Recent data from the U.S. Bureau of Labor Statistics shows that the State gained an estimated 148,200 jobs between January 2003 and September of 2005 reaching the highest employment level since December 2000.

Figure 3

HISTORICAL UNEMPLOYMENT RATES



(a) The Indianapolis MSA includes Boone, Brown, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan, Putnam, and Shelby counties.

Source: U.S. Department of Labor, Bureau of Labor Statistics, August 2005.

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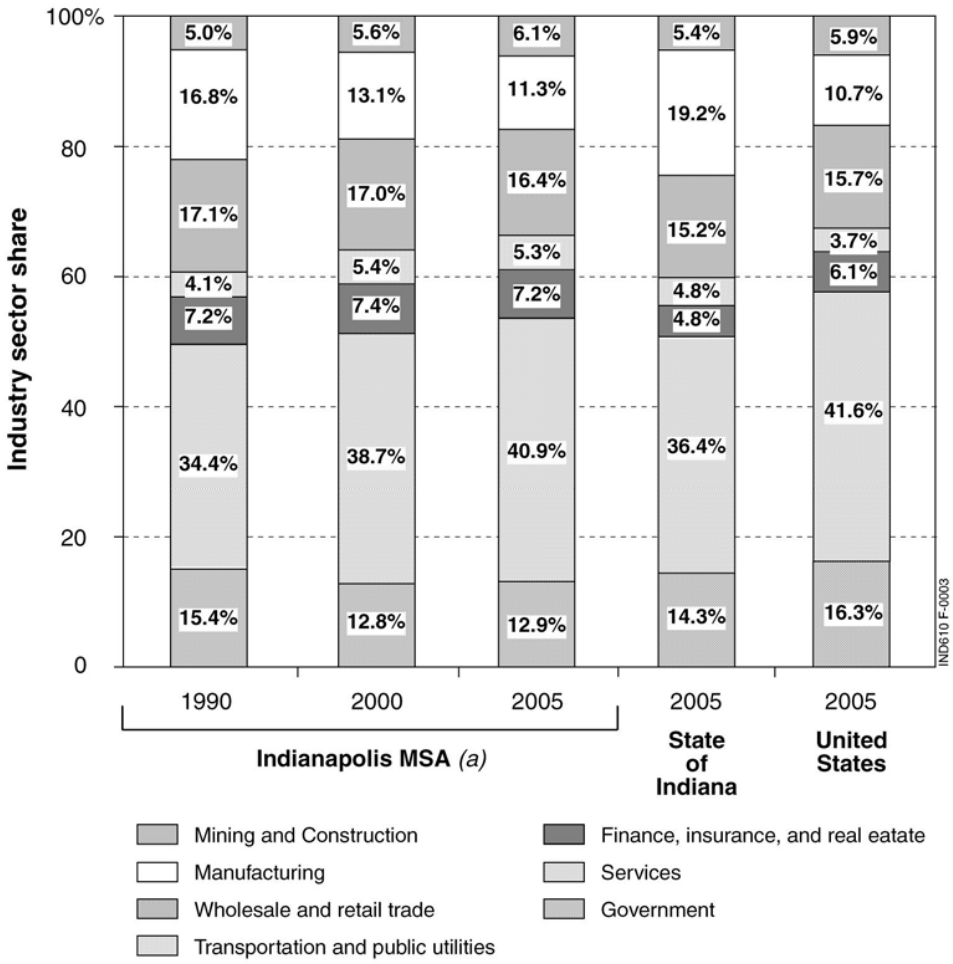
Employment by Industry Sector

Figure 4 shows the percentage distribution of employment in the major nonagricultural industry sectors in the Indianapolis MSA for 1990, 2000, and 2005 and in the State and the United States for 2005.

Figure 4

PERCENTAGE DISTRIBUTION OF NONAGRICULTURAL EMPLOYMENT



(a) The Indianapolis MSA includes Boone, Brown, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan, Putnam, and Shelby counties. The services sector includes the professional and business services, education and health services, information, leisure and hospitality, and other services subsectors.

Source: U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings for selected years.

The manufacturing sector continues to comprise more than 11% of nonagricultural employment in the Indianapolis MSA, largely driven by automobile and pharmaceutical/chemical manufacturing. However, over the last five years, the Indianapolis MSA has experienced a decrease in manufacturing sector employment

due to manufacturers relocating production to places where labor is cheaper (primarily outside the United States), continued improvements in productivity as a result of automation, and a weakened auto industry.

Growth has occurred in service industries, which has, in turn, increased levels of exports and foreign investment. Canada continues to be Indiana's largest trading partner, with vehicles, machinery, organic chemicals, medical equipment, and pharmaceuticals leading the export sectors.

Indianapolis has a large services sector, led by health-service-related businesses such as Clarian Health, Wellpoint, Inc., Community Health Network, St. Vincent Hospitals, Roche Diagnostics, and Eli Lilly and Company (pharmaceutical manufacturing).

Economy of the Airport Service Region

Total nonagricultural employment increased about 5% between January 2004 and September 2005. However, according to the Indiana Business Research Center at Indiana University, Indiana's economy experienced a slowdown in growth towards the end of 2005 that will likely continue in 2006. While moderate growth in Indiana's economy is expected in 2006, it is anticipated that it will be unevenly distributed throughout the state. Due to continued manufacturing automation, outsourcing, and a weakening auto industry in recent years, the manufacturing industry is struggling. While durable goods manufacturing still maintains a vital economic presence, an increasing portion of the state and region's economy is tied to the services sector. The education and health services and leisure and hospitality sectors led employment growth in 2005.

According to employment data from the U.S. Bureau of Labor Statistics for 2004 and 2005, employment in Indiana in education and health services, leisure and hospitality, and natural resources and mining has paralleled employment trends in the nation. Transportation and utilities and other services grew faster in Indiana than in the nation. Manufacturing employment decreased more in Indiana than in the nation. Employment in the information sector declined in both Indiana and the nation, but less in Indiana than in the nation. Financial services, professional business services, government, wholesale and retail trade, and construction showed slower job growth in Indiana as compared to the United States in 2005.

Table 7 lists the largest employers in the Airport Service Region in 2005, by number of employees. These entities represent about 17% of the nonagricultural employment in the Indianapolis MSA and Tippecanoe County, and many of the companies listed rely on airline travel. The major employers in the area include industry leaders in the fields of pharmaceuticals, telecommunications, automobiles, aviation, health care, financial services, and government. According to *Fortune* magazine's Fortune 500

Table 7

TOP EMPLOYERS IN THE INDIANAPOLIS REGION
2005

	Employer	Type of business	Number of employees
1.	State of Indiana (*a*)	State government	29,400
2.	Eli Lilly and Company	Pharmaceutical manufacturing	17,000
3.	Federal Government (*a*)	Federal government	13,000
4.	Wal-Mart (*a*)	Department stores	9,000
5.	Community Health Network	Medical and surgical hospitals	8,800
6.	St. Vincent Hospitals and Health Service	Medical and surgical hospitals	7,750
7.	Clarian Health Network	Health care and social assistance	7,503
8.	IUPUI	Colleges & Universities	7,066
9.	City of Indianapolis/Marion County (*a*)	Local government	6,880
10.	FedEx	Couriers	6,311
11.	Marsh Supermarkets Inc. (*a*)	Supermarkets and groceries	5,800
12.	Rolls-Royce	Motor vehicle supplies and parts	4,500
13.	Meijer, Inc.	Retail and grocery stores	4,050
14.	Allison Transmission/Div. of GMC	Transmission manufacturing	4,000
15.	SBC Indiana	Wired telecommunications carriers	3,500
16.	Wishard Health Services	Medical and surgical hospitals	3,421
17.	Dow AgroSciences LLC	Agricultural, chemical and bio tech	3,200
18.	St. Francis Hospital and Health Centers (*a*)	Medical and surgical hospitals	3,013
19.	Wellpoint, Inc.	Insurance carriers	3,000
20.	Roche Diagnostic Corporation	Surgical and medical instrument mfg.	2,891
21.	United Parcel Service	Couriers	2,708
22.	Bank One NA *(b)*	Commercial banking	2,500
23.	Visteon Corporation, Indianapolis Plant	Motor vehicle and parts mfg.	2,400
24.	Conseco Inc. (*a*)	Insurance carriers	2,200
25.	Redcats USA (Fulfillment Center)	Women's apparel wholesaler	2,000

Note: Information in table based on data for the following counties: Boone, Hamilton, Hancock, Hendricks, Johnson, Madison, Marion, Monroe, Morgan, Shelby and Tippecanoe.

(a) Information for these employers represents March 2005 data and does not include Monroe and Tippecanoe counties.
(b) Now operating as JP Morgan Chase.

Source: The Indy Partnership, December 2005 except as noted.

ranking (on the basis of 2005 revenue), seven of the nonpublic employers in the Indianapolis region listed in Table 7 were ranked in the Fortune 100, and an additional three companies were included in the Fortune 500. Fourteen of the employers listed above are headquartered in the Indianapolis region.

Tourism

Indianapolis offers numerous tourist attractions, some of which are nationally and internationally famous. The City hosts several professional automobile races annually, including the Indianapolis 500, the Brickyard 400, and the largest Formula 1 race in the world, the United States Grand Prix. Indianapolis is home to professional sports teams, such as the National Football League's (NFL) Indianapolis Colts, the National Basketball Association's Indiana Pacers, and the Women's National Basketball Association's Indiana Fever, as well as minor league baseball and hockey teams. Other popular attractions in Indianapolis include Circle Center Mall, Union Station, White River State Park, the Indiana State Museum, the Indianapolis Zoo, the Children's Museum of Indianapolis (the largest children's museum in the world), the Indianapolis Museum of Art, and the Eiteljorg Museum of American Indian and Western Art.

In addition, the National Collegiate Athletic Association (the NCAA) has its national headquarters and Hall of Champions in Indianapolis. In February 2004, the NCAA entered into a memorandum of understanding with the Indiana Sports Corporation, which commits that both the men's and women's Final Four, the men's and women's NCAA Division I Basketball Championship—First and Second Rounds or Regional, and the NCAA Convention would be held in Indianapolis at least once every 5 years. The 5 year cycles begin after the NCAA events' current contractual commitments have been fulfilled. The next men's and women's NCAA Final Four to be held in Indianapolis will be April 2010, and April 2011, respectively. The men's NCAA Division I Basketball Championship—First and Second Rounds or Regional will be held in Indianapolis in March 2009, and the next NCAA Convention to be held in Indianapolis is unannounced but will occur between 2012 and 2015. A recent economic impact study conducted by KPMG LLP indicated that the NCAA produced an annual economic impact for the State of more than $63 million.

The City of Indianapolis is a major tourism hub and convention center location, as well as an amateur and professional sports capital. Annually, the Indiana Convention Center and RCA Dome host nearly 400 events, ranging from smaller industry and trade shows to major trade expositions, such as the Fire Department Instructors' Conference and Performance Racing Industry. In 2005, the Convention Center simultaneously opened its most recent major expansion and began planning for the next.

In 2005, the Indiana Stadium and Convention Building Authority assumed responsibility for the expansion of the convention center, as well as the construction of a new multi-use sport stadium which will serve as home to the City's NFL franchise Indianapolis Colts, as well as various National Collegiate Athletic Association (NCAA) events, such as the Men's Final Four and the Men's and Women's Big Ten Tournaments and other entertainment and convention events.

Construction of the stadium began in August 2005 and will be open for the Colts' 2008 season. The project is estimated at $675 million.

The Convention Center project, estimated at $275 million, will add 465,000 square feet of prime exhibition space and as many as 28 major conventions and trade shows, create 2,700 additional jobs and produce $165 million in new sales. The Convention Center will open in late summer 2010.

The metropolitan area has more than 271 hotels with conference or convention meeting space, and more than 27,865 hotel rooms. In addition, the tourism sector in Indianapolis has seen the addition of new businesses, restaurants, and hotels downtown in the last few years. It is likely that a new convention-center hotel with a minimum of 800 new rooms will be constructed to serve the newly-expanded convention center.

HISTORICAL AIRLINE TRAFFIC

As of June 2006, 30 passenger airlines are scheduled to provide airline service at the Airport—10 major and national airlines and 16 regional and commuter airlines—as shown in Table 8. In addition, regularly scheduled all-cargo service at the Airport is provided principally by FedEx; other smaller cargo operators also serve the Airport.

Table 8

AIRLINES PROVIDING SCHEDULED SERVICE AT THE AIRPORT
June 2006

Passenger Airlines	
Major/national	Regional/commuter
AirTran Airways*	Air Canada Jazz
America West Airlines*	Air Wisconsin (US Airways Express)
American Airlines*	American Eagle
Continental Airlines*	Atlantic Southeast Airlines (Delta Connection)
Delta Air Lines* *(a)*	Chautauqua Airlines* (US Airways Express, Delta Connection, and United Express)
Frontier Airlines*	Comair (Delta Connection)
Northwest Airlines*	ExpressJet (Continental Express)
Southwest Airlines*	Midatlantic (US Airways Express)
United Airlines*	Mesa (US Airways Express)
US Airways*	Pinnacle Airlines (Northwest Airlink)
	PSA (US Airways Express)
	Republic Airlines (US Airways Express)
	Shuttle America (Delta Connection, United Express)
	Skyway dba Midwest Connect*
	Skywest (United Express)
	Trans States Airlines (American Connection)
All-Cargo Airlines	
FedEx*	
Cargolux Airlines International*	

*Signatory carriers.

(a) Includes Delta Express.

Sources: Official Airline Guides, Inc., *Official Airline Guide* and Indianapolis Airport Authority records, June 2006.

Recent Trends in Airline Traffic

As shown in Table 9, growth in the total number of enplaned passengers at the Airport averaged 2.7% per year from 1990 to 2005. Growth in the number of enplaned passengers was strong from 1994 through 1996, followed by continued slow but steady growth through 2000. The decline in 2001 and 2002 was related to the terrorist attacks of September 11, 2001, and a slowing of the national economy. Passenger traffic began to recover in 2003 due, in part, to improving economic conditions in 2003, and continued to recover through 2005.

Table 9

HISTORICAL ENPLANED PASSENGERS
Indianapolis International Airport
1980-2005

Year	Major/ national airlines *(a)*	Regional/ commuter airlines	Total enplaned passengers: Number	Total enplaned passengers: Average annual percent increase (decrease)
1980	1,502,650	39,729	1,542,379	--%
1981	1,335,297	76,669	1,411,966	(8.5)
1982	1,304,911	86,259	1,391,170	(1.5)
1983	1,347,567	103,154	1,450,721	4.3
1984	1,490,643	99,967	1,590,610	9.6
1985	1,816,214	79,145	1,895,359	19.2
1986	2,050,019	90,851	2,140,870	13.0
1987	2,311,289	125,408	2,436,697	13.8
1988	2,437,200	148,744	2,585,944	6.1
1989	2,540,762	147,233	2,687,995	3.9
1990	2,631,135	220,680	2,851,815	6.1
1991	2,639,685	206,642	2,846,327	(0.2)
1992	2,856,831	315,400	3,172,231	11.4
1993	2,725,817	256,156	2,981,973	(6.0)
1994	3,017,549	226,571	3,244,120	8.8
1995	3,067,704	289,422	3,357,126	3.5
1996	3,229,798	309,346	3,539,144	5.4
1997	3,289,814	298,742	3,588,556	1.4
1998	3,290,584	360,943	3,651,527	1.8
1999	3,391,787	335,455	3,727,242	2.1
2000	3,470,067	404,555	3,874,622	4.0
2001	3,148,624	471,013	3,619,637	(6.6)
2002	2,870,440	578,282	3,448,722	(4.7)
2003	3,012,497	664,974	3,677,471	6.6
2004	3,304,584	717,165	4,021,749	9.4
2005	3,470,873	787,181	4,258,054	5.9
January-March				
2005	861,092	192,240	1,053,332	
2006	730,114	213,004	943,118	-10.5%
	Average annual percent increase			
1980-1990	5.8%	18.7%	6.3%	
1990-2000	2.8	6.2	3.1	
1980-2000	4.3	12.3	4.7	
1990-2005	1.9	8.8	2.7	
1980-2005	3.4	12.7	4.1	

(a) Includes some commuter activity reported with major airline activity.

Source: Indianapolis Airport Authority records.

March 2005 was the highest passenger traffic month in the Airport's history. Similarly, 2005 passenger numbers exceeded the full year high established in 2004. As shown on Table 9, enplaned passengers through March 2006 are 10.5% lower than the same time period in 2005.

Some of the decline in passengers for the first three months of 2006 can be attributed to the airlines decreasing capacity at the Airport. There are approximately 11% fewer scheduled seats departing from the Airport in June 2006 than in June 2005. The airlines with the largest market share at the Airport, Northwest Airlines, Southwest Airlines, American Airlines, and US Airways, have about 10%, 5%, 15%, and 14% fewer scheduled seats departing from the Airport in June 2006 than in June 2005, respectively. Airlines have reduced capacity throughout the nation, as well. There are about 4% less scheduled seats departing from all U.S. airports in June 2006 than in June 2005. Correspondingly, Northwest Airlines, American Airlines, and US Airways, have about 13%, 4%, and 11% fewer scheduled seats departing from all U.S. airports in June 2006 than in June 2005, respectively. Southwest Airlines, however, has continued to add national capacity with about 5% more scheduled seats in June 2006 than in June 2005.

In addition to existing flights to Memphis, Detroit, and Minneapolis, Northwest initiated service on October 31, 2004, to Raleigh-Durham, Hartford, Los Angeles, Orlando, Las Vegas, Philadelphia, Boston, New York (LaGuardia), and Washington, D.C. (Reagan National). In February 2006, Northwest announced plans to initiate service to San Francisco beginning June 1, 2006. The airline also announced that it will resume its seasonal service to Seattle on June 8, 2006. The seasonal service to Seattle will be offered from June 8 to August 21, 2006. After adding San Francisco, Northwest will offer nonstop service from the Airport to 18 destinations, providing more flights from the Airport to more destinations than any other airline.

AirTran Airways began service in March 2005 to Atlanta and several Florida destinations, and has continued to increase service since, with about 12 daily scheduled departures for June 2006. On January 31, 2006, AirTran announced that it would initiate nonstop service to Los Angeles and San Francisco on May 9, 2006 and June 7, 2006, respectively.

ATA Airlines began to reduce service from the Airport in April 2005, dropping from a high of 46 daily nonstop scheduled flights in February 2005 to 3 daily nonstop scheduled flights in October 2005. On November 1, 2005, ATA Airlines announced that it would suspend scheduled service to and from the Airport on January 10, 2006.

Traffic at the Airport is nearly all domestic. Toronto and Cancun represent the international destinations served by the Airport and comprise only 1.4% of scheduled departures for June 2006.

As shown in Table 10, O&D passenger traffic at the Airport increased an average of 2.6% per year from 1995 to 2005, and the number of connecting passengers increased an average of 1.5% per year.

The total number of enplaned passengers at the Airport increased an average of 2.4% per year from 1995 through 2005. Actual traffic generation by the Indianapolis MSA from 1995 through 2005 is evidenced by the growth in O&D traffic. Furthermore, relatively stronger growth in O&D traffic confirms the strength of the local economy. As previously mentioned, airline data reported to US DOT for the first 9 months of 2005 indicate that an estimated 86.7% of total traffic at the Airport is O&D traffic. Connecting traffic at the Airport increased slightly in 2005 due to increased connecting flights on Northwest Airlines.

Table 10

RELATIVE SHARES OF O&D VERSUS CONNECTING PASSENGERS

	1995	2000	2004	2005	Average annual increase 1995-2005
Enplaned passengers					
O&D	2,865,315	3,534,536	3,594,746	3,689,989	2.6%
Connecting	491,811	340,086	427,003	568,065	1.5
Total	3,357,126	3,874,622	4,021,749	4,258,054	2.4
Percent of total					
O&D	85.4%	91.2%	89.4%	86.7%	
Connecting	14.6	8.8	10.6	13.3	
Total	100.0	100.0	100.0	100.0	

Notes: Originating and Connecting passengers' percent of total passengers in 2005 is based on the first three quarters of DOT data applied to the full calendar year of Airport management records data.

Sources: Airport management records, U.S. Department of Transportation, Airline Passenger Origin and Destination Survey, T-100 Onboard Database, and Commuter 298C Database (1990-2000 only).

The recovery in enplaned passenger traffic from the declines in 2001 and 2002 remained consistent at the Airport, outpacing the national recovery every month from November 2002 through 2003. In 2004, traffic recovery at the Airport and the nation were roughly equal. Passenger traffic at the Airport grew an additional 5.9% in 2005, a new Airport record number of enplaned passengers and slightly better than the percentage increase for the nation.

Airline Market Shares of Enplaned Passengers

Table 11 shows airline market shares of enplaned passengers at the Airport in 1990, 1995, 2000, 2005, and the first three months of 2006. Market shares have changed since 1990, as US Airways has downsized and other airlines have increased service.* ATA Airlines steadily increased its market share at the Airport from 4.5% in 1990 to 23.3% in 2004, the largest market share of any airline serving the Airport. ATA, however, filed for Chapter 11 bankruptcy in October 2004. Since then, ATA has downsized and its market share at the Airport went from 23.4% in December 2004 to 4.8% in December 2005.**

In 2005, Northwest had a 22.6% market share, replacing ATA as the airline with the largest market share at the Airport. When Northwest adds service to San Francisco on June 1, 2006 it will be providing service to 18 destinations, continuing to increase its market share at the Airport.

Air Tran, which began service in 2005, has steadily increased its market share and had a 9.7% market share for the first three months of 2006.

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*On September 27, 2005, US Airways emerged from bankruptcy and completed the merger with America West Airlines.

**In January 2006, ATA ceased scheduled operations at the Airport.

Table 11

HISTORICAL AIRLINE MARKET SHARES OF ENPLANED PASSENGERS

Airline	Market share 1990	1995	2000	2005	January-March 2006
Northwest Airlines (*a*)	11.8%	10.6%	13.0%	22.6%	22.5%
US Airways (*b*)	38.7	28.7	15.2	10.9	14.1
Southwest Airlines	5.1	7.8	11.6	11.9	13.2
American Airlines (*c*)	14.0	13.4	12.4	10.9	11.7
AirTran Airways	0.0	0.0	0.0	3.5	9.7
Delta Air Lines (*d*)	7.7	7.2	11.5	8.8	9.5
United Airlines (*e*)	7.3	9.2	11.3	8.9	9.1
Continental Airlines (*f*)	5.2	6.3	6.7	5.7	6.3
Frontier Airlines	0.0	0.0	0.0	2.5	2.4
ATA Airlines *(g)*	4.5	10.1	12.9	10.5	0.1
America West Airlines *(h)*	0.0	3.4	3.2	1.9	0.0
Others	5.7	3.3	2.2	1.9	1.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%

(*a*) Includes Northwest Airlink.
(*b*) Includes US Airways Express for all dates and America West Airlines as of 2006.
(*c*) Includes American Connection, American Eagle, and TWA.
(*d*) Includes Delta Connection.
(e) Includes United Express.
(*f*) Includes Continental Express.
(g) Includes ATA connection.
(h) America West market share is included as part of US Airways as of 2006.

Source: Indianapolis Airport Authority records.

The market shares of enplaned passengers at the Airport exhibit strong diversity and are fairly evenly distributed, with four airlines each having 10% or greater market share and three between 9% and 10%. The diversity of airline market share helps to ensure that competitive service is available at the Airport. In addition, the Airport traffic base is not dependent on the financial success or service provided by any one airline. Low cost airlines such as AirTran, America West, Frontier, and Southwest airlines collectively represented approximately 28.3% of the service provided at the Airport in the first three months of 2006. According to *The Airline Monitor*, low cost airlines represented approximately 24% of national passenger traffic in terms of revenue passenger miles in 2005, which partially explains lower than national average airfares in the Indianapolis market.

Origin and Destination Markets

Table 12 presents the domestic passenger origin and destination markets with at least 1.0% market share for the Airport for the 12 months ended October 31, 2005. Five of the top 23 markets are short-haul routes (less than 500 miles), and the remaining 18 are medium- and long-haul routes (more than 500 miles).

As shown in Table 12, 22 of the top 23 O&D markets are served by at least one daily nonstop flight from the Airport as of June 2006. Cities with nonstop service include major business destinations and hubs on the East and West coasts, most midcontinent hubs, and leisure destinations in the desert Southwest and Florida.

Airline Service

Table 13 shows daily scheduled passenger aircraft departures by airline as of June 2006 and Figure 5 illustrates the nonstop routes operated from the Airport. The Airport is served by most major and several national airlines operating to their midcontinent and East Coast hubs. In addition, point-to-point service is provided to major business destinations on the East and West coasts, such as New York (LaGuardia and JFK), Washington, D.C. (Reagan National and Dulles), Boston (Logan International), Los Angeles (Los Angeles International), and San Francisco (San Francisco International). A significant amount of nonstop service is also provided to leisure destinations in Florida and the desert Southwest. Finally, the Airport has international service to Air Canada's Toronto hub on Air Canada Jazz and to Cancun on both Northwest and Frontier.

In the past 3 years, the Airport has attracted improved airline service. The variety of airline service to business, leisure, and international destinations contributes to the strength of traffic at the Airport. Airlines at the Airport, however, have been reducing capacity. As previously mentioned, there are about 11% fewer departing seats scheduled for June 2006 than for June 2005 at the Airport.

Airline Fares

Historically, airline fares have also been a determinant of airline traffic demand in Indianapolis, as they have in the nation as a whole. Average fares from Indianapolis have been consistently lower than average fares nationally. Attributable to the collective 30% market share of low-cost airlines AirTran, America West, ATA, Frontier, and Southwest airlines in 2005, competitive airfares are being maintained in the Indianapolis market as a whole.

Table 12

DOMESTIC ORIGIN AND DESTINATION MARKETS AND AIRLINE SERVICE

Indianapolis International Airport

12 months ended October 31, 2005

Rank	Market *(a)*	Air miles from Indianapolis	Annual enplaned passengers	Market share	Average daily nonstop departures *(b)*
1	Las Vegas	1,586	236,610	6.7%	5
2	Orlando	828	216,960	6.1	3
3	Los Angeles *(c)*	1,809	202,400	5.7	3
4	New York *(d)*	662	193,490	5.5	16
5	Tampa/Saint Petersburg *(e)*	840	181,850	5.1	4
6	Washington D.C./Baltimore *(f)*	475	163,930	4.6	12
7	Phoenix	1,486	142,560	4.0	4
8	Fort Myers	947	123,400	3.5	1
9	Miami/Fort Lauderdale *(g)*	1,022	121,850	3.4	3
10	Atlanta	432	112,840	3.2	12
11	San Francisco *(h)*	1,938	98,320	2.8	2
12	Dallas/Fort Worth *(i)*	756	97,740	2.8	5
13	Denver	973	96,500	2.7	6
14	Chicago *(j)*	177	93,750	2.6	23
15	Minneapolis-Saint Paul	502	72,910	2.1	5
16	Philadelphia	586	67,390	1.9	7
17	Houston *(k)*	863	62,590	1.8	6
18	San Diego	1,778	55,510	1.6	-
19	Seattle/Tacoma	1,859	53,410	1.5	1
20	Boston	815	52,160	1.5	5
21	Jacksonville	695	43,380	1.2	1
22	Detroit	230	42,950	1.2	8
23	Kansas City	451	40,520	1.1	5
	Cities listed		2,573,020	72.5%	137
	All other cities		977,110	27.5	36
	Total		3,550,130	100.0%	173

(a) Cities with 1% or more of domestic origin and destination passengers at Indianapolis International Airport as reported to the U.S. Department of Transportation, Airline Passenger Origin and Destination Survey.
(b) Official Airline Guides, Inc., for June 2006.
(c) Los Angeles International, Burbank-Glendale-Pasadena, John Wayne (Orange County), Ontario International, and Long Beach airports.
(d) John F. Kennedy International, LaGuardia, and Newark International airports.
(e) Tampa and Saint Petersburg-Clearwater international airports.
(f) Baltimore/Washington International, Washington Dulles International, and Ronald Reagan Washington National airports.
(g) Miami and Fort Lauderdale-Hollywood international airports.
(h) San Francisco, Oakland, and Mineta San Jose international airports.
(i) Dallas/Fort Worth International Airport and Love Field.
(j) Chicago O'Hare International and Midway airports.
(k) George Bush Intercontinental and William P. Hobby airports.

Source: U.S. Department of Transportation, Airline Passenger Origin and Destination Survey, except as noted.

Table 13

AIRLINES PROVIDING SCHEDULED SERVICE AT THE AIRPORT
June 2006

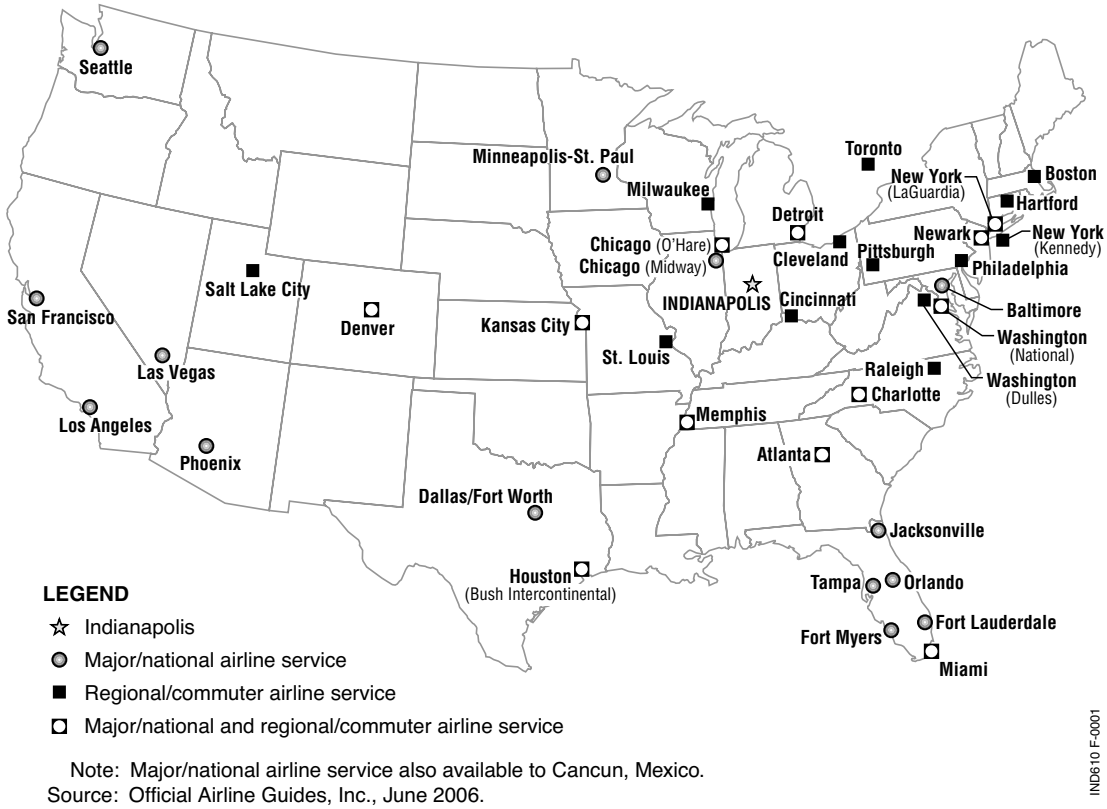
Airline	Average daily departures
Major and national airlines	
AirTran Airways	12
America West Airlines	2
American Airlines	8
Continental Airlines	3
Delta Air Lines	4
Frontier Airlines	3
Northwest Airlines	25
Southwest Airlines	16
United Airlines	2
US Airways	5
Subtotal	80
Regional and Commuter airlines	
Air Canada Jazz	2
Air Wisconsin (US Airways Express)	1
American Eagle	7
Atlantic Southeast Airlines (Delta Connection)	3
Chautauqua Airlines (Delta Connection)	3
(United Express)	6
(US Airways Express)	12
Comair Inc. (Delta Connection)	4
ExpressJet (Continental Express)	13
Midatlantic (US Airways Express)	1
Pinnacle Airlines (Northwest Airlink)	17
PSA (US Airways Express)	4
Republic Airlines (US Airways Express)	5
Shuttle America (Delta Connection	1
(United Express)	7
Skyway dba Midwest Connection	3
Skywest (United Express)	2
Trans States Airlines (American Airlines)	4
Subtotal	95
Total	175

Note: Mesa (US Airways Express) is scheduled for 2 departures for the month of June 2006.

Source: Official Airlines Guide, Inc., *Official Airlines Guide*, June 2006.

Figure 5

NONSTOP ROUTES OPERATED FROM THE AIRPORT



Note: Major/national airline service also available to Cancun, Mexico.
Source: Official Airline Guides, Inc., June 2006.

Table 14 shows changes in fares at the top 10 O&D markets from the Airport during the past 6 years—from 2000 through the first nine months of 2005. Both at the Airport and nationally, airfares rose in 1999 and 2000 before declining through 2002 due to the reduced demand for air travel and the increasing presence of low cost carriers. The average fares to the Airport's top 10 markets and the average fares at the Airport decreased in the first nine months of 2005 by 4.9% and 0.7%, respectively. The average fares in all U.S. markets increased slightly (1.4%) in the first nine months of 2005. Average fares to the Airport's top 10 markets have been about 10% to 20% lower from 2000 through the first nine months of 2005 than the average airfares at the Airport and for all U.S. markets, making travel to popular destinations more affordable.

Table 14

AVERAGE ONE-WAY AIRFARES IN THE TOP 10 DOMESTIC ORIGIN AND DESTINATION MARKETS FROM INDIANAPOLIS

	Market	2000	2001	2002	2003	2004	2005	Average annual Increase 2000-2005
1	Las Vegas	119	110	108	109	108	113	(1.0)
2	Orlando	99	94	91	88	91	93	(1.1%)
3	Los Angeles	155	142	143	130	136	140	(2.0)
4	New York	208	204	177	157	135	147	(6.7)
5	Tampa/St. Petersburg	104	95	96	89	89	88	(3.2)
6	Washington/Baltimore	142	131	132	144	134	109	(5.2)
7	Phoenix	134	124	111	109	112	120	(2.2)
8	Fort Myers	126	111	104	113	116	106	(3.4)
9	Miami/Fort Lauderdale	122	114	108	113	118	117	(0.8)
10	Atlanta	214	206	193	200	177	128	(9.8)
	Average, top 10 markets	142	133	126	125	122	116	(4.0%)
	Average, all IND markets	154	145	139	139	137	136	(2.5)
	Average, all US markets	163	152	146	149	146	148	(1.9)

Notes: 2005 data is based on Q1-Q3 as that was the most current data available at the time of the report.

Source: U.S. Department of Transportation, Airline Passenger Origin and Destination Survey.

As Table 15 illustrates, average fares at the Airport are lower than the national average. In addition, airfares at Indianapolis are lower than those in all of the neighboring airports except Chicago's Midway.

Table 15

AVERAGE AIRFARE COMPARISON

Indianapolis International Airport, Selected Other Midwest Airports, and U.S. Average
2005

Market	Average one-way domestic airfare
Cincinnati	$166
Dayton	149
St. Louis	148
Chicago (O'Hare)	147
Cleveland	146
Columbus	146
Louisville	142
Indianapolis	**136**
Chicago (Midway)	104
United States average	$148

Notes: 2005 data is based on Q1-Q3 as that was the most current data available at the time of the report.

Source: U.S. Department of Transportation, Airline Passenger Origin and Destination Survey.

Air Cargo Activity

Table 16 presents data for cargo enplaned at the Airport from 1980 through March 2006. Total enplaned cargo at the Airport increased from 168,212 tons in 1990 to 579,560 tons in 2005, an average increase of 8.6% per year. As shown in Table 17, in the first 3 months of 2006 the all-cargo airlines accounted for 99.0% of total enplaned cargo; the remaining cargo enplaned at the Airport was carried in the belly compartments of passenger airline aircraft. 99.5% of total enplaned cargo in the first 3 months of 2006 was freight and express, and the remaining 0.5% was air mail.

International freight service at the Airport began in January 2004, and there was approximately 42% more international outbound freight at the Airport in 2005 than there was in 2004.

Table 16

HISTORICAL ENPLANED CARGO
Indianapolis International Airport
1980 through March 2006

Year	Tons: Air mail	Tons: Freight and express	Tons: Total	Annual percent increase (decrease)
1980	9,299	17,014	26,313	--%
1985	10,103	48,210	58,313	17.3
1990	60,449	107,763	168,212	23.6
1995	120,928	161,858	282,786	10.9
1996	117,999	217,101	335,100	18.5
1997	120,107	244,312	364,419	8.7
1998	168,418	285,408	453,826	24.5
1999	236,377	353,366	589,743	29.9
2000	226,607	421,236	647,843	9.9
2001	178,437	437,373	615,810	(4.9) *(a)*
2002	18,837	493,873 *(b)*	512,710	(16.7) *(a)*
2003	5,828	506,820 *(b)*	512,649	--
2004	5,694	535,318 *(b)*	541,012	5.5
2005	4,584	574,976 (*b*)	579,560	7.1
January-March				
2005	1,270	132,558	133,828	--%
2006	752	145,214	145,966	9.1%

	Average annual percent increase (decrease): Air mail	Freight and express	Total
1980-1990	20.6%	20.3%	20.4%
1990-2000	14.1	14.6	14.4
1980-2000	17.3	17.4	17.4
1990-2005	(15.8)%	11.8%	8.6%
1980-2005	(2.8)	15.1	13.2

(a) Decreases in enplaned cargo in 2001 and after reflect the closure of the U.S. Postal Service hub at the Airport in August 31, 2001.
(b) Freight and express, exclusive of air mail, increased 12.9%, 2.6%, 5.6%, and 7.4% in 2002, 2003, 2004, and 2005 respectively.

Source: Indianapolis Airport Authority records.

Table 17

ENPLANED CARGO MARKET SHARE

Airline	2001	2005	January – March 2006
Cargo airlines			
FedEx	68.1%	96.2%	96.5%
Other *(a)*	29.9	2.5	2.5
Subtotal	97.8%	98.7%	99.0%
Passenger airlines	2.2	1.3	1.0
Airport total	100.0%	100.0%	100.0%

(a) Mail is carried by contract airlines. As of September, 2001, the USPS contract was acquired by FedEx, which shifted much of this activity to Memphis International Airport.

Source: Indianapolis Airport Authority records.

The significant growth in air cargo activity at the Airport prior to 1994 was primarily the result of the hubbing activity of various all-cargo airlines. FedEx began operating an express package regional sort facility at the Airport in June 1988. The U.S. Postal Service (USPS) airmail activities at its Indianapolis hub ended on August 31, 2001, after which time FedEx took over the business and shifted much of this activity to its Memphis hub.

On February 10, 2006, Cargolux Airlines International S.A. initiated all-cargo service from Indianapolis to Luxembourg. The weekly flight will primarily serve Cargolux's pharmaceutical clients.

January through March 2006 total enplaned cargo tonnage at the Airport increased 9.1% compared with the same 3-month period of 2005. Freight and express cargo, exclusive of air mail, increased 36% from 2000 to 2005, primarily driven by FedEx service increases.

FedEx's sorting facility at the Airport is the company's second largest operation and has been designed and developed to accommodate growth systemwide. While FedEx has built a sorting facility in Fort Worth (Alliance Airport) and is building an additional facility in Greensboro, North Carolina, those facilities are designed to serve as regional hubs. FedEx's facility at the Airport is designed to serve nationwide and worldwide destinations, and some of the company's A-380 jets are to be deployed for that purpose once they are delivered, expected to be as soon as 2011. FedEx has a development master plan which anticipates the construction of

additional building space (to accommodate more sorting equipment) and more aircraft parking positions to accommodate growing demand.

On May 4, 2006, FedEx announced a planned $162 million investment that would result in the addition of more than 600,000 square feet to the existing sorting facility. As a result of the expansion, FedEx's peak sorting capacity will increase from 69,000 pieces per hour to 99,000 pieces per hour. On May 5, 2006, the Authority approved an agreement with FedEx, that will result in the addition of fourteen aircraft parking spaces adjacent to the current cargo apron.

FedEx's market share of enplaned cargo has increased from 68.1% in 2001 to 96.5% in the first 3 months of 2006, primarily due to the cessation of airmail operations at the USPS hub, previously operated by Emery Worldwide. Other cargo airlines and the passenger airlines had 2.5% and 1.0% market shares, respectively. Based on FedEx's anticipated expansion of its activity at the Airport and the passenger airlines' restrictions on carrying U.S. mail and packages over 16 ounces, it is expected that FedEx will continue to have the largest market share for cargo at the Airport.

Landed Weight

As shown in Table 18, the passenger airlines accounted for approximately 53.7% of total landed weight at the Airport in 2005; the cargo airlines accounted for the remaining 46.3%. As Table 18 illustrates, the cargo airlines' share of landed weight at the Airport increased significantly over the last 15 years, from 22.8% in 1990 to 49.7% in the first 3 months of 2006, for a 5.2% annual average increase.

Table 19 shows the historical trend in landed weight at the Airport from 1980 through March 2006. From 1980 to 2005, total landed weight at the Airport increased an average of 4.0% per year. Landed weight increased 17.0% in 1999 following the establishment of FedEx's sorting facility at the Airport. Landed weight decreased 14.2% in 2002, demonstrating the effect of the USPS ending its contract with Emery Worldwide, which operated a postal hub at the Airport. In 2003, landed weight decreased slightly, but increased in 2004 and 2005 by 4.2% and 4.7%, respectively.

Table 18

AIRLINE SHARES OF LANDED WEIGHT

Airline	1990	1995	2000	2005	January-March 2006
Passenger airlines					
Northwest Airlines *(a)*	8.0%	6.8%	6.4%	12.4%	12.0%
US Airways *(b)*	28.1	18.1	7.9	5.9	7.2
Southwest Airlines	5.0	5.5	6.2	6.6	6.6
American Airlines *(c)*	10.4	7.3	5.4	5.6	5.2
United Airlines *(d)*	4.9	5.3	5.5	4.4	4.3
AirTran Airways	--	--	--	1.8	4.2
Delta Air Lines *(e)*	6.7	4.4	5.0	4.5	4.0
Continental Airlines *(f)*	6.4	4.2	2.9	2.6	3.0
ATA Airlines *(g)*	3.9	7.2	6.6	6.6	1.8
Frontier Airlines	--	--	--	1.2	1.3
America West Airlines *(h)*	--	2.4	1.7	0.8	--
Others	3.8	2.8	1.5	1.3	0.7
Subtotal	77.2%	64.0%	49.1%	53.7%	50.3%
Cargo					
FedEx	13.9%	21.4%	29.6%	44.9%	48.4%
Others	8.9	14.6	21.3	1.4	1.3
Subtotal	22.8%	36.0%	50.9%	46.3%	49.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

(a) Includes Northwest Airlink.
(b) Includes US Airways Express for all dates and America West Airlines as of 2006.
(c) Includes American Connection, American Eagle, and TWA.
(d) Includes United Express.
(e) Includes Delta Connection.
(f) Includes Continental Express.
(g) Includes ATA Connection. ATA discontinued scheduled service at the Airport in January 2006.
(h) America West market share is included as part of US Airways as of 2006.

Source: Indianapolis Airport Authority records.

Table 19

HISTORICAL LANDED WEIGHT
Indianapolis International Airport
1980 through March 2006

Year	1,000-pound units: Passenger airlines	Cargo airlines	Total	Annual percent increase (decrease)
1980	3,743,264	395,726	4,138,990	--%
1985	4,240,579	791,780	5,032,359	4.0
1990	5,555,566	2,020,626	7,576,192	8.6
1995	5,389,127	3,032,732	8,421,859	2.1
1996	5,218,895	3,216,958	8,435,853	0.2
1997	5,257,236	3,471,220	8,728,456	3.5
1998	5,183,896	4,361,753	9,545,649	9.4
1999 *(a)*	5,599,443	5,568,347	11,167,790	17.0
2000	5,865,754	6,037,796	11,903,550	6.6
2001	5,550,094	6,328,910	11,879,004	(0.2)
2002 *(b)*	5,446,770	4,750,293	10,197,063	(14.2)
2003	5,542,417	4,578,583	10,120,999	(0.7)
2004	5,897,071	4,648,586	10,545,657	4.2
2005	5,964,045	5,080,482	11,044,527	4.7
January through March				
2005	1,634,183	1,195,717	2,838,900	--
2006	1,290,179	1,274,094	2,564,273	(9.7)

	Average annual percent increase (decrease)		
1980-1990	4.0%	17.7%	6.2%
1990-2000	0.5	11.6	4.6
1980-2000	2.3	14.6	5.4
1990-2005	0.4%	6.4%	2.5%
1980-2005	1.9	10.8	4.0

(a) Increases in enplaned cargo in 1999 reflect FedEx's establishment of a sorting facility at the Airport.
(b) Decreases in enplaned cargo in 2001 and thereafter reflect the closure of the U.S. Postal hub at the Airport in August 2001.

Source: Indianapolis Airport Authority records.

Aircraft Operations

Table 20 presents the numbers of historical aircraft operations (landings and takeoffs) at the Airport from 1980 through March 2006 for air carrier, air taxi and commuter, general aviation, and military operations. Generally, air carrier and air taxi/commuter operations have changed along with trends in passenger enplanements, changes in aircraft fleet mix, and the hubbing activities of passenger and cargo airlines. General aviation and military operations have decreased from their peak historical levels.

Table 20

HISTORICAL AIRCRAFT OPERATIONS
Indianapolis International Airport
1980 through March 2006

Year	Air carrier	Air taxi/ commuter	General aviation	Military	Total operations: Number	Total operations: Annual percent increase (decrease)
1980	63,378	25,940	97,705	4,196	191,219	--%
1985	70,141	48,866	77,313	2,765	199,085	4.1
1990	114,187	55,779	56,103	2,271	228,340	14.7
1995	116,238	75,237	53,890	2,778	248,143	8.7
1996	106,184	72,138	52,889	1,898	233,109	(6.1)
1997	108,087	70,902	53,932	2,460	235,381	1.0
1998	89,345	96,430	54,430	2,335	242,540	3.0
1999	127,683	68,301	54,787	1,992	252,763	4.2
2000	133,257	72,519	53,104	1,897	260,777	3.2
2001	115,241	82,311	44,847	1,533	243,932	(6.5)
2002	91,239	73,411	39,829	1,393	205,872	(15.6)
2003	84,336	81,998	36,309	1,416	204,059	(0.9)
2004	80,589	97,519	32,995	1,455	212,558	4.2
2005	76,896	112,795	31,224	1,360	222,275	4.6
January-March						
2005	20,310	29,251	7,150	324	57,035	
2006	16,781	27,729	6,980	257	51,747	(9.3%)
	Average annual percent increase (decrease)					
1980-1990	6.1%	8.0%	(5.4%)	(6.0%)	1.8%	
1990-2000	1.6	2.7	(0.5)	(1.8)	1.3	
1980-2000	3.8	5.3	(3.0)	(3.9)	1.6	
1990-2004	(2.5)	4.1	(3.7)	(3.1)	(0.5)	
1980-2004	1.0	5.7	(4.4)	(4.3)	0.4	

Source: Indianapolis Airport Authority records.

KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

Besides the growth of the population and economy of the Airport Service Region, discussed in the earlier section "Airport Service Region," key factors that will affect airline passenger traffic at the Airport are:

- Economic and political conditions
- Aviation security concerns
- Financial health of the airline industry
- Airline service and routes
- Airline competition and airfares
- Airline consolidation and alliances
- Availability and price of aviation fuel
- Capacity of national air traffic control and airport systems
- Capacity of the Airport

Economic and Political Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. and local economies and the level of real disposable income. With globalization and the increased importance of international trade and tourism, airline travel demand has become more closely tied to worldwide economic, political, and social conditions. As a result, international economics, currency exchange rates, trade balances, political relationships, public health concerns, and hostilities are now important influences on passenger traffic at major U.S. airports. Sustained future increases in both domestic and international passenger traffic will depend on sustained growth in the U.S. economy as well as stable international conditions.

Aviation Security Concerns

Concerns about the safety of airline travel influence passenger travel behavior and airline travel demand. Anxieties about safety and the inconveniences and delays associated with security screening procedures lead to both the avoidance of travel and the switching from air to surface modes for short-haul trips.

Safety concerns in the aftermath of the September 11, 2001 terrorist attacks were largely responsible for the steep decline in airline travel nationwide in 2002. In early 2003, safety concerns were heightened by the beginning of hostilities in Iraq and the perceived threat of retaliatory terrorist attacks.

Since September 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against attacks and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals,

federalization of airport security functions under the Transportation Security Administration (TSA), and more intensive screening of passengers and baggage.

Historically, airline travel demand has recovered from the temporary decreases stemming from terrorist attacks, hijackings, aircraft crashes, and international hostilities. Provided that intensified security precautions serve to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, it can be expected that future demand for airline travel at the Airport will depend primarily on economic, not security, factors.

Financial Health of the Airline Industry

Increases in passenger traffic at the Airport will depend partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines to invest in aircraft capacity.

A weak economy reduces the demand for airline travel and causes fare discounting, resulting in declines in airline revenues. The 1990-1991 economic recession, coupled with increased operating costs and security concerns during the Gulf War, generated then-record financial losses in the U.S. airline industry. These losses put particular pressures on airlines with weak balance sheets, forcing many to seek bankruptcy protection, sell productive assets, lay off workers, reduce service, or discontinue operations in the early 1990s.

Between 1995 and 2000, the airline industry as a whole was profitable, but as a result of the 2001 economic recession, the disruption of the airline industry that followed the September 2001 terrorist attacks, high fuel and other operating costs, and intense price competition the industry has again experienced huge financial losses. In 2005, industry traffic, as measured by revenue-passenger-miles for the major U.S. airlines except Southwest Airlines, was about 3% lower than in 2000, yields (revenue per passenger-mile) were about 19% lower, and revenues were about 16% lower. According to the Air Transport Association, the U.S. network airlines collectively recorded net losses totaling $7.5 billion on revenues of $78.9 billion in 2001, $11.2 billion on revenues of $71.0 billion in 2002, $4.5 billion on revenues of $70.8 billion in 2003, and $6.4 billion on revenues of $76.6 billion in 2004. As of March 15, 2006, the Air Transport Association estimated a collective $10 billion loss for calendar year 2005.

In response to these losses, the major network airlines have reduced their route networks and flight schedules, and negotiated with their employees, lessors, vendors, and creditors to cut costs, either under Chapter 11 bankruptcy protection or the threat of such. US Airways filed for Chapter 11 protection in August 2002 and emerged from bankruptcy in March 2003, but failed to regain profitability. In September 2004, US Airways again filed for Chapter 11 bankruptcy protection. US Airways emerged from Chapter 11 bankruptcy on September 27, 2005 and

completed its merger with America West Airlines. United Airlines filed for Chapter 11 protection in December 2002 and formally exited bankruptcy protection on February 2, 2006. ATA Airlines, which accounted for approximately 23% of enplaned passengers at the Airport in 2004, filed for Chapter 11 bankruptcy protection in October 2004 and emerged from bankruptcy on February 28, 2006. Although ATA has suspended its scheduled flights at the Airport, it will continue to utilize Indianapolis as its corporate headquarters. Northwest, which accounted for approximately 23% of enplaned passengers in January 2006, has been targeting $1.1 billion annual labor cost savings in efforts to curb mounting losses. Northwest filed for Chapter 11 bankruptcy protection on September 14, 2005. Delta Air Lines , which accounted for approximately 10% of enplaned passengers in January 2006, has reported large losses since 2002 and also filed for Chapter 11 bankruptcy protection on September 14, 2005. Independence Air ceased operations on January 5, 2006.

Continuing losses could again force airlines to retrench, seek bankruptcy protection, discontinue marginal operations, or liquidate. The restructuring or liquidation of one or more of the large network airlines could affect airline service at many connecting hub airports, present business opportunities for the remaining airlines, and change travel patterns throughout the U.S. aviation system.

In recent years, the record losses of the network airlines contrast with the financial performance of a number of low-cost carriers, particularly AirTran, JetBlue, and Southwest. However, even before the recent industry contraction, many low-cost startup airlines had difficulty sustaining profitability. Failures since 2001 include, Independence Air, Midway, Vanguard, and National airlines. The viability of the large network airlines will likely be driven by the ability of these airlines to generate greater fare revenues and to combine the market and air service advantages of their hub systems with lower, more competitive operating costs in relation to their low-cost competitors.

Airline Service and Routes

The Airport serves as the primary gateway to the Airport Service Region. The number of origin and destination passengers depends on the intrinsic attractiveness of the Indianapolis region as a business and leisure destination and the propensity of residents to travel. As previously mentioned, the airlines serving the Airport have decreased capacity in the last year, as seen in the 11% decrease in scheduled seats between June 2005 and June 2006.

The huge losses of the network airlines contrast with the profitability of a few low-cost airlines, particularly Southwest. Some industry analysts have questioned the economic viability of the hub-and-spoke business model of network airlines and see a future only for airlines with lower cost structures providing direct point-to-point service. In recent years, such low-cost airlines have increased market share and

gained acceptance by passengers. As a spoke market to many airline hubs, the Airport may be impacted by changes to service offerings by hub airlines.

Airline Competition and Airfares

Airline fares have an important effect on passenger demand, particularly for relatively short trips where the automobile and other travel modes are alternatives and for price-sensitive "discretionary" travel, particularly leisure travel. Airfares are influenced by labor, fuel, and other airline operating costs; debt burden; passenger demand; capacity and yield management; market presence; and competition.

A large part of the typical airfare paid by passengers is now accounted for by taxes, fees, and other charges assessed by governmental and airport agencies. Charges on domestic airline tickets consist of federal ticket taxes assessed as a percentage of the base airfare (7.5%), federal ticket taxes assessed per flight segment ($3.00 per segment), passenger facility charges (up to $18.00 per round trip), and security fees (up to $10.00 per round trip). Additional fees and charges are assessed on international tickets. Such taxes and charges can account for 20% or more of the cost of short-haul and low-fare tickets and can have the effect of depressing travel demand.

In an attempt to stimulate passenger traffic and remain competitive, most U.S. airlines reduced airfares early in 2001 and, following September 2001, reduced airfares further. Largely because of overcapacity in the industry, yields continued to decline throughout 2004. In mid 2005, the average domestic yield for U.S. airlines was 12.6 cents per passenger-mile, compared with 15.0 cents in 2000. Industry analysts have expressed concern about the sustainablilty of the "revenue model" of the legacy network airlines, which has historically involved charging uneconomically low discount fares to some travelers and high walk-up fares to others. The ability of consumers to book flights easily via the Internet, and the associated transparency of airline pricing, creates additional downward pressures on airfares. The network airlines have recently introduced simplified fare structures designed to rationalize their revenue model. Widespread adoption of such rationalized fare structures, along with controls on airline seat capacity, are seen as keys to the industry regaining and sustaining profitability.

In many air travel markets nationwide, low-cost carriers provide price competition. At the Airport, airlines such as AirTran, America West, Frontier, and Southwest provide such competition. Further increases in passenger traffic at the Airport will depend on the continued availability of competitive airfares and service. Since 2001, most of the major network airlines have reduced their systemwide seat capacity while the low-cost carriers have generally increased seat capacity. As a result, the nationwide share of domestic passenger revenue by the low-cost airlines increased from approximately 13% in 1995 to approximately 24% in 2005.

In the mid-1990s, many of the major airlines established their own low-fare divisions, such as Delta Express, US Airways' MetroJet, and Shuttle by United, to compete with the low-fare airlines. Most of these operations have since been discontinued or reduced. Delta's Song subsidiary initiated service in 2003 to replace Delta Express and primarily serves travel between the Northeast and Florida. United's new low fare subsidiary, Ted, began serving western U.S. destinations, mainly from Denver, in February 2004.

In response to economic pressures, most of the major airlines have also transferred marginally profitable routes from their "mainline" to regional/commuter airline affiliates operating regional jet or turboprop aircraft, particularly over the last 3 years. As discussed earlier, this trend is evident at the Airport, where American Continental, Delta, Northwest, United, and US Airways have all transferred some service from mainline flights to American Eagle, Continental Express, Delta Connection, Northwest Airlink, United Express, and US Airways Express regional jet flights, respectively. A continuation of this trend is foreseen nationwide, although it may be limited by "scope clauses" in labor agreements with pilots' unions restricting the number of regional jet aircraft that may be operated by certain airlines.

Airline Consolidation and Alliances

In response to competitive pressures, segments of the U.S. airline industry have historically sought to consolidate through mergers and alliances.

In February 1999, American Airlines, British Airways, Cathay Pacific, Canadian Airlines, Qantas, and other international airlines founded the One World Alliance. In July 2002, a marketing alliance and code-sharing agreement was announced between United and US Airways and, in May 2004, US Airways joined United in the Star Alliance, which includes Air Canada, Lufthansa German Airlines, Singapore Airlines, and Thai Airways International, among others, and is an alliance of airlines that provides service worldwide. In March 2003, the U.S. DOT approved a marketing and code-sharing agreement among Continental, Delta, and Northwest that links the three airlines' flight schedules and frequent flyer programs. In September 2004, Continental and Northwest joined the Delta-led SkyTeam alliance. Effective February 4, 2005, Southwest Airlines initiated a code-sharing agreement with ATA Airlines. Such domestic airline alliances and code-sharing agreements often increase airline service options available to customers of a particular airline while reducing the potential for competition.

On September 27, 2005, US Airways emerged from bankruptcy and completed the merger with America West Airlines, with consolidation of employees to be implemented over multiple years. The merger created the sixth-largest airline in the United States, with headquarters in Tempe, Arizona and primary hubs in Charlotte, Philadelphia, and Phoenix. The merged company operates under the US Airways

name, with the objective of being a national low-cost carrier using a hub-and-spoke network. The combined enplaned passenger market share at the Airport for America West and US Airways was 14.0% in 2004, 12.8% in 2005, and 14.1% in the first 3 months of 2006. The effects, if any, of the merger on the various alliance and code-sharing arrangements of the two airlines are not known at this time.

Alliances between U.S. and foreign-flag airlines are also seen as important to competitive success. Such alliances between airlines typically involve marketing, code-sharing, and scheduling arrangements to facilitate the transfer of passengers between flights of the allied airlines.

Availability and Price of Aviation Fuel

There has been no shortage of aviation fuel since the "fuel crisis" of 1974, which reflected a reduction in production and an increase in prices rather than an actual shortage. The price of aviation fuel, however, continues to be an important and uncertain factor affecting airline operating economics. Historically, jet fuel prices have been particularly sensitive to worldwide political instability. The invasion of Iraq and political unrest in Venezuela caused fuel prices to increase sharply in early 2003 and continue rising in 2004 and 2005. From 1998 through 2004, the price of fuel increased approximately 14.3% per year, in current dollars. In January 2006, the price of fuel was approximately 40% higher than the average price of fuel in January 2005.

Higher fuel prices have been a major contributor to recent airline industry losses. According to the Air Transport Association's Airline Cost Index for the third quarter of 2005, jet fuel costs represent the second largest item of expense for airlines (after labor)—approximately 24% of airline operating expenses in that quarter, an increase from about 11% for the third quarter of 2001. According to many oil industry sources, the factors that keep the price of jet fuel at a high level, particularly emerging market economic expansion, are likely to remain in place for the foreseeable future. Future increases in fuel prices could affect airline service, airfares, and passenger numbers.

Capacity of National Air Traffic Control and Airport Systems

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually automating and enhancing the computer, radar, and communications equipment of the air traffic control system and enhancing the use of runways through improved air navigation aids. Air traffic delays have decreased as a result of the reduction in aircraft operations since 2001. However, as demand returns to and exceeds 2001 levels, flight delays and restrictions are again likely.

Capacity of the Airport

In addition to any future constraints that may be imposed by the capacity of the national air traffic control and airport systems, future growth in airline traffic at Indianapolis International Airport will depend on the provision of adequate capacity to accommodate aircraft and passenger movements at the Airport itself.

The Airport has dual wide-spaced parallel runways (5R-23L and 5L-23R), which are 10,000 and 11,200 feet long, respectively. Equipped with Category III precision instrument landing systems, the parallel runways permit simultaneous, independent operations in all weather conditions. The separation of the runways was planned to accommodate development of a Midfield Terminal. As part of planning efforts for the New Indianapolis Airport, a benefit-cost analysis (BCA) was prepared and submitted to the FAA in support of a Letter of Intent (LOI) application, which was approved and awarded by the FAA on April 15, 2002. As noted in the Authority's BCA, certain airfield elements of the project are expected to enhance Airport and airfield capacity, such as:

- A more centralized location of the passenger terminal relative to the runways (less taxiing time)
- Improved taxiways and circulation
- Elimination of the need for most aircraft to cross active Runway 14-32 (improving safety and capacity)

AIRLINE TRAFFIC FORECASTS

Table 21 presents airline traffic forecasts for the Airport for 2006 through 2012.

Table 21

AIRLINE TRAFFIC FORECASTS

Indianapolis International Airport
2000-2012

These forecasts have been prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecasts, and the variations could be material.

	Historical						Estimate/Forecast						
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Enplaned passengers													
Major/national airlines	3,470,067	3,148,624	2,870,440	3,012,497	3,304,584	3,470,873	3,458,000	3,600,000	3,806,000	4,005,000	4,126,000	4,250,000	4,377,00
Regional/commuter airlines	404,555	471,013	578,282	664,974	717,165	787,181	757,000	788,000	834,000	880,000	909,000	936,000	964,000
Total	3,874,622	3,619,637	3,448,722	3,677,471	4,021,749	4,258,054	4,215,000	4,388,000	4,640,000	4,886,000	5,035,000	5,186,000	5,342,000
Average annual increase (decrease)		(6.6%)	(4.7%)	6.6%	9.4%	5.9%	(1.0%)	4.1%	5.7%	5.3%	3.0%	3.0%	3.0%
Aircraft departures													
Passenger airlines	63,000	59,000	58,000	60,500	63,183	67,065	64,100	66,000	69,300	71,200	72,900	75,000	77,300
Cargo airlines	30,600	31,350	22,000	23,745	17,128	18,408	18,500	19,700	21,500	22,900	24,400	25,200	25,900
Total	93,600	90,350	80,000	84,245	80,311	85,472	82,600	85,700	90,800	94,100	97,300	100,200	103,200
Annual increase (decrease)	--	(3.5%)	(11.5%)	5.3%	(4.7%)	6.4%	(3.4%)	3.8%	6.0%	3.6%	3.4%	3.0%	3.0%
Landed weight (1,000-pound units)													
Passenger airlines	5,865,754	5,550,094	5,446,770	5,542,416	5,964,099	5,964,045	5,220,000	5,420,000	5,691,000	5,976,000	6,275,000	6,463,000	6,657,000
Cargo airlines	6,037,796	6,328,910	4,750,293	4,578,583	4,648,586	5,080,482	5,478,000	6,005,000	6,605,000	7,199,000	7,775,000	8,008,000	8,248,000
Total	11,903,550	11,879,004	10,197,063	10,120,999	10,545,657	11,044,527	10,698,000	11,425,000	12,296,000	13,175,000	14,050,000	14,471,000	14,905,000
Average annual increase (decrease)		(0.2%)	(14.2%)	(0.7%)	4.2%	4.7%	(3.1%)	6.8%	7.6%	7.1%	6.6%	3.0%	3.0%

n.a. = Not available.

Sources: Historical—Indianapolis Airport Authority records.
Forecast—Leigh Fisher Associates, April 2006.

Assumptions

Forecasts of airline traffic through 2012 were prepared taking into account analyses of the economic basis for airline traffic, trends in historical airline traffic, and key drivers likely to affect future airline traffic, as discussed earlier.

It was assumed that airline traffic at the Airport will increase as a function of growth in the population and economy of the Airport Service Region. It was assumed that airline service at the Airport would not be constrained by the availability of aviation fuel, limitations in airline fleet capacity, limitations in the capacity of the air traffic control system or the Airport, or government policies or actions that restrict growth.

Specifically, it was assumed that through the forecast period:

- Stable international relationships and global economic growth will sustain future increases in passenger traffic, and the general economy of the Airport Service Region will continue to grow as fast as the United States as a whole.
- No major act of terrorism will occur in the United States during the forecast period that would affect long-term passenger demand at the Airport.
- With the strength of the origin-destination market at the Airport and significant service provided by low-cost carriers, the financial condition of any individual airline will not materially affect long-term traffic levels at the Airport.
- With the strength of the origin-destination market at the Airport, further airline consolidation will not materially affect long-term passenger air traffic at the Airport.
- Future fluctuations in fuel prices will not affect the ability of airlines to provide service at the Airport.
- The national air traffic control system will have sufficient capacity to accommodate airline traffic through the forecast period.
- The Airport Service Region would continue to attract a diversified mix of industries, including transportation equipment manufacturing, services, State government and education, transportation, and distribution.

Enplaned Passengers

Enplaned passengers increased 9.4% in 2004 and 5.9% in 2005. Passenger traffic is down for the first three months of 2006 compared to the same period in 2005. It is anticipated that 2006 enplaned passengers will be slightly less than the number of enplaned passengers achieved at the Airport in 2005.

Following the expected growth of passenger traffic in 2007, the forecast of enplaned passengers reflects an average of 5.5% growth in 2008 and 2009 and more modest growth in 2010 through 2012. As shown on Table 21, enplaned passengers are forecast to be 5.34 million in 2012.

Aircraft Departures

The forecast of passenger airline aircraft departures is based on the enplaned passenger forecasts and an evaluation of the trends in the mix of aircraft serving the Airport, the average number of seats per aircraft, and load factors. The number of passenger airline aircraft departures at the Airport is forecast to increase from 67,065 in 2005 to 77,300 in 2012, an average increase of 2.1% per year.

The number of all-cargo airline aircraft departures is forecast to increase from 18,408 in 2005 to 25,900 in 2012—an average increase of 5.0% per year. Passenger and air cargo aircraft departures are forecast to grow at a slower rate than enplaned passengers and air cargo tonnage, respectively. The reason for this is that passengers or air cargo per aircraft departure are assumed to increase, which means that more passengers or cargo are carried per aircraft departure, and therefore aircraft departures would grow more slowly than passengers or cargo. Passenger or air cargo per aircraft departure is calculated by multiplying aircraft capacity by aircraft utilization, and each of these inputs has the following assumptions:

- Average aircraft capacity (as measured in seats or tonnage per departure, for passenger and air cargo, respectively) would increase between 2005 and 2012, as a result of changes in fleet mix.
- Aircraft utilization (as measured by load factor) would increase between 2005 and 2012 for passenger aircraft.

Landed Weight

Passenger airline aircraft landed weight is forecast to increase from about 5.9 million 1,000-pound units in 2005 to approximately 6.7 million 1,000-pound units in 2012.

The landed weight of all-cargo airline aircraft is forecast to increase from 5.1 million 1,000-pound units in 2005 to 8.2 million 1,000-pound units in 2012. Total landed weight is forecast to increase from 11.0 million 1,000-pound units in 2005 to approximately 14.9 million 1,000-pound units in 2012.

FINANCIAL ANALYSIS

THE ORDINANCE

The proposed 2006 Bonds are to be issued on parity with the Authority's Refunding Revenue Bonds, Series 1996A, and the Authority's Revenue Bonds Series 2003A, Series 2004A, and Series 2005A (with the proposed 2006 Bonds, the "Revenue Bonds"). The proposed 2006 Bonds are to be payable from Net Revenues of the Airport System, PFC revenues, and CFC revenues.

On December 20, 2002, the Authority adopted General Ordinance No. 4-2002 (the Revised Master Bond Ordinance) amending and restating General Ordinance No. 6-1985 (the Original Ordinance). The Revised Master Bond Ordinance became effective with the issuance of the 2003A Bonds. The proposed 2006 Bonds are to be issued under the Revised Master Bond Ordinance, as amended by General Ordinance No. 3-2006 (the 2006 Supplemental Ordinance), adopted by the Authority on May 19, 2006.

The Revised Master Bond Ordinance, and all amendments and supplements thereto, including the 2006 Supplemental Ordinance, are referred to in this report and the attachment as the Ordinance.* The financial forecasts presented in this report were prepared in accordance with the Ordinance. (See the Official Statement for a more detailed description of the Ordinance.)

Application of Revenues

The Ordinance provides that the Gross Revenues of the Airport System are to be deposited in the Airport System Fund. Moneys held in the Airport System Fund are then to be used or deposited into the Funds established under the Ordinance, as illustrated on Figure 6 and described below.

1. ***Operation and Maintenance Expenses.*** Amounts required to pay Operation and Maintenance Expenses of the Airport System.

2. ***Revenue Bond Interest and Principal Fund.*** Amounts required to pay interest and principal requirements on and other costs related to all Outstanding Revenue Bonds and payment on Qualified Derivatives.

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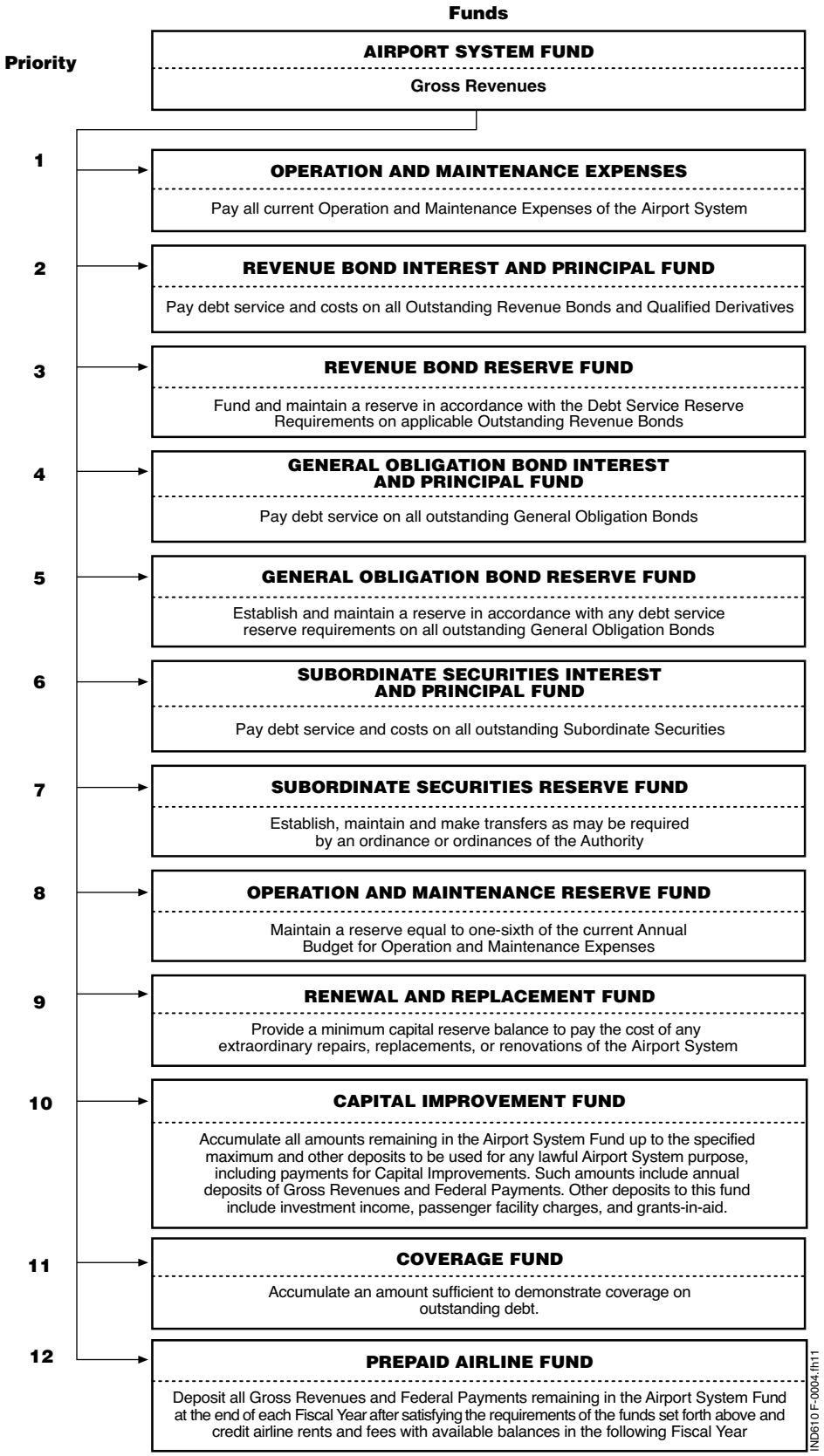
*Capitalized terms not otherwise defined in this report are used as defined in the Ordinance or the Airline Agreement, discussed later.



Source: Indianapolis Airport Authority, *General Ordinance No. 4-2002, Revised Master Bond Ordinance Amending and Restating Ordinance No. 6-1985.*

Figure 6

SUMMARY OF THE APPLICATION OF GROSS REVENUES AND FEDERAL PAYMENTS UNDER THE ORDINANCE

Indianapolis Airport Authority

May 2006

3. ***Revenue Bond Reserve Fund.*** Amounts required to meet the reserve fund requirements on Outstanding Revenue Bonds.

4. ***General Obligation Bond Interest and Principal Fund***. Amounts required to pay interest and principal requirements on all outstanding General Obligation Bonds.

5. ***General Obligation Bond Reserve Fund.*** Amounts required to meet any reserve fund requirements on outstanding General Obligation Bonds.

6. ***Subordinate Securities Interest and Principal Fund.*** Amounts required to pay interest and principal requirements on and other costs related to all outstanding Subordinate Securities.

7. ***Subordinate Securities Reserve Fund.*** Amounts required to meet the reserve fund requirements on outstanding Subordinate Securities.

8. ***Operation and Maintenance Reserve Fund.*** Amounts required to maintain a balance of one-sixth of the current annual budget for Operation and Maintenance Expenses through 2012. The Authority is permitted by the Ordinance to determine the level at which the O&M Reserve Fund should be funded at the time of approval of the annual budget for the following Fiscal Year.

9. ***Renewal and Replacement Fund.*** Amounts required to maintain a balance of $2.0 million plus escalation beginning in 2002. The Ordinance permits the Authority to determine the R&R Fund balance requirement based on discussions between the Airport Consultant and the Authority Board. Available amounts in this Fund can be used to pay for any extraordinary costs of replacing and repairing any depreciable property and equipment of the Airport System, and to transfer amounts, if required as determined by the Authority, to pay current Operation and Maintenance Expenses of the Airport System, or to the Revenue Bond Interest and Principal Fund and to the Capital Improvement Fund.

10. ***Capital Improvement Fund.*** Beginning in 2002, $4.0 million plus escalation. The Ordinance permits the Authority to determine the Capital Improvement Fund balance requirement. Available amounts in the Capital Improvement Fund can be used to pay for Capital Improvements of the Airport System and other Airport System purposes, including payments due on a Derivative Agreement.

11. ***Coverage Fund.*** The Ordinance permits the Authority to determine the Coverage Fund balance requirement. Beginning in 2006, the Authority intends to fund and keep on deposit in the Coverage Fund an amount equal to 25% of the annual principal and interest payments on all Outstanding

Revenue Bonds in the subsequent year. All moneys in the Coverage Fund can be used by the Authority for any lawful purpose.

At the end of each year, amounts remaining in the Airport System Fund after all the foregoing deposits have been made are to be deposited into the Prepaid Airline Fund.

12. ***Prepaid Airline Fund.*** Any amount in this Fund shall be credited to airline rents and fees in the following year. After making such credit, all moneys in this Fund can be used by the Authority for any lawful purpose.

The Authority deposits all PFC revenues collected by the airlines and paid to the Authority in a PFC Fund. The Authority intends to transfer a certain amount of PFC revenues to the Revenue Bond Interest and Principal Fund to pay for certain annual principal and interest payments on a portion of the outstanding Revenue Bonds, as well as on a portion of the 2006 Bonds and a portion of the Planned Bonds. The Authority intends to use the PFC revenues remaining in the PFC Fund to pay directly for capital costs or to pay debt service as needed. The Ordinance permits the Authority to exclude the debt service committed to be paid from PFC revenues (defined as Dedicated Revenues under the Ordinance) from the amount of principal and interest payments due each year for purposes of demonstrating debt service coverage under the Rate Covenant and the requirements for issuance of additional Revenue Bonds.

In addition, the Authority intends to establish an account for CFC collections remitted to the Authority from the rental car companies. As with PFCs, the Authority intends to transfer a certain amount of CFCs to the Revenue Bond Interest and Principal Fund to pay for certain annual principal and interest payments on a portion of the Revenue Bonds. The Ordinance also permits the Authority to exclude debt service committed to be paid from Dedicated Revenues (which would include CFC Revenues under the Ordinance).

The Authority has designated certain moneys reimbursed to the Authority pursuant to the Settlement Agreement related to the IMC as Dedicated Revenues. The moneys available from the IMC Settlement Agreement are not Gross Revenues under the Ordinance. The effect of this designation is to reduce the Debt Service Requirements with respect to the Revenue Bonds to reflect the use these Dedicated Revenues to comply with the Rate Covenant and the Additional Bonds Test under the Ordinance.

Exhibit G presents the forecast application of revenues to the various Funds.

Rate Covenant

In the Ordinance, the Authority covenants that it will:

> at all times fix, charge, impose and collect rentals, rates, fees and other charges for the use of the Airport System . . . in order that upon measurement in each Fiscal Year the Net Revenues, together with moneys in the Coverage Fund, will at all times be at least sufficient to equal the larger of either:
>
> (i) all amounts required to be deposited in such Fiscal Year to the credit of the Revenue Bond Interest and Principal Fund and the Revenue Bond Reserve Fund; or
>
> (ii) an amount not less than 125% of the annual principal and interest due for all Revenue Bonds in such fiscal year.

This provision is referred to as the Rate Covenant. The Ordinance allows consideration to be made of amounts in the Prepaid Airline Fund and Coverage Fund and excludes certain debt service payments paid from Dedicated Revenues for purposes of complying with the Rate Covenant.

THE AIRLINE AGREEMENT

The Authority and the airlines negotiated the current airline agreement that has been in effect since March 15, 2001, and extends to December 31, 2010.

The Authority has executed the Agreement and Lease of Premises (the Airline Agreement) with the following airlines: AirTran Airways, America West Airlines, American Airlines, Chautauqua Airlines, Continental Airlines, Delta Air Lines, Frontier Airlines, Northwest Airlines, Skyway Airlines, Southwest Airlines, United Airlines, and US Airways. The Authority has also executed the Airline Agreement with Cargolux and FedEx. Collectively, these airlines are the Signatory Airlines.

The Airline Agreement between the Authority and the Signatory Airlines establishes procedures for the review and adjustment of Signatory Airline Terminal Complex rental rates, Apron Area rents, and Landing Fees each fiscal year, as needed to ensure that the Net Revenues of the Airport System are at least sufficient to meet the Operation and Maintenance Expenses of the Airport System, the Debt Service Requirements on all Outstanding Revenues Bonds and Subordinate Securities, and other funding requirements established by the Ordinance.

Under the Airline Agreement, Terminal Complex rental rates are calculated according to a cost center residual cost methodology, taking into consideration the capital costs of the terminal building, operating costs, and concession revenues

generated in the terminal building. Apron Area rents are calculated on the same basis as Terminal Complex rental rates. Landing fees are calculated according to a total Airport System residual cost methodology, taking into consideration all Airport System costs and revenues, including nonairline revenues, Terminal Complex rents, and Apron Area rents. Airport System capital and operating costs are defined to include "annual Debt Service Requirements on Revenue Bonds (plus Coverage, after giving effect to amounts on deposit in the Coverage Account)."

As part of the Airline Agreement, the airlines approved development and construction of the New Indianapolis Airport Program, with a budgeted cost of $975 million (in escalated dollars) and an expected Date of Beneficial Occupancy in late 2008. In Section 8.04 of the Airline Agreement, the Authority has agreed to use its best efforts to assure that, upon completion of the New Indianapolis Airport, the average projected cost per enplaned passenger and landing fee rate do not exceed Targeted Limits during the projection period—January 1, 2007, through December 31, 2010.

The Airline Agreement further describes the consultative and review procedures with the Signatory Airlines that provide for adjustments to the Authority's financial plan and estimated New Indianapolis Airport Program budget. The financial model is to be updated and reviewed with the Signatory Airlines annually. Additionally, per Section 8.04, "The Authority and the Airline(s) agree the Targeted Limits are not a guaranty, but are targets to be used by the Authority in planning the Program. The Airline(s) and Authority recognize that the Targeted Limits may need to be increased or decreased" in accordance with changes in Program scope, such as the federally mandated checked-bag screening project and other security measures.

For purposes of this report, it was assumed that the current procedures in the Airline Agreement for calculating airline rents and fees would be in effect throughout the forecast period (2006 through 2012).

PFC PROGRAM

The Authority's PFC program is administered in accordance with applicable PFC Regulations under Federal Aviation Regulations (FAR) Part 158.

PFC Approvals

As approved by the FAA, the Authority imposed a PFC of $3 per eligible enplaned passenger from September 1993 through March 2001. Under this approval (through the beginning of 2001), the Authority was authorized to collect and use PFC revenues up to $115.0 million to be applied toward FAA-approved Airport capital costs, including certain airfield improvements and land acquisition for noise mitigation. This FAA authorization is in connection with PFC applications dated June 28, 1993, and December 20, 1996.

On January 17, 2001, the Authority received approval from the FAA to increase its PFC from $3.00 to $4.50. Additionally, on March 28, 2001, the Authority received approval from the FAA to impose the $4.50 PFC and to collect PFC revenues up to $533.9 million to fund PFC eligible estimated project and financing costs related to the New Indianapolis Airport Program.

On August 25, 2003, the Authority received "use approval" for the $4.50 PFC to be applied to elements of the 2001-2010 CIP, including the New Indianapolis Airport Program, and amended the costs of two previously approved projects. As a result, the Authority currently has approval to collect and use $524.5 million to fund PFC-eligible project costs. The Authority plans to use PFC revenues for the direct payment of project costs ("pay-as-you-go") and to pay certain debt service and interest and financing costs associated with Revenues Bonds and the Planned Bonds.

PFC Framework and Forecast Assumptions

The Ordinance governs the use of PFC revenues, stating that:

> From time to time the Authority may adopt an ordinance or resolution irrevocably designating certain revenues received by the Authority (and not otherwise treated as Gross Revenues) as Dedicated Revenues to be used exclusively to pay debt service on Revenue Bonds. In such resolution or ordinance, the Authority shall elect to exclude from the Debt Service Requirement, an amount of principal of and/or interest on Revenue Bonds in an amount equal to such Dedicated Revenues. If the Authority adopts an ordinance or resolution as described in this paragraph, the Authority shall transfer such Dedicated Revenues into the Revenue Bond Interest and Principal Fund at such time as is needed to pay such debt service when due.

This provision permits the Authority to exclude the principal and interest to be paid from dedicated PFC revenues (defined as Dedicated Revenues under the Ordinance) from the Debt Service Requirement for purposes of meeting the Rate Covenant or complying with the requirements for issuing additional bonds.

The financial forecasts presented in this report reflect the Authority's historical and planned dedication of certain of its PFC revenues to be used exclusively to pay debt service on Revenue Bonds with the assumption that PFC revenues are excluded from the definition of Gross Revenues. The amount of PFC revenues that the Authority intends to use to pay principal and interest on Revenue Bonds is shown in Exhibit C. Any PFC revenues that the Authority intends to use for the payment of debt service are to be transferred from the PFC fund to the Revenue Bond Interest and Principal Fund as needed. The Authority intends to use the remaining PFC revenues collected to fund PFC-eligible projects in the Airport's 2001-2010 CIP on a pay-as-you-go basis or to pay additional debt service.

CUSTOMER FACILITY CHARGES

Beginning on May 1, 2006, the Authority levied a Customer Facility Charge (CFC) on rental car companies operating at the Airport. The CFC is charged at $3.00 per contract day (up to a maximum of 14 days), collected by the rental car companies, and remitted to the Authority. Throughout the forecast period, the CFC will be used to offset debt service associated with bonds which funded certain rental car and ground transportation facilities being built in conjunction with the New Indianapolis Airport.

Prior to closing on the proposed 2006 Bonds, the Authority intends to designate approximately $40.9 million of CFCs through 2012 as Dedicated Revenues to be used exclusively to pay debt service on Authority Revenue Bonds.

AIP GRANTS AND LETTER OF INTENT

On April 15, 2002, the Authority received approval of a Letter of Intent (LOI) from the FAA for costs related to airfield elements of the New Indianapolis Airport Program. The LOI is for a total of $120.8 million, including $70.5 million in discretionary Airport Improvement Program (AIP) grants, to be paid by the FAA from 2003 through 2011. As part of the LOI commitment, the Authority has committed to use FAA entitlement grants over this same period (2003 through 2011) to pay for costs of the New Indianapolis Airport Program.

The Authority expects to receive AIP discretionary grants for its noise mitigation program and other AIP-eligible projects.

CAPITAL IMPROVEMENT PROGRAM

The 2001-2010 CIP (as well as 2011-2012 Capital Projects) includes approximately $1.7 billion of escalated project costs.

The New Indianapolis Airport Program represents a substantial portion of the 2001-2010 CIP, totaling approximately $1.066 billion (in escalated dollars) and is anticipated to open in late 2008. The site of the New Indianapolis Airport is an unencumbered greenfield site that has been reserved for Airport expansion since 1975. The site presents an opportunity for the development of well-positioned and efficient Airport facilities. It has been endorsed by the FAA and is included on the Airport Layout Plan. The site is nearly a mile wide, over 2 miles long, with enough space for landside and airside development. On April 15, 2002, the FAA further demonstrated its support for this project, and awarded the Authority a LOI commitment of $120.8 million (including $70.5 million of discretionary funding). In addition, as previously stated, on March 28, 2001, the FAA approved the Authority to collect (impose only) PFC revenues for the New Indianapolis Airport Program

and on August 25, 2003, the Authority received "use approval" from the FAA to fund approximately $524.5 million of project and financing costs.

Capital Projects in the CIP

Exhibit A presents major project elements included in the 2001-2010 CIP (as well as the estimated 2011- 2012 Capital Projects), including those to be funded in part from the proceeds of the proposed 2006 Bonds. The proposed 2006 Bonds are to be used to fund certain elements of the New Indianapolis Airport Program, including design, site grading, utilities, access roadway ramps, glycol recovery, some terminal construction, and other components, including certain rental car and ground transportation facilities, as well as non-midfield projects, including cargo apron expansion.

The total cost of project elements in the 2001-2010 CIP expected to be incurred through 2007 is estimated by the Authority to be approximately $1,341.5 million (comprised of $918.1 million in project costs for 2006-2007 and $423.4 million incurred from 2001-2005). The Authority anticipates that the date of beneficial occupancy of the New Indianapolis Airport will be in late 2008.

Future Capital Improvements in the CIP

The estimated future project costs for the New Indianapolis Airport Program include construction of the Midfield Terminal, which is estimated to be completed in late 2008.

Other projects in the 2001-2010 CIP (and the 2011- 2012 Capital Projects) include additional security projects, airfield capacity projects, taxiway improvements, environmental mitigation projects, roadway improvements, deicing control projects, land acquisition, reliever airports, and sound insulation costs associated with the Authority's noise compatibility program.

Construction of the New Indianapolis Airport and other related elements of the 2001-2010 CIP (as well as the 2011-2012 Capital Projects) would substantially complete the development program for the Airport through the forecast period and the foreseeable future. According to the Authority, additional projects would be undertaken only if there were demonstrated demand and the projects were economically justified and financially feasible.

ESTIMATED PLAN OF FINANCE

Exhibit B presents a summary of the estimated plan of finance for the issuance of the proposed 2006 Bonds and the funding of the 2001-2010 CIP (as well as the 2011-2012 Capital Projects).

Proposed 2006 Bonds

The Authority expects to issue the proposed 2006 Bonds, in the approximate principal amount of $412.5 million, as fixed rate bonds. The proposed 2006 Bonds are being issued to:

- Fund approximately $332.8 million of estimated costs of certain elements of the 2001-2010 CIP through a portion of 2007.
- Fund a deposit to the Revenue Bond Reserve Fund.
- Fund a deposit to the Series 2006A Capitalized Interest Account.
- Pay other costs incurred in connection with the issuance of the proposed 2006 Bonds.

The 2006 Bonds are comprised of both the Series 2006A Bonds and the Series 2006B Bonds. The Series 2006A Bonds are being used to fund approximately $292.8 million in project costs related to the 2001-2010 CIP. The Series 2006B Bonds are taxable bonds being used to fund approximately $40.0 million in project costs related to the 2001- 2010 CIP and associated with certain rental car and ground transportation facilities to be constructed as part of the New Indianapolis Airport program.

Planned Bonds

The Authority expects to issue various series of additional revenue bonds as needed to fund the 2001-2010 CIP (and the 2011-2012 Capital Projects). These additional bonds are referred to as "Planned Bonds" in this report. The proceeds of the Planned Bonds may be used to pay project costs, pay interest during construction, repay any subordinate Commercial Paper notes or other interim financing costs, meet the Revenue Bond Reserve Fund requirements for the Planned Bonds, and pay issuance costs.

For purposes of this report, the Planned Bonds are estimated to be issued in 2008 to fund approximately $382.0 million in project costs, with the Debt Service Requirement expected to be paid from Net Revenues of the Airport System and Dedicated Revenues.

It was assumed in the Plan of Finance that a portion of the Planned Bonds would be issued on a synthetic fixed-rate basis (with the interest rate at 5.5%) as Revenue Bonds under the Ordinance. In addition, the plan of finance assumes a portion of the Planned Bonds would be issued on a variable rate basis.

In order to provide a hedge against future interest rate risk with regard to the Planned Bonds, the Authority entered into the 2004 Hedge Agreement to hedge the borrowing costs related to the anticipated issuance of $125 million of Revenue Bonds in 2006 and $75 million of Revenue Bonds in 2007 and additional hedge agreements for approximately $150 million of Revenue Bonds anticipated to be issued in 2008. See "BONDHOLDER RISKS—2004 Hedge Agreements" section of the Official Statement. Recently, the Authority amended the agreements for the forward interest rate swaps previously scheduled to become effective on July 1, 2006, and July 1, 2007; the new effective date for such swaps is now July 1, 2008. Such swaps now relate to the Planned Bonds anticipated to be issued in 2008. The hedged bonds, which represent $350.0 million of the $446.7 million in Planned Bonds referred to above, are assumed to have an interest rate of 5.5%.

There is no assurance that the Planned Bonds will be issued or, if issued, will be issued on the same basis as that assumed in the Plan of Finance.

Funding the CIP

Exhibit B also shows the aggregate sources and uses of funds for the 2001-2010 CIP (as well as the 2011-2012 Capital Projects). Sources of funds include:

- Proceeds from the issuance of the 2003A Bonds, 2004A Bonds, 2005A Bonds, proposed 2006 Bonds, Planned Bonds, and future Subordinate Securities, including Commercial Paper
- Federal and State grants
- PFC revenues (pay-as-you-go and to pay principal and interest on a portion of the Revenue Bonds, and Planned Bonds)
- CFC revenues to pay principal and interest on a portion of the Revenue Bonds
- Internally generated funds of the Airport System

DEBT SERVICE REQUIREMENTS AND SUBORDINATE SECURITIES

Exhibit C presents the historical and forecast annual Debt Service Requirements and coverage requirements for Outstanding and proposed Revenue Bonds and Subordinate Securities for 2003 through 2012. As shown, the annual forecast Debt Service

Requirement includes the 1996A Bonds, 2003A Bonds, 2004A Bonds, 2005A Bonds, proposed 2006 Bonds, and Planned Bonds. The Ordinance provides the Authority with the discretion of determining how debt service coverage is to be funded. In the past, the Authority has charged 25% annual coverage on Debt Service Requirements (including the Outstanding Revenue Bonds) in establishing airline rates and charges. For purposes of this report, based on recent discussions with the Authority, it was assumed that beginning in 2006, the Authority would fund the Coverage Fund with other Authority moneys, if available. Further, it is the Authority's intention to maintain a balance in the Coverage Fund of 25% of the Debt Service Requirements on Revenue Bonds in subsequent years, with incremental funding of the Coverage Fund, as may be required, through Airport System cash flow or annual charges to the airlines for debt service coverage, as reflected in Exhibits C and G.

Debt service for the proposed 2006 Bonds was estimated by the Authority's financial advisors using the following assumptions: delivery date of June 20, 2006, final maturity of January 1, 2036, and an approximate interest rate of 5.50% for the Series 2006A Bonds and 6.15% for the Series 2006B Bonds.

Debt service for the subordinate Commercial Paper notes and the Planned Bonds to be issued to fund certain costs in the 2001-2010 CIP reflects allowances for future changes in bond interest rates and varying bond terms.

Exhibit C summarizes the allocation of annual Debt Service Requirements to Airport cost centers in accordance with procedures and formulas specified in the Airline Agreement.

SPECIAL PURPOSE FACILITIES BONDS

Under the Ordinance, the Authority reserves the right to issue one or more series of bonds to finance and refinance the cost of any Special Purpose Facilities (Special Purpose Facilities Bonds), including all reserves required, all related costs of issuance, and other amounts required, provided that such Special Purpose Facilities Bonds are to be payable solely by Special Purpose Facilities lessees and other security not provided by the Authority.

Each Special Purpose Facilities lease must provide that an Airport System improvement or facility is leased by the Authority to a lessee that agrees to pay (1) all of the Debt Service Requirements for the Special Purpose Facilities Bonds issued to finance the Special Purpose Facility and (2) all administrative expenses allocable to the Special Purpose Facility. In no event will any Gross Revenues or any other amounts held in any other Fund or Account maintained by the Authority as security for Revenue Bonds or for the construction, operation, maintenance, or repair of the Airport System be pledged to the payment of Special Purpose Facilities Bonds or to the payment of any lessee expenses of operating and maintaining a Special Purpose Facility. The

Authority has issued, from time to time, Special Purpose Facilities Bonds for the construction of facilities leased to United Airlines, FedEx, and US Airways.

The Authority financed a portion of the construction of the Indianapolis Maintenance Center (the "IMC") with special facility revenue bonds issued by the Authority on behalf of United Airlines. On December 9, 2002, UAL Corporation, the parent company of United Airlines filed for bankruptcy. On May 9, 2003, the Bankruptcy Court granted a motion by UAL Corporation to reject United Airlines' lease with the Authority for the IMC and the facility reverted back to the Authority. During 2003 and the first half of 2004, the Authority incurred certain costs to operate and maintain the IMC. In June 2004, the Authority entered into a lease agreement with AAR Aircraft Services, Inc. to lease a portion of the IMC. After executing the AAR Lease, the Authority has entered into six other leases related to the IMC, as well as one concession agreement, and is continuing an intensive marketing effort to secure additional tenants for the IMC.

The Authority is, and will continue to be, responsible for the operation and maintenance costs of the entire IMC to the extent potential revenues from the IMC do not cover such operation and maintenance costs. During 2004, the Authority incurred approximately $9.1 million of operating costs related to the IMC, $4.5 million of which was reimbursed from funds set aside under the Settlement Agreement. In 2005, the Authority incurred approximately $10.0 million in operating costs related to the IMC, $3.1 million of which was reimbursed from funds set aside in the Settlement Agreement. The Authority has estimated approximately $10.9 million in IMC operating expenses for 2006, with approximately $6.0 million in offsetting revenue for the IMC in 2006.

In the future, the Authority may issue one or more additional series of Special Purpose Facilities Bonds for one or more airlines or entities operating at the Airport System.

OPERATION AND MAINTENANCE EXPENSES

Exhibit D presents historical and forecast Operation and Maintenance Expenses of the Airport System, by type of expense and by cost center allocation, for 2003 through 2012. Expenses for 2003, 2004, and 2005 were obtained from the annual audited financial statements and other financial records of the Authority. Expenses for 2006 reflect the Authority's budget and estimate of expenditures for 2006. Expenses for 2007 through 2012 are based on assumptions from the Authority and BAAI regarding Airport System staffing levels, anticipated personnel requirements by position, and input from BAAI management regarding particular expenses associated with unit costs of labor, contractual services, utilities, and supplies.

Management compensation fees for BAAI are included in the definition of Operation and Maintenance, and therefore, have been included in the calculation of Operation and Maintenance Expenses through the forecast period, notwithstanding

the fact that the termination date of the Management Agreement is December 31, 2008. Management compensation fees are allocated to cost centers on the same basis as indirect administrative costs.

O&M Expenses for 2007 through 2012 reflect the following:

- 2007 O&M Expenses were assumed to represent an appropriate level of expense for the Airport for purposes of forecasting future expenses, including the additional security costs.
- Allowances for additional expenses associated with planned projects to be completed from 2006 through 2012, including the New Indianapolis Airport, which is assumed to open in late 2008.

In 2003, 2004, and 2005, the Authority received federal funding for certain security operating expenses incurred at the Airport as a result of September 11, 2001, events and other factors. The 2006 amount for incremental security reflects estimated expenses net of federal grants and reimbursements from the TSA. For purposes of this report, the 2007-2012 incremental security amounts were assumed to be similar to those estimated for 2006.

REVENUES

Airport System revenues include airline revenues from rentals, fees, and charges; and nonairline revenues from terminal concessions, such as food and beverage, news and gifts, and other terminal services; revenues from public parking, rental cars, ground transportation, and employee parking; other operating revenues; rentals from other Airport System facilities, including cargo, maintenance, hangar, and other building and ground leases; and certain other nonoperating revenues. The assumptions underlying the forecasts of each of these revenue sources are described in the following sections. The revenue amounts for 2003 through 2005 reflect audited actual financial results of the Airport System. Nonairline revenues are detailed in Exhibit E.

Airline Revenues

The calculations of airline rents and fees are based on procedures set forth in the Airline Agreement, as described below and presented in Exhibits F-1 through F-3.

Terminal Complex Rents. Exhibit F-1 presents the calculation of actual 2004 and 2005, estimated Signatory Airline Terminal Complex rental rates for 2006, and forecast rental rates for 2007 through 2012. Three rental rates are in effect in the Terminal Complex (1) the existing terminal prior to Concourse C expansion (including Concourse D), (2) Concourse C, and (3) the Concourse D expansion.

Terminal Complex rental rates are calculated to recover the average cost of each square foot of rentable space in the Terminal Complex. The total Terminal Complex Cost is computed by adding the following items allocable to the Terminal Complex: (1) total direct and indirect Operation and Maintenance Expenses (including estimated BAAI compensation payments, if any), (2) required Operation and Maintenance Reserve Fund deposits, (3) annual Debt Service Requirements and Subordinate Securities, including 25% coverage on Revenue Bond debt service through 2005, and incremental charges on coverage, as may be required, and (4) annual amortization of the net cost of Terminal Complex assets funded by the Authority, calculated at an interest rate of 6%.

Nonairline revenues allocable to the Terminal Complex, the credit (deficit) from the prior year, an allowance for the cost of Authority/BAAI executive office space, administration building rentals, security fees, and terminal gate use fees representing revenues from gates used on an "as needed" basis are then credited against those Terminal Complex costs to determine the adjusted common Terminal Complex costs. The average cost rate (equalized component) is then calculated by dividing the adjusted common Terminal Complex costs by the total number of square feet of Rentable Space in the Terminal Complex.

A capital rate (the net Debt Service Requirement per square foot) for the existing terminal, Concourse C, and Concourse D expansion space is then calculated by dividing the net Debt Service Requirement allocable to each area by the Rentable Space in each area. These differential capital rates are then added to the "equalized" average cost rate to establish a rental rate for each area. The respective rental rates are multiplied by the amount of airline Rentable Space in each area to determine the total annual Airline Terminal Complex Requirement. The total annual Airline Terminal Complex Requirement is then multiplied by the projected percentage of airline rented space to determine the actual projected airline Terminal Complex rent.

As stated earlier, the Authority is planning for the New Indianapolis Airport to open in late 2008, and for purposes of this analysis, it was assumed that there will be one, equalized terminal rental rate for the New Indianapolis Airport. The Authority expects that a significant portion of the New Indianapolis Airport costs will be financed from the net proceeds of Planned Bonds. Debt Service Requirements associated with this project are included in the Terminal Complex, as are additional Operation and Maintenance Expenses and associated Fund deposit requirements.

Apron Area Rents. Exhibit F-2 presents the calculation of actual 2004 and 2005, estimated Apron Area rents for 2006, and forecast rental rates for 2007 through 2012. Under the Airline Agreement, the Signatory Airlines pay Apron Area rents to recover costs allocable to the aircraft parking positions, including (1) total direct and indirect Operation and Maintenance expenses, (2) required deposits to the Operation and Maintenance Reserve Fund, (3) annual Debt Service Requirements

and Subordinate Securities, including 25% coverage on Revenue Bond debt service through 2005 and incremental charges on coverage, as may be required, and (4) the annual amortization of Authority funded assets, calculated at an interest rate of 6%.

Nonairline revenues allocable to the Apron Area, the credit (deficit) from the prior year, and terminal gate use fee and remain-over-night (RON) fees representing revenues from gates and apron space used on an "as needed" basis, are then credited against those Apron Area costs to determine the Apron Area costs. The average cost rate is then calculated by dividing the total Apron Area costs by total Apron Area square footage.

Landing Fees. Exhibit F-3 presents the calculation of actual 2004 and 2005, estimated Signatory Airline landing fees for 2006, and forecast landing fees for 2007 through 2012. Landing Fees are calculated to recover the residual cost of operating the Airport System after crediting nonairline operating revenue generated by the Airport System. The calculation follows the total Airport System residual cost formula of the Airline Agreement. Under this formula, the total Airport System expense is calculated and then reduced by crediting all Airport System operating revenue (including airline Terminal Complex rents and Apron Area rents but excluding airline landing fees) and moneys deposited in the Prepaid Airline Fund in the prior Fiscal Year. The resulting Airport System Requirement (landing fee revenues required) is then divided by the forecast annual Signatory Airline landed weight to determine the required Signatory Airline Landing Fee Rate.

Airport System expense includes the following:

- Total direct and allocated indirect Operation and Maintenance Expenses of the Airport System as set forth in the Authority's annual budget.
- Any Fund deposits required under the Ordinance
- Debt Service Requirements and Subordinate Securities, including 25% coverage on Revenue Bond debt service through 2005 and incremental charges on coverage, as may be required
- Annual amortization of Authority-funded assets, calculated at an interest rate of 6%
- The estimated amount of any assessment, judgment, settlement, or charge to become payable by the Authority
- An amount for further Capital Improvements equal to 25%, as determined by the Authority, of all nonairline Airport System Operating Revenue derived from Airport System concessions; rentals, charges, and fees from non-Signatory Airlines; and other Airport System tenants and users

- Costs related to the operations, maintenance, marketing, and legal efforts related to the IMC

That Airport System expense is then offset by the following to determine the revenues required from airline rents and fees:

- Any deficit or surplus estimated for the operation of the Airport System during the then-current Fiscal Year or any adjustment (to reflect the difference between the actual versus estimated revenues or expenses) carried over from the prior Fiscal Year

- Airport System Operating Revenue (including airline Terminal Complex rentals and Apron Area fees; but excluding Signatory Airline landing fees), as set forth in the annual budget

For purposes of this report, estimated compensation payments to BAAI from the Authority, if any, are shown as a separate line item expense and are accounted for as Operation and Maintenance Expenses.

Concession Revenues

Exhibit E summarizes historical and forecast revenues from sources other than airline revenues. The principal concession revenues at the Airport are parking, rental cars, food and beverage, news and gifts, and specialty retail. The Authority also derives revenues from telephones, advertising, ground transportation services, and other concessions. Most terminal concession revenues are forecast to increase as a function of the forecast increase in enplaned passengers and inflation.

Forecast concession revenues take into account recent trends in performance since September 2001 and, if applicable, were computed at the higher of the percentage fee or minimum annual guarantee.

Food and Beverage. The Terminal Complex provides space for non-exclusive food and beverage concessions, offering sitdown restaurants, a food court with brand-name offerings, gourmet coffee bars, and bars. In January 2000, a new food court was completed and new eateries were introduced pre- and post-security. Currently, there are 25 food and beverage offerings at the Airport.

The minimum annual guarantee for food and beverage space varies based on the offering, location, size, and exposure to passengers. The food and beverage agreements provide for percentage fee revenues to the Authority ranging from 10% to 15% of gross revenues.

Host Marriott (HMS Host), the primary food and beverage concessionaire at the Airport, operates 9 of the 25 concessions. HMS Host's agreement expires December 31, 2009. Currently, HMS Host pays the Authority 10% on food and nonalcoholic beverage gross revenues, 15% on alcoholic beverage gross revenues, and 20% on merchandise gross revenues or a minimum guarantee of over $800,000 per year, whichever is greater.

TGI Friday's, the sit-down restaurant in the main terminal, along with the Food Court operators, other snack offerings such as Auntie Anne's, Kolache Factory, and Smoothie King, and coffee bars, make up the remainder of the food and beverage operations.

For purposes of this analysis, it was assumed that when the New Indianapolis Airport opens in 2008, food and beverage concessions will increase approximately 18% as a result of increased square footages planned and allocated for concessions, improved locations, and better passenger exposure and circulation (in addition to the forecast increase in passengers and inflation).

News and Gifts. The minimum annual guarantee for news and gift space also varies based on the offering location, size, and exposure to passengers. Concession agreements provide for percentage revenues to the Authority that range from 15% to 25% of gross revenues.

Paradies Shops operate (on a nonexclusive basis) 4 of the 7 news and general merchandise (gifts) concessions at the Airport under the operating name of Capitol News and Gifts with a concession agreement that extends through September 2006. The Hudson Group assumed all W.H. Smith operations on December 2, 2003, and has since rebranded the remaining 3 news and gift concessions as Hudson News under a nonexclusive agreement that extends through December 2006. For purposes of this report, it was assumed that comparable agreements with news and gift operators would be negotiated and in place through the forecast period. These agreements would provide for the Authority to receive a minimum guarantee or 15% to 25% of gross revenues from sundries and gifts, adjusted annually at 85% of the prior year's receipts, whichever is greater.

Terminal news and gifts concessions revenues are tied to forecast increases in enplaned passengers plus an inflation factor throughout the forecast period. For purposes of this report, it was assumed that when the New Indianapolis Airport opens in 2008, revenues will increase approximately 18% (in addition to the forecast increase in passengers and inflation).

Specialty Retail. Currently, 13 specialty shops operate at the Airport including: Back Home Indiana, Brickyard Authentics, Brookstone, Godiva Chocolatier, Hat World, Passport Travel Spa, Perfumania, PGA Tour Shop, Simply

Books, Sunglass Hut International, Kidsworks, and Hudsons Booksellers. Since 1995, approximately 12,000 additional square feet have been devoted to specialty retail. As a result of this expansion, specialty revenue increased approximately 9% per year from 1998 to 2000. Following the events of September 11, 2001, specialty retail growth was flat, but has recovered and is on track with pre-September 11, 2001 numbers.

In addition to specialty retail shops inside the terminal, the Airport has a BP fueling station, convenience center, and car wash on Airport property.

Specialty retail revenues are tied to forecast increases in enplaned passengers plus an inflation factor throughout the forecast period. In addition, specialty retail revenues are forecast to increase an additional 18% with the opening of the New Indianapolis Airport in late 2008.

Other Concessions. Other concessions include payphones, WIFI, advertising, shoeshine stands, vending machines, and automated bank teller machines.

For purposes of this report, it was assumed that when the New Indianapolis Airport opens in late 2008, revenues for other concessions, except telephones, will increase approximately 18%. Telephone revenues are expected to remain flat due to the increasing use of cellular phones and other methods of telecommunication.

Public Automobile Parking Revenues

The Authority currently operates the public parking facilities at the Airport. There are approximately 1,800 parking spaces in the parking garage, 2,000 spaces in the Corporate Connection and Premier lots, and a combined 7,100 spaces in the surface Tiger and economy lots (approximately 11,000 parking spaces total).

Charges in the parking garage are currently $3.00 each hour up to a maximum of $20.00 per day. The first half hour in the parking garage is free. In the surface lot, charges are $4.00 minimum for the first hour, or any portion thereof, and $3.00 for each additional hour up to a maximum of $16.00 per day. In the Premier lot, charges are $3.00 for 0 to 3 hours, $4.00 for 4 to 6 hours, and a maximum of $8.00 per day. In the Corporate Connection, Tiger, and Economy lots, the maximum rates range from $6.50 to $9.00 per day.

Parking revenues are forecast based on historical trends in revenue per originating passenger and in direct proportion to forecasts of originating passengers, plus an annual growth factor.

For purposes of this report, it was further assumed that when the New Indianapolis Airport opens in late 2008, increases in parking revenues will be attributed to a

combination of the greater number of parking spaces available (approximately 17,700 in total, including 5,900 in structured parking) and a greater share of today's off-Airport market.

The Authority's share of the total public parking market is expected to increase from 75% today to 90% upon opening of the New Indianapolis Airport in late 2008. Further, the proportion of customers parking in covered spaces is expected to increase from 12% today to approximately 30% in the future, in part due to greater convenience and attractive pricing. Also, parking rates in the economy surface lots are expected to increase.

Rental Car Revenues

Eight rental car companies (Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National, and Thrifty) operate at the Airport and are located on-Airport within the terminal. Ace Rent A Car is located off-Airport.

In November 2001, ANC Rental Corporation, the parent company of Alamo and National, filed for Chapter 11 bankruptcy protection. In October 2003, Vanguard Car Rental acquired Alamo and National from ANC Rental Corporation. In July 2002, Budget Group Inc., the parent company of Budget Rent a Car Corporation, filed for Chapter 11 bankruptcy protection. In August 2002, Cendant Corporation, the parent company of Avis, acquired Budget and began operating Budget as a brand separate from Avis. These developments in the rental car industry were assumed to have no material effect on the revenues forecast to be paid collectively by the rental car companies to the Authority or materially affect the financial forecasts presented herein.

All on-Airport car rental companies operate under concession agreements providing for payment to the Authority of a minimum fee, plus 10% of gross revenues (subject to guaranteed minimum payments) over a specified sales breakpoint. The majority of these concession agreements expire in December 2006 with others expiring in June 2007.

The Authority receives 10% of reported sales from Ace Rent A Car, per the ordinance for off-Airport operations. In addition, on-Airport rental car companies currently lease counters and office areas in the terminal building at the prevailing rental rate. On-airport rental car companies also pay a fee for exclusive pick-up/drop-off areas and phone banks. For purposes of this report, it was assumed that comparable agreements with the rental car companies will be negotiated and in effect through the forecast period.

It is assumed that from the date of opening of the New Indianapolis Airport, rental car companies will operate from a consolidated rental car facility. In addition, rental car companies began collecting and remitting CFCs to the Authority on May 1, 2006.

The CFCs are to be used to fund a portion of the costs associated with certain rental car and ground transportation facilities. The CFC and rents associated with the facility are detailed elsewhere in this report (see "Customer Facility Charges" and "Rented Buildings and Other Areas Revenues").

Rented Buildings and Other Areas Revenues

The Authority leases sites, buildings, and other facilities on the Airport to various aviation and nonaviation users. American Trans Air (ATA), Airport Trade Center, Hangar LLC, Eli Lilly and Company, the FAA, FedEx, Indy Car Aviation, Simon Aviation, US Airways, and the USPS have entered into ground and/or building leases with the Authority. The Airport also has a Foreign Trade Zone that includes an international trade center and other buildings.

The southeast quadrant of the Airport is occupied by FedEx for its overnight delivery hub operation. The northwest quadrant of the Airport is occupied by the IMC, which includes hangars, repair and maintenance shops, machine shops, an energy plant, a wastewater treatment facility, atrium, common areas, cafeteria, and office space. AAR Aircraft Services, Inc. currently occupies five of the IMC's hangar bays and has the ability to lease/utilize a total of ten of the twelve IMC hangar bays. The remaining two hangar bays are occupied by a regional carrier for in-house aircraft maintenance. In addition to the IMC, FedEx and ATA have facilities in the northwest quadrant; two corporate hangars are also located there.

Revenues from building, hangar, and ground leases are governed by the terms of various leases. During lease negotiations and/or renegotiations, it is the Authority's intention to yield market value.

Forecasts of rented building and other areas revenues also includes the revenues and credits related to the expansion of FedEx operations at the Airport as specified in the May 5, 2006 agreement between FedEx and the Authority, as follows:

- FedEx will make lease payments for the expanded apron area space, in the approximate amounts of $1.4 million per year from 2007, an additional $2.0 million per year from 2008, and an additional $1.0 million per year from 2009.

- FedEx will pay ground and supplemental revenues at an approximate combined rental rate of $0.50 per square foot per year for this expanded apron space.

- Beginning in 2007 and continuing every year thereafter, FedEx will be eligible to earn reductions in its apron lease rental obligations based upon increasing its landed weight at the Airport.

Additionally, rental cars operating at the Airport will pay rentals related to their use of the consolidated rental car facility associated with the Midfield Terminal, planned to open in late 2008. The rentals will include service center, quick turn-around (QTA), ground transportation center (GTC), and ready/return space rentals. These additional rental car rentals have been included in rented building and other areas rentals.

Reliever Airport Revenues

The Authority leases sites, buildings, and other facilities at the Reliever Airports to both aviation and nonaviation tenants. The site and building rentals from the Reliever Airports are governed by the terms of various leases, many of which extend beyond the forecast period.

BAAI Management Compensation Calculation

The Authority and BAAI negotiated an amendment to the Management Agreement in 2004. The amendment provides for compensation equal to a fixed annual component and a variable component based on actual performances each year. The Authority does not expect that the total compensation to be paid to BAAI will materially increase from compensation paid in prior years. For 2003 through 2005, BAAI received compensation payments from the Authority amounting to approximately $1.5 million, $1.5 million, and $1.8 million per year, respectively.

As shown in Exhibits F-3 and G, for purposes of this analysis, estimated BAAI management compensation payments are separate line item expenses, but are accounted for as Operation and Maintenance Expenses.

APPLICATION OF REVENUES

Exhibit G presents the forecast application of Gross Revenues and Federal Payments from 2004 through 2012.

Amounts forecast to be deposited to the Capital Improvement Fund from Gross Revenues and Federal Payments are calculated on the basis of the annual and aggregate funding limits set forth in the Ordinance and the Airline Agreement. Moneys in the Capital Improvement Fund are available for any lawful purpose of the Airport System.

After all of the required deposits are made, (including deposits to the Coverage Fund), the balance of Gross Revenues and Federal Payments is deposited into the Prepaid Airline Fund and credited toward the Airport System Requirement (landing fees) in the following Fiscal Year (see Exhibit F-3).

DEBT SERVICE COVERAGE

Exhibit H presents the forecast Net Revenues and the calculation of forecast debt service coverage according to the Rate Covenant of the Ordinance. Net Revenues, together with consideration of amounts in the Prepaid Airline Fund and the Coverage Fund, are forecast to exceed the 125% requirement of the Rate Covenant in each year of the forecast period for Revenue Bonds (as reduced by Dedicated Revenues), including the proposed 2006 Bonds and Planned Bonds.

The forecast Revenue Bond debt service coverage margins shown in Exhibit H result primarily from:

- Funding of 125% of Revenue Bond Debt Service Requirements annually through 2005 and amortization of certain Authority assets in the airline rate base
- Consideration of amounts in the Prepaid Airline Fund and Coverage Fund in the calculation of debt service coverage
- Annual funding of the Capital Improvement Fund, also subordinate to the payment of debt service, in the amount of 25% of nonairline operating revenue

For 2006 through 2012, Net Revenues, together with consideration of amounts in the Prepaid Airline Fund and the Coverage Fund are forecast to exceed 125% of the Debt Service Requirements (as reduced by Dedicated Revenues) for all Revenue Bonds.

SENSITIVITY ANALYSIS

Actual 2004 enplaned passengers exceeded 4 million for the first time in Airport history. Passenger traffic in 2005 was up 5.9% and reached a record level of 4.258 million. The forecast of enplaned passengers reflects higher than average growth through 2008 and more modest growth from 2009-2012, consistent with the historical long-term trends experienced at the Airport. As such, enplaned passengers are forecast to be approximately 5.035 million in 2010 and 5.342 million in 2012.

Indianapolis remains a strong origin/destination market with a diverse air carrier mix and a good combination of major/national, regional/commuter, and low fare carriers. However, the financial health of the overall airline industry did not improve in 2005. There continues to be significant financial pressures on the airlines. As mentioned previously, the airlines (collectively) have reduced seat capacity nationally and in Indianapolis. As such, a sensitivity analysis was prepared to evaluate the potential for continued reductions in air service (capacity) by one or more of the carriers and the resultant reductions in air traffic activity at the Airport.

It was assumed that:

- Changes in aircraft types and routes would result in reduced seat capacity over the forecast period
- Corresponding to the possible reduction/cutbacks in service/capacity, enplaned passenger levels and passenger landed weights would be reduced by approximately 9.0% over the forecast period.

In addition to the possible reductions for passenger carriers, it was further assumed that cargo activity would be lower than levels forecasted:

- Cargo landed weights would be reduced by approximately 5% over the forecast period.

In the sensitivity analysis, enplaned passengers are projected to be 4.9 million in 2012, compared to 5.3 million in the base forecast (which represents approximately 9.0% fewer enplanements in that year).

All other assumptions discussed in this report are the same, as reflected in the results presented below:

	2006	2007	2008	2009	2010	2011	2012
Enplaned passengers							
Forecast	4,215,000	4,388,000	4,640,000	4,886,000	5,035,000	5,186,000	5,342,000
Sensitivity projection	3,831,000	3,988,000	4,217,000	4,441,000	4,576,000	4,713,000	4,854,000
Landed weight							
Forecast	10,698,000	11,425,000	12,296,000	13,175,000	14,050,000	14,471,000	14,905,000
Sensitivity projection	9,948,000	10,631,000	11,447,000	12,271,000	13,089,000	13,482,000	13,886,000
Passenger airline cost per enplaned passenger							
Forecast	$6.35	$6.77	$9.10	$9.79	$10.28	$9.96	$9.97
Sensitivity projection	$6.99	$8.24	$10.07	$11.83	$11.70	$12.00	$11.42
Debt service coverage ratio in Revenue Bonds and Subordinate Securities							
Forecast	1.94	2.34	2.10	1.89	1.86	1.87	1.86
Sensitivity projection	1.80	2.31	2.09	1.86	1.82	1.84	1.83

The "residual" nature of the Authority's Airline Agreements provide the financial mechanism to mitigate the potential downside effects of lower air traffic activity by increasing airline rates and charges to generate sufficient revenues to meet the covenants of the Ordinance. As shown in the table above, debt service coverage ratios are maintained at nearly identical levels in the sensitivity projection.

Under the sensitivity projection, Net Revenues together with consideration of amounts in the Prepaid Airline Fund and Coverage Fund, would still be more than sufficient to meet the Rate Covenant in each year of the forecast period.

Exhibit A

CAPITAL IMPROVEMENT PROGRAM
Indianapolis Airport Authority
managed by BAA Indianapolis LLC
For Fiscal Years Ending December 31

	[A] Total 2006-2007 Project Costs	2006-2007 Project Costs: Federal and State Grants (d)	PFC revenues pay-as-you go (e)	Authority funds (f)	2006 Bonds	Other Funding (g)	[B] Total 2008-2012 project costs (h)	[A] + [B] Total CIP 2006-2012
PLANNED AIRPORT PROJECTS								
New Indianapolis Airport Program	$ 687,418,000	$ 68,850,000	$ 27,372,000	$ 20,502,000	$ 256,792,000	$ 313,902,000	$ 129,117,000	$ 816,535,000
Airfield								
Part 150 - land phase II	$ 5,221,000	$ 3,655,000	$ -	$ -	$ -	$ 1,566,000	$ -	$ 5,221,000
A380 improvements	1,030,000	-	-	-	-	1,030,000	26,720,000	27,750,000
Development south of I-70 - land acquisition	6,609,000	-	-	-	-	6,609,000	2,842,000	9,451,000
3rd runway south of I-70 - land acquisition	-	-	-	-	-	-	8,955,000	8,955,000
Transmission line relocation - land acquisition	2,923,000	-	-	-	-	2,923,000	3,662,000	6,585,000
Deicing control - north airport	-	-	-	-	-	-	7,582,000	7,582,000
Airport permanent communications/Emergency Op Center	2,600,000	-	-	-	2,600,000	-	2,800,000	5,400,000
Relocation of ASR	1,648,000	-	-	-	-	1,648,000	4,849,000	6,497,000
ELG Mitigation	206,000	-	-	-	-	206,000	9,297,000	9,503,000
Extend Taxiway "R"	8,725,000	6,544,000	2,181,000	-	-	-	-	8,725,000
Master Plan and Environmental Assessment	-	-	-	-	-	-	5,832,000	5,832,000
Runway 5R-23L connector taxiways	1,141,000	-	-	-	-	1,141,000	11,767,000	12,908,000
New firehouse	6,100,000	4,575,000	1,525,000				-	6,100,000
Part 150 - land phase III	18,824,000	6,910,000	-	-	-	11,914,000	12,887,000	31,711,000
Noise	-	-	-	-	-	-	5,970,000	5,970,000
ARFF vehicles replacement	1,603,000	-	-	-	-	1,603,000	3,928,000	5,531,000
Cargo apron construction	40,535,000	-	-	-	17,000,000	23,535,000	11,224,000	51,759,000
Other	27,394,000	6,547,000	-	-	-	20,847,000	49,013,000	76,407,000
	$ 124,559,000	$ 28,231,000	$ 3,706,000	$ -	$ 19,600,000	$ 73,022,000	$ 167,328,000	$ 291,887,000
Apron Area								
Airport permanent communications/Emergency Op Center	$ 1,300,000	$ -	$ -	$ -	$ 1,300,000	$ -	$ 1,400,000	$ 2,700,000
Other	3,852,000	1,559,000	-	-	-	2,293,000	4,681,000	8,533,000
	$ 5,152,000	$ 1,559,000	$ -	$ -	$ 1,300,000	$ 2,293,000	$ 6,081,000	$ 11,233,000
Terminal Complex								
Airport permanent communications/Emergency Op Center	$ 2,600,000	$ -	$ -	$ -	$ 2,600,000	$ -	$ 2,800,000	$ 5,400,000
Other	5,127,000	1,559,000	-	-	-	3,568,000	9,363,000	14,490,000
	$ 7,727,000	$ 1,559,000	$ -	$ -	$ 2,600,000	$ 3,568,000	$ 12,163,000	$ 19,890,000
Other								
Rental car facilities (a)	$ 40,000,000	$ -	$ -	$ -	$ 40,000,000	$ -	$ 6,000,000	$ 46,000,000
Land east of Ronald Reagan Parkway	6,174,000	-	-	-	-	6,174,000	2,162,000	8,336,000
Administrative offices	-	-	-	-	-	-	7,721,000	7,721,000
Fuel delivery and distribution system	14,000,000	-	-	-	-	14,000,000	-	14,000,000
Land acquisition (Mt. Comfort)	2,715,000	-	-	-	-	2,715,000	2,816,000	5,531,000
Taxiway A reconstruction (Mt. Comfort)	330,000	-	-	-	-	330,000	4,753,000	5,083,000
Reconstruct / Extend runway 7-25 (Mt. Comfort)	-	-	-	-	-	-	5,128,000	5,128,000
New Cargo Building - apron reconstruction	10,789,000	-	-	-	10,789,000	-	-	10,789,000
Other	19,214,000	1,853,000	-	-	1,711,000	15,650,000	38,751,000	57,965,000
	$ 93,222,000	$ 1,853,000	$ -	$ -	$ 52,500,000	$ 38,869,000	$ 67,331,000	$ 160,553,000
Total planned Airport project costs	$ 918,078,000	$ 102,052,000	$ 31,078,000	$ 20,502,000	$ 332,792,000	$ 431,654,000	$ 382,020,000	$ 1,300,098,000
Total 2001-2005 project costs (b)								$ 423,445,000
Total 2001-2012 project costs								$ 1,723,543,000
Total 2001-2010 CIP (c)								$ 1,642,951,000

Source: Authority's Capital Improvement Program as of March 23, 2006.

(a) Rental car facilities costs include $17.0 million of 2008 project costs.
(b) Of this amount, $249.5 million represents New Indianapolis Airport Program project costs.
(c) Differs from 2001-2012 project costs by $80.6 million (the 2011-2012 Capital Projects).
(d) Includes entitlement and discretionary grants-in-aid received and anticipated to be received by the Authority, including the FAA Letter of Intent commitment dated April 15, 2002.
(e) Reflects passenger facility charge (PFC) revenues anticipated to be applied against approved project costs on a pay-as-you-go basis.
(f) Includes Authority funds from Airport cash flow, Prepaid Airline Fund, interest income, and proceeds from land sales.
(g) Includes 2006-2007 expenditures that will be paid for with proceeds of 2004A Bonds and 2005A Bonds, as well as IMC-related revenue.
(h) Includes the 2011-2012 Capital Projects.

Exhibit B

ESTIMATED PLAN OF FINANCE
Indianapolis Airport Authority
managed by BAA Indianapolis LLC
For Fiscal Years Ending December 31

	[A] Proposed 2006 Bonds	[B] 2006 - 2007 CIP Not Funded by 2006 Bonds	[C] 2008 - 2012 CIP	[A] + [B] + [C] Total
SOURCES OF FUNDS				
Principal Amount of Bonds	$ 412,470,000	$ -	$ 446,660,000	$ 859,130,000
Federal and State Grants (a)	-	102,052,000	58,016,000	160,068,000
PFC Revenues (b)	-	31,078,000	11,306,000	42,384,000
Authority Funds (c)	-	20,502,000	106,704,000	127,206,000
Other Funding (d)	-	181,654,000	68,679,000	250,333,000
Subordinate CP Notes (e)	-	265,000,000	20,000,000	285,000,000
Projected CF Interest Income	10,442,000	-	3,457,000	13,899,000
Total sources of funds	$ 422,912,000	$ 600,286,000	$ 714,822,000	$ 1,738,020,000
USES OF FUNDS				
Project Costs	$ 332,792,000	$ 585,286,000	$ 382,020,000	$ 1,300,098,000
Repayment of Commercial Paper (e)	-	15,000,000	265,000,000	280,000,000
Debt Service Reserve Funds	33,990,000	-	40,459,000	74,449,000
Capitalized interest account	46,333,000	-	16,929,000	63,262,000
Costs of issuance	9,797,000	-	10,414,000	20,211,000
Total uses of funds	$ 422,912,000	$ 600,286,000	$ 714,822,000	$ 1,738,020,000

Source: Authority's Capital Improvement Program as of March 23, 2006.

(a) Reflects FAA entitlement and discretionary grants, including the FAA Letter of Intent commitment dated April 15, 2002.
(b) Reflects PFC revenues received and anticipated to be received and applied against project costs on a pay-as-you-go basis.
(c) Includes Authority funds from Airport cash flow, Prepaid Airline Fund, interest income, and proceeds from land sales.
(d) Primarily includes proceeds of 2004A Revenue Bonds and 2005A Revenue Bonds, as well as IMC-related revenues.
(e) Currently, the Authority has a letter of credit supporting $120 million of Commercial Paper issuance.

Exhibit C

HISTORICAL, ESTIMATED, BUDGET AND PROJECTED DEBT SERVICE REQUIREMENTS ON REVENUE BONDS

Indianapolis Airport Authority
managed by BAA Indianapolis LLC
For Fiscal Years Ending December 31

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Actual			Estimated	Forecast					
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Service Requirements on Revenue Bonds (a)										
Revenue Bonds										
Series 1996A Bonds (b)	$ 5,520,995	$ 5,519,383	$ 5,507,314	$ 5,501,000	$ 15,630,000	$ 25,713,000	$ -	$ -	$ -	$ -
Series 1998 Refunding Bonds	15,668,644	15,662,625	15,662,625	-	-	-	-	-	-	-
Series 2003A Bonds	5,747,341	7,803,649	16,364,757	19,964,000	6,655,000	6,682,000	8,276,000	8,280,000	8,281,000	8,279,000
Series 2004A Bonds	-	1,151,727	12,349,818	12,527,000	12,966,000	13,333,000	13,975,000	13,974,000	13,973,000	13,977,000
Series 2005A Bonds	-	-	-	276,000	281,000	313,000	10,036,000	10,036,000	10,036,000	10,036,000
Proposed Series 2006 Bonds	-	-	-	2,728,000	8,720,000	14,195,000	26,850,000	35,112,000	33,137,000	35,668,000
Planned Bonds (2007-2012)	-	-	-	-	-	-	22,408,000	25,274,000	29,301,000	29,289,000
Planned Bonds (post 2012)	-	-	-	-	-	-	-	-	-	-
Total Debt Service Requirements on Revenue Bonds	26,936,980	30,137,383	49,884,513	40,996,000	44,252,000	60,236,000	81,545,000	92,676,000	94,728,000	97,249,000
Less: committed revenues										
Series 2003A Bonds (PFCs)	(1,088,816)	(1,087,119)	(1,089,369)	(1,086,000)	(1,087,000)	(1,087,000)	(1,086,000)	(1,089,000)	(1,086,000)	(1,086,000)
Series 2004A Bonds (PFCs)	-	(1,151,727)	(12,158,818)	(12,156,000)	(12,158,000)	(12,157,000)	(12,159,000)	(12,157,000)	(12,157,000)	(12,161,000)
Proposed Series 2006 Bonds (PFCs)	-	-	-	-	-	-	(3,723,000)	(3,428,000)	(5,451,000)	(5,871,000)
Proposed Series 2006 (CFCs)	-	-	-	(1,368,000)	(5,996,000)	(5,995,000)	(5,997,000)	(6,963,000)	(7,172,000)	(7,387,000)
Other revenues	-	-	(15,662,625)	-	-	-	-	-	-	-
Net Debt Service Requirements on Revenue Bonds	$ 25,848,164	$ 27,898,538	$ 20,973,702	$ 26,386,000	$ 25,011,000	$ 40,997,000	$ 58,580,000	$ 69,039,000	$ 68,862,000	$ 70,744,000
Required coverage on Revenue Bonds (c)	6,462,041	6,974,634	5,243,426	3,958,000	1,751,000	6,150,000	-	-	-	-
Net Debt Service Requirements plus coverage on Revenue Bonds	$ 32,310,205	$ 34,873,172	$ 26,217,128	$ 30,344,000	$ 26,762,000	$ 47,147,000	$ 58,580,000	$ 69,039,000	$ 68,862,000	$ 70,744,000
Subordinate Securities - Commercial Paper (d)	398,409	1,400,000	4,300,094	2,769,000	1,896,000	4,649,000	2,484,000	1,746,000	1,746,000	1,746,000
Net annual debt service requirements on Subordinate Securities	$ 398,409	$ 1,400,000	$ 4,300,094	$ 2,769,000	$ 1,896,000	$ 4,649,000	$ 2,484,000	$ 1,746,000	$ 1,746,000	$ 1,746,000
Total annual debt service requirements	**$ 32,708,614**	**$ 36,273,172**	**$ 30,517,222**	**$ 33,113,000**	**$ 28,658,000**	**$ 51,796,000**	**$ 61,064,000**	**$ 70,785,000**	**$ 70,608,000**	**$ 72,490,000**
Summary by Airport System Cost Center (e)										
Airfield Area										
Apron Area	$ 3,599,113	$ 3,616,600	$ 988,168	$ 1,011,000	$ 1,869,000	$ 3,289,000	$ 962,000	$ 1,038,000	$ 1,071,000	$ 1,095,000
Other Airfield Areas	19,029,804	20,959,934	14,976,573	18,556,000	10,314,000	16,926,000	19,056,000	24,054,000	24,044,000	23,314,000
Terminal Complex	5,584,845	7,049,203	9,620,730	8,457,000	9,103,000	17,037,000	25,779,000	25,793,000	25,409,000	28,293,000
Parking Area (including access roadways)	3,670,793	3,797,797	4,427,428	4,625,000	6,962,000	14,100,000	14,919,000	19,551,000	19,734,000	19,439,000
Rented Buildings and Other Areas	789,077	828,295	402,974	328,000	385,000	417,000	327,000	328,000	329,000	328,000
Reliever Airports	34,982	21,344	101,349	136,000	25,000	27,000	21,000	21,000	21,000	21,000
Total annual debt service requirements	**$ 32,708,614**	**$ 36,273,172**	**$ 30,517,222**	**$ 33,113,000**	**$ 28,658,000**	**$ 51,796,000**	**$ 61,064,000**	**$ 70,785,000**	**$ 70,608,000**	**$ 72,490,000**

Source: Historical data based on Indianapolis Airport Authority records. Forecast data based on First Albany Capital, Inc. Plan of Financing dated April 2006.

(a) Represents the Revenue Bond annual Debt Service Requirements.
(b) Debt service on the Series 1996A Bonds for 2006-2008 reflects the expected redemption of certain additional principal amounts.
(c) From 1999 through 2005, reflects annual coverage requirements equal to 25% of the Revenue Bond Debt Service Requirements on the outstanding bonds, including the 2004A Bonds. In 2005, the Authority began funding the Coverage Fund up to 25% of the subsequent year's annual Revenue Bond Debt Service Requirements.
(d) Represents principal and interest payments on Subordinate Securities and other debt-related fees.
(e) Total annual debt service requirements plus coverage are allocated to cost centers on the basis of capital projects financed with each borrowing.

Exhibit D

HISTORICAL, ESTIMATED, BUDGET, AND FORECAST OPERATION AND MAINTENANCE EXPENSES AND AIRPORT SYSTEM COST CENTER ALLOCATIONS

Indianapolis Airport Authority
managed by BAA Indianapolis LLC
For Fiscal Years Ending December 31

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Actual			Estimated (a)	Forecast					
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Direct										
Personal services	$ 8,805,004	$ 9,368,335	$ 9,773,046	$ 10,307,000	$ 10,777,000	$ 11,208,000	$ 11,656,000	$ 12,122,000	$ 12,607,000	$ 13,111,000
Contractual services	2,353,590	3,089,743	3,636,349	3,616,000	3,761,000	4,211,000	4,379,000	4,554,000	4,736,000	4,925,000
Utilities	2,756,654	2,558,778	2,840,579	3,105,000	3,317,000	3,450,000	3,588,000	3,732,000	3,881,000	4,036,000
Supplies	1,531,173	1,523,581	1,639,768	1,696,000	1,954,000	2,172,000	2,259,000	2,349,000	2,443,000	2,541,000
Materials	952,649	1,132,178	902,657	993,000	1,033,000	1,298,000	1,350,000	1,404,000	1,460,000	1,518,000
General	1,087,277	940,073	895,768	979,000	1,168,000	1,215,000	1,264,000	1,315,000	1,368,000	1,423,000
Adjustment for midfield terminal (b)	-	-	-	-	-	3,687,000	4,791,000	4,963,000	5,142,000	5,327,000
	$ 17,486,347	$ 18,612,689	$ 19,688,167	$ 20,696,000	$ 22,010,000	$ 27,241,000	$ 29,287,000	$ 30,439,000	$ 31,637,000	$ 32,881,000
Indirect										
Public safety	$ 4,507,160	$ 5,653,074	$ 5,627,247	$ 6,147,000	$ 6,653,000	$ 7,009,000	$ 7,289,000	$ 7,581,000	$ 7,884,000	$ 8,199,000
Administration	8,257,234	8,995,196	9,552,134	10,430,000	10,847,000	11,281,000	11,732,000	12,201,000	12,689,000	13,197,000
Incremental security (c)	4,029,594	1,946,933	1,843,807	2,192,000	2,192,000	2,192,000	2,192,000	2,192,000	2,192,000	2,192,000
	$ 16,793,988	$ 16,595,203	$ 17,023,188	$ 18,769,000	$ 19,692,000	$ 20,482,000	$ 21,213,000	$ 21,974,000	$ 22,765,000	$ 23,588,000
Subtotal--Operating expenses	$ 34,280,335	$ 35,207,892	$ 36,711,355	$ 39,465,000	$ 41,702,000	$ 47,723,000	$ 50,500,000	$ 52,413,000	$ 54,402,000	$ 56,469,000
Equipment and capital outlays	$ 288,214	$ 712,095	$ 251,885	$ 135,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000
Environmental remediation	$ 1,094,333	$ 957,013	$ 160,370	$ 1,210,000	$ 300,000	$ 300,000	$ 300,000	$ 300,000	$ 300,000	$ 300,000
Total Operation and Maintenance Expenses	**$ 35,662,882**	**$ 36,877,000**	**$ 37,123,610**	**$ 40,810,000**	**$ 42,502,000**	**$ 48,523,000**	**$ 51,300,000**	**$ 53,213,000**	**$ 55,202,000**	**$ 57,269,000**
Annual percent increase		3.4%	0.7%	9.9%	4.1%	14.2%	5.7%	3.7%	3.7%	3.7%
Summary allocation by Airport System Cost Center										
Airfield Area										
Apron Area	$ 753,743	$ 452,734	$ 194,911	$ 228,000	$ 237,000	$ 250,000	$ 261,000	$ 270,000	$ 281,000	$ 292,000
Other Airfield Areas	12,719,639	11,461,710	10,550,084	11,384,000	11,856,000	12,508,000	12,972,000	13,461,000	13,964,000	14,489,000
Terminal Complex	12,170,928	13,486,848	14,508,171	14,428,000	15,028,000	19,538,000	21,234,000	22,021,000	22,840,000	23,690,000
Parking Area (including roadways)	6,153,088	6,945,165	8,401,291	8,542,000	8,896,000	9,385,000	9,735,000	10,099,000	10,478,000	10,872,000
Rented Buildings and Other Areas	2,282,107	2,896,905	1,599,347	3,731,000	3,886,000	4,099,000	4,252,000	4,411,000	4,577,000	4,749,000
Reliever Airports	1,583,377	1,633,639	1,869,805	2,496,000	2,599,000	2,742,000	2,845,000	2,951,000	3,062,000	3,177,000
	$ 35,662,882	**$ 36,877,000**	**$ 37,123,610**	**$ 40,810,000**	**$ 42,502,000**	**$ 48,523,000**	**$ 51,300,000**	**$ 53,213,000**	**$55,202,000**	**$ 57,269,000**

Source: Indianapolis Airport Authority and BAA Indianapolis LLC.
(a) Based on budget and 2 months of actual FY 2006 data.
(b) Represents an increase in O&M expenses in correlation with the increase in estimated square footage of the new terminal.
(c) Reflects post September 11, 2001 incremental security costs net of anticipated grant reimbursements.

Exhibit E

HISTORICAL, ESTIMATED, BUDGET AND FORECAST NONAIRLINE REVENUES
Indianapolis Airport Authority
managed by BAA Indianapolis LLC
For Fiscal Years Ending December 31

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Actual			Estimated (a)	Forecast					
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Airfield Area										
Aviation fuel sales	$ 286,995	$ 287,624	$ 263,221	$ 293,000	$ 302,000	$ 311,000	$ 320,000	$ 330,000	$ 340,000	$ 350,000
Ground handling	235,946	342,731	323,592	185,000	191,000	197,000	203,000	209,000	215,000	221,000
Other	8,222	7,960	8,732	7,000	7,000	7,000	7,000	7,000	7,000	7,000
	$ 531,163	**$ 638,315**	**$ 595,545**	**$ 485,000**	**$ 500,000**	**$ 515,000**	**$ 530,000**	**$ 546,000**	**$ 562,000**	**$ 578,000**
Terminal Complex										
Terminal building										
Space rentals--other	$ 148,228	$ 153,915	$ 175,363	$ 187,000	$ 193,000	$ 199,000	$ 205,000	$ 211,000	$ 217,000	$ 224,000
Concessions (b)										
Food/beverage	$ 1,855,241	$ 2,092,657	$ 2,257,841	$ 2,159,000	$ 2,332,000	$ 2,700,000	$ 3,355,000	$ 3,570,000	$ 3,750,000	$ 3,940,000
News/gifts	1,172,830	1,190,645	1,247,775	1,219,000	1,317,000	1,524,000	1,894,000	2,015,000	2,117,000	2,225,000
Telephone	(38,492)	73,411	41,414	89,000	11,000	11,000	11,000	11,000	11,000	11,000
Specialty shops	563,243	622,049	612,242	570,000	616,000	713,000	886,000	942,000	990,000	1,040,000
Advertising	552,445	643,945	607,204	656,000	709,000	820,000	1,019,000	1,085,000	1,139,000	1,197,000
Other concessions	313,517	349,195	350,021	348,000	376,000	435,000	541,000	575,000	604,000	635,000
	$ 4,418,783	$ 4,971,902	$ 5,116,497	$ 5,041,000	$ 5,361,000	$ 6,203,000	$ 7,706,000	$ 8,198,000	$ 8,611,000	$ 9,048,000
Other	524,169	750,378	786,841	817,000	848,000	929,000	1,096,000	1,132,000	1,166,000	1,201,000
Total Terminal Complex revenues	**$ 5,091,180**	**$ 5,876,195**	**$ 6,078,701**	**$ 6,045,000**	**$ 6,402,000**	**$ 7,331,000**	**$ 9,007,000**	**$ 9,541,000**	**$ 9,994,000**	**$ 10,473,000**
Hotel (net revenues) (c)	-	-	-	-	-	-	500,000	750,000	1,000,000	1,030,000
Existing terminal building (net revenues) (d)	-	-	-	-	-	-	500,000	625,000	750,000	773,000
Administration building--space rentals	275,085	279,586	215,914	239,000	248,000	272,000	321,000	331,000	341,000	351,000
Parking Area (e)	21,211,805	23,784,649	26,289,947	26,904,000	28,008,000	30,727,000	39,313,000	41,727,000	43,838,000	46,060,000
Fuel convenience center	158,663	160,750	160,750	161,000	166,000	171,000	176,000	181,000	186,000	192,000
Rental cars	6,276,263	6,442,619	6,876,671	6,481,000	6,949,000	7,716,000	8,775,000	9,223,000	9,690,000	10,181,000
Rented Buildings and Other Areas										
ATA rental payments (f)	$ 1,021,934	$ 1,021,934	$ 933,957	$ 758,000	$ 758,000	$ 758,000	$ 758,000	$ 758,000	$ 758,000	$ 758,000
Building, hangar, and ground leases	7,467,721	7,215,941	7,462,770	7,293,000	8,924,000	11,184,000	12,975,000	11,967,000	11,359,000	11,880,000
Farm income	32,950	34,433	32,169	31,000	32,000	33,000	34,000	35,000	36,000	37,000
Foreign Trade Zone	337,451	380,917	446,208	463,000	477,000	491,000	506,000	521,000	537,000	553,000
Other	209,436	190,017	156,542	62,000	64,000	66,000	68,000	70,000	72,000	74,000
	$ 9,069,492	**$ 8,843,242**	**$ 9,031,646**	**$ 8,607,000**	**$ 10,255,000**	**$ 12,532,000**	**$ 14,341,000**	**$ 13,351,000**	**$ 12,762,000**	**$ 13,302,000**
Reliever Airports	**1,946,983**	**2,008,176**	**2,028,307**	**2,128,000**	**2,192,000**	**2,258,000**	**2,326,000**	**2,396,000**	**2,468,000**	**2,542,000**
Total nonairline revenues other than interest income	**$ 44,560,632**	**$ 48,033,532**	**$ 51,277,481**	**$ 51,050,000**	**$ 54,720,000**	**$ 61,522,000**	**$ 75,789,000**	**$ 78,671,000**	**$ 81,591,000**	**$ 85,482,000**
less: Federal Payments	-	(700,000)	(586,904)	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)
Total nonairline revenues	**$ 44,560,632**	**$ 47,333,532**	**$ 50,690,577**	**$ 50,350,000**	**$ 54,020,000**	**$ 60,822,000**	**$ 75,089,000**	**$ 77,971,000**	**$ 80,891,000**	**$ 84,782,000**
		6.2%	7.1%	-0.7%	7.3%	12.6%	23.5%	3.8%	3.7%	4.8%

Source: Indianapolis Airport Authority and BAA Indianapolis LLC.

(a) Based on budget and 2 months of actual FY 2006 data.
(b) Projected terminal concession revenues are tied to projected enplanements, an inflation factor, and in 2008-2012, the opening of the Midfield Terminal.
(c) Estimated revenues associated with the planned new hotel project.
(d) Estimated revenues associated with future uses of the existing terminal building.
(e) Parking revenue projections are tied to projected enplanements, and in 2008-2012, the opening of the Midfield Terminal.
(f) Reflects the rental revenues for airline projects financed by the Authority with internally generated funds of the Airport System.

Exhibit F-1

CALCULATION OF AIRLINE TERMINAL COMPLEX RENTAL RATES
Indianapolis Airport Authority
managed by BAA Indianapolis LLC
For Fiscal Years Ending December 31

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

COSTS ALLOCABLE TO THE TERMINAL COMPLEX	**Actual**		**Estimated**	**Forecast**					
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Calculation of equalized rate component (a)									
Operation and Maintenance Expenses	$ 13,486,848	$ 14,508,171	$ 14,428,000	$ 15,028,000	$ 19,538,000	$ 21,234,000	$ 22,021,000	$ 22,840,000	$ 23,690,000
+ BAA compensation	543,000	677,000	575,000	575,000	575,000	575,000	575,000	575,000	575,000
+ Operation and Maintenance Reserve Fund (b)	(193,000)	-	337,000	200,000	1,503,000	565,000	262,000	273,000	283,000
+ Amortization of Authority-funded Capital Improvements (c)	3,748,150	3,976,366	4,849,000	4,697,000	3,887,000	5,915,000	7,979,000	7,901,000	7,669,000
Debt Service Requirements									
Series 1993 Bonds (d)	-	-	-	-	-	-	-	-	-
Series 1996A (d)	235,562	235,047	216,000	571,000	1,010,000	-	-	-	-
Series 1998 Refunding Bonds (d)	1,918,456	-	-	-	-	-	-	-	-
Series 2003A Bonds (d)	1,226,133	4,245,519	4,971,000	394,000	425,000	668,000	669,000	669,000	669,000
Series 2004A Bonds (d)	-	10,744	19,000	39,000	61,000	82,000	82,000	82,000	82,000
Series 2005A Bonds (d)	-	-	18,000	17,000	20,000	6,266,000	6,266,000	6,266,000	6,266,000
Proposed Series 2006 Bonds (e)	-	-	52,000	98,000	316,000	11,051,000	11,521,000	9,904,000	12,793,000
Planned Bonds	-	-	-	-	-	5,999,000	6,095,000	7,328,000	7,323,000
Subordinate Securities	900,000	2,366,422	642,000	1,272,000	3,337,000	1,713,000	1,160,000	1,160,000	1,160,000
Terminal Complex costs	**$ 21,865,148**	**$ 26,019,269**	**$ 26,107,000**	**$ 22,891,000**	**$ 30,672,000**	**$ 54,068,000**	**$ 56,630,000**	**$56,998,000**	**$60,510,000**
- Terminal Complex nonairline revenues (f)	5,876,195	6,078,701	6,045,000	6,402,000	7,331,000	9,007,000	9,541,000	9,994,000	10,473,000
- Credit (deficit) from prior year	(2,803,589)	(2,270,194)	(5,027,000)	(4,880,000)	(3,759,000)	(3,201,000)	(3,710,000)	(2,735,000)	(2,674,000)
- Allowance for Authority executive office space (g)	162,000	162,000	162,000	162,000	162,000	162,000	162,000	162,000	162,000
- Administration building space rents	279,586	215,914	239,000	248,000	272,000	321,000	331,000	341,000	351,000
- Security fees	401,707	427,192	413,000	439,000	464,000	489,000	504,000	550,200	534,000
- Terminal gate use fees (h)	458,151	489,012	60,000	66,000	78,000	-	-	-	-
= Adjusted common Terminal Complex costs	**$ 17,491,098**	**$ 20,916,644**	**$ 24,215,000**	**$ 20,454,000**	**$ 26,124,000**	**$ 47,290,000**	**$ 49,802,000**	**$48,685,800**	**$ 51,664,000**
/ Rentable Space (square feet) (i)	415,204	402,413	402,413	402,413	414,933	452,493	452,493	452,493	452,493
= Average rate per square foot	**$42.13**	**$51.98**	**$60.17**	**$50.83**	**$62.96**	**$104.51**	**$110.06**	**$107.59**	**$114.18**

Exhibit F-1 (2 of 3)
CALCULATION OF AIRLINE TERMINAL COMPLEX RENTAL RATES
Indianapolis Airport Authority
managed by BAA Indianapolis LLC
For Fiscal Years Ending December 31

		Actual		Estimated	Forecast					
		2004	2005	2006	2007	2008	2009	2010	2011	2012
Calculation of Concourse C rental rate (j)										
Debt Service Requirements plus Coverage										
Series 1996A Bonds (k)		$ 1,130,035	$ 1,127,564	$ 1,036,000	$ 2,739,000	$ 4,843,000	$ -	$ -	$ -	$ -
		$ 1,130,035	$ 1,127,564	$ 1,036,000	$ 2,739,000	$ 4,843,000	$ -	$ -	$ -	$ -
/ Concourse C Rentable Space (square feet) (i)		74,431	66,267	66,267	66,267	66,267	-	-	-	-
		$15.18	$17.02	$15.63	$41.33	$73.08	$0.00	$0.00	$0.00	$0.00
x Airline Rentable Concourse C space (square feet) (i)		67,955	60,675	60,765	60,765	60,765	-	-	-	-
= Net Concourse C Debt Service Requirement		$ 1,031,709	$ 1,032,414	$ 950,000	$ 2,512,000	$ 4,441,000	$ -	$ -	$ -	$ -
Net Concourse C Debt Service Requirement per square foot		$15.18	$17.02	$15.63	$41.33	$73.08	$0.00	$0.00	$0.00	$0.00
+ Average rate per square foot		42.13	51.98	60.17	50.83	62.96	0.00	0.00	0.00	0.00
Effective Concourse C rental rate per square foot		$57.31	$69.00	$75.80	$92.16	$136.04	$0.00	$0.00	$0.00	$0.00
x Airline Concourse C Rentable Space (square feet) (i)		67,955	60,675	60,765	60,765	60,765	-	-	-	-
Concourse C space rents	[A]	**$3,894,636**	**$4,186,000**	**$4,606,000**	**$5,600,000**	**$8,267,000**	**$0**	**$0**	**$0**	**$0**

Exhibit F-1 (3 of 3)
CALCULATION OF AIRLINE TERMINAL COMPLEX RENTAL RATES
Indianapolis Airport Authority
managed by BAA Indianapolis LLC
For Fiscal Years Ending December 31

		Actual		Estimated	Forecast					
		2004	2005	2006	2007	2008	2009	2010	2011	2012
Calculation of Concourse D--Expansion rental rate (j)										
Average rate per square foot		$42.13	$51.98	$60.17	$50.83	$62.96	$0.00	$0.00	$0.00	$0.00
Effective Concourse D-Expansion rental rate per square foot		$42.13	$51.98	$60.17	$50.83	$62.96	$0.00	$0.00	$0.00	$0.00
x Airline Rentable Concourse D-Expansion space (square feet) (i)		12,685	12,685	12,685	12,685	12,685	-	-	-	-
Concourse D--Expansion space rents	[B]	**$ 534,419**	**$ 659,000**	**$ 763,000**	**$ 645,000**	**$ 799,000**	**$ -**	**$ -**	**$ -**	**$ -**
Calculation of Existing Terminal Building rental rate (k)										
Debt Service Requirements plus Coverage Series 1996A Bonds (l)		$ 1,639,017	$ 1,635,433	$ 1,503,000	$ 3,973,000	$ 7,025,000	$ -	$ -	$ -	$ -
		$ 1,639,017	$ 1,635,433	$ 1,503,000	$ 3,973,000	$ 7,025,000	$ -	$ -	$ -	$ -
/ Rentable Space (excluding Concourse C and Concourse D-Expansion) (square feet) (i)		328,088	323,461	323,461	323,461	323,461	452,493	452,493	452,493	452,493
= Existing Terminal Building Debt Service Requirements per square foot		$5.00	$5.06	$4.65	$12.28	$21.72	$0.00	$0.00	$0.00	$0.00
+ Average rate per square foot		42.13	51.98	60.17	50.83	62.96	104.51	110.06	107.59	114.18
		$47.13	$57.04	$64.82	$63.11	$84.68	$104.51	$110.06	$107.59	$114.18
x Airline Rentable Space (square feet) (i)		250,731	242,900	242,901	242,901	270,928	355,009	355,009	355,009	355,009
Existing Terminal Building space rents	[C]	**$11,816,971**	**$13,852,000**	**$15,745,000**	**$15,330,000**	**$22,942,000**	**$37,102,000**	**$39,072,000**	**$38,195,000**	**$40,535,000**
Total Airline Terminal Complex Requirement	[A+B+C]	**$16,246,026**	**$18,697,000**	**$21,114,000**	**$21,575,000**	**$32,008,000**	**$37,102,000**	**$39,072,000**	**$38,195,000**	**$40,535,000**
Actual Terminal Complex rent received by concourse										
Concourse C				-	-	-	-	-	-	-
Concourse D				-	-	-	-	-	-	-
All other terminal areas				-	-	-	-	-	-	-
Actual Terminal Complex rent received or estimated to be received (m)		$13,975,832	$13,670,043	$16,234,000	$17,816,000	$28,807,000	$33,392,000	$36,337,000	$35,521,000	$37,698,000
Credit (deficit) carried forward to subsequent year		($2,270,194)	($5,026,957)	($4,880,000)	($3,759,000)	($3,201,000)	($3,710,000)	($2,735,000)	($2,674,000)	($2,837,000)

(a) In accordance with Section 8.04 of the Airline Agreement.
(b) Required supplemental deposit (credit) to maintain fund at four months of the annual budgeted O&M Expenses allocable to the Terminal Complex. Note that O&M Expenses include foreign trade zone and BAAI compensation and exclude capitalized salaries.
(c) Amortization of Authority-funded Terminal Complex Capital Improvements.
(d) Pro rata portion of Series 1993, 1996, 1998, 2003A, 2004A, and 2005A Revenue Bonds allocable to the Public areas of the Terminal Building.
(e) Pro rata portion of Series 2006A Bond debt service allocable to the Terminal Building.
(f) Includes Terminal Complex concessions plus other terminal building space rentals.
(g) Credit for cost of Authority space.
(h) Revenues received from "per use - fees" on unleased gates. Gate use rates are not expected to be used upon completion of the Midfield Terminal Program.
(i) Source: Indianapolis Airport Authority records.
(j) A separate capital rate is calculated for Concourses C and D and the existing terminal to reflect their individual capital costs, which are then added to the equalized rate component.
(k) Pro rata portion of Series 1996A Bonds allocable to Concourse C Rentable Space.
(l) Pro rata portion of Series 1996A Bonds allocable to the Existing Terminal Rentable Space.
(m) In 2007, BAAI estimates an occupancy rate of 82.6% over the terminal areas.
In 2008, BAAI estimates an occupancy rate of 90.0% over the terminal area.
The occupancy rate for the Midfield Terminal Program is assumed to be 90.0% in 2009 and 93.0% beginning in 2010.

Exhibit F-2

CALCULATION OF AIRLINE APRON AREA RENTAL RATE
Indianapolis Airport Authority
managed by BAA Indianapolis
For Fiscal Years Ending December 31

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Actual		Estimated	Forecast					
COSTS ALLOCABLE TO THE APRON AREA	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Operation and Maintenance Expenses (a)	$ 452,734	$ 194,911	$ 228,000	$ 237,000	$ 250,000	$ 261,000	$ 270,000	$281,000	$ 292,000
+ BAA Management Compensation	6,000	10,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
+ Deposits to Operation and Maintenance Reserve Fund (b)	(31,000)	-	(121,000)	3,000	4,000	4,000	3,000	2,000	4,000
Debt Service Requirements (c)									
Series 1993 Bonds	-	-	-	-	-	-	-	-	-
Series 1996A Bonds	723,039	721,458	663,000	1,753,000	3,099,000	-	-	-	-
Series 1998 Refunding Bonds	2,808,935	-	-	-	-	-	-	-	-
Series 2003A Bonds	84,628	251,538	318,000	54,000	58,000	195,000	195,000	195,000	195,000
Series 2004A Bonds	-	11,221	20,000	41,000	64,000	85,000	85,000	85,000	85,000
Series 2005A Bonds	-	-	-	-	-	165,000	165,000	165,000	165,000
Proposed Series 2006 Bonds	-	-	11,000	21,000	68,000	164,000	220,000	183,000	208,000
Planned Bonds	-	-	-	-	-	353,000	373,000	443,000	442,000
Subordinate Securities	-	3,951	-	-	-	-	-	-	-
- Amortization of Authority-funded assets (d)	425,042	326,047	326,000	336,000	42,000	57,000	100,000	142,000	166,000
- Apron gate use fees (e)	108,684	65,873	21,000	21,000	21,000	-	-	-	-
- RON parking fees (f)	935,767	728,800	354,000	349,000	354,000	-	-	-	-
- Credit (deficit) from prior year	126,214	559,538	762,000	-	-	-	-	-	-
= Apron Area Requirement	$ 3,298,714	$ 164,915	$ 321,000	$ 2,088,000	$ 3,223,000	$ 1,297,000	$ 1,424,000	$ 1,509,000	$ 1,570,000
/ Total Apron Area (square feet)	1,286,763	1,286,763	1,293,957	1,293,957	1,491,921	2,085,814	2,085,814	2,085,814	2,085,814
= Apron Area rental rate per square foot	$2.56	$0.13	$0.25	$1.61	$2.16	$0.62	$0.68	$0.72	$0.75
x Apron Area leased by airlines (square feet) (g)	846,510	953,412	968,291	996,061	1,268,499	2,085,814	2,085,814	2,085,814	2,085,814
= Apron Area rent	**$ 2,170,091**	**$ 122,192**	**$ 240,000**	**$ 1,607,000**	**$ 2,740,000**	**$ 1,297,000**	**$ 1,424,000**	**$1,509,000**	**$ 1,570,000**
- Actual rent received or estimated to be received	**$ 2,729,629**	**$ 884,191**	**$ 690,000**						
= Credit (deficit) carried forward to subsequent year	559,538	761,999	450,000						

(a) Expenses allocable to the Apron Area.
(b) Supplemental deposit (credit) to maintain fund at four months of the annual budgeted Operation and Maintenance (O&M) Expenses allocable to the Apron. Note that O&M Expenses include foreign trade zone and BAAI compensation and exclude capitalized salaries.
(c) Pro rata portion of Revenue Bonds allocable to the Apron.
(d) Amortization of Authority-funded Area Capital Improvements.
(e) Revenues received from "per use - fees" on unleased gates. Gate use rates are not expected to be used upon completion of the Midfield Terminal Program.
(f) Remote overnight aircraft parking fees. RON fees are not expected to be used upon completion of the Midfield Terminal Program.
(g) Source: Indianapolis Airport Authority records.

Exhibit F-3

CALCULATION OF SIGNATORY AIRLINE LANDING FEE RATE
Indianapolis Airport Authority
managed by BAA Indianapolis LLC
For Fiscal Years Ending December 31

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Actual		Estimated	Forecast					
Airport System Expense	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Operation and Maintenance Expenses (a)	$ 36,877,000	$ 37,123,610	$ 40,810,000	$ 42,502,000	$ 48,523,000	$ 51,300,000	$ 53,213,000	$ 55,202,000	$ 57,269,000
BAA Management Compensation (b)	1,480,000	1,779,865	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000
Deposit to Operation & Maintenance Reserve Fund (c)	(86,000)	-	1,186,000	564,000	2,007,000	926,000	638,000	663,000	689,000
Debt Service Requirements (d)									
Series 1993 Bonds	-	-	-	-	-	-	-	-	-
Series 1996A Bonds	6,899,228	6,884,142	6,326,000	16,724,000	29,570,000	-	-	-	-
Series 1998 Refunding Bonds	19,578,281	-	-	-	-	-	-	-	-
Series 2003A Bonds	8,395,663	19,094,236	21,710,000	5,957,000	6,434,000	7,190,000	7,192,000	7,195,000	7,193,000
Series 2004A Bonds	-	238,750	427,000	864,000	1,352,000	1,816,000	1,816,000	1,816,000	1,816,000
Series 2005A Bonds	-	-	317,000	300,000	360,000	10,036,000	10,036,000	10,036,000	10,036,000
Proposed Series 2006 Bonds	-	-	1,565,000	2,915,000	9,430,000	17,130,000	24,722,000	20,513,000	22,409,000
Planned Bonds	-	-	-	-	-	22,408,000	25,274,000	29,301,000	29,289,000
Subordinate Securities	1,400,000	4,300,094	2,769,000	1,896,000	4,649,000	2,484,000	1,746,000	1,746,000	1,746,000
Amortization of Authority-funded Capital Improvements (e)	13,618,361	13,010,937	13,460,000	13,124,000	10,588,000	13,559,000	17,563,000	18,358,000	19,500,000
Renewal and Replacement Fund	54,800	-	21,000	61,000	62,000	169,000	310,000	48,000	103,000
Capital Improvement Fund requirement (f)	11,833,383	12,673,644	12,588,000	13,227,000	14,419,000	17,596,000	18,628,000	19,219,000	20,112,000
Indianapolis Maintenance Center (IMC) expense	5,700,000	5,100,000	4,900,000	2,000,000	-	-	-	-	-
Total Airport System Expense	**$ 105,750,716**	**$ 100,205,278**	**$ 107,728,000**	**$ 101,784,000**	**$ 129,044,000**	**$ 146,264,000**	**$ 162,788,000**	**$ 165,747,000**	**$ 171,812,000**
- Nonairline revenues	$ 47,333,532	$ 50,690,577	$ 50,350,000	$ 54,020,000	$ 60,822,000	$ 75,089,000	$ 77,971,000	$ 80,891,000	$ 84,782,000
- Allowance for credit (deficit) from prior year	(20,674)	(154,403)	1,025,344	-	-	-	-	-	-
- Credit from prior year deposit in the Prepaid Airline Fund	8,430,287	12,135,162	15,522,311	7,601,000	14,674,000	8,148,000	16,343,000	15,731,000	17,095,000
= Revenues required from airline rents and fees	**$ 50,007,570**	**$ 37,533,943**	**$ 40,830,346**	**$ 40,163,000**	**$ 53,548,000**	**$ 63,027,000**	**$ 68,474,000**	**$ 69,125,000**	**$ 69,935,000**
- Airline Terminal Complex rents	$ 13,975,832	$ 13,670,043	$ 16,234,000	$ 17,816,000	$ 28,807,000	$ 33,392,000	$ 36,337,000	$ 35,521,000	$ 37,698,000
- Airline Apron Area rents	2,729,629	884,191	690,000	1,607,000	2,740,000	1,297,000	1,424,000	1,509,000	1,570,000
- Security fees	401,707	427,192	413,000	439,000	464,000	489,000	504,000	519,000	534,000
- Gate use and RON fees (g)	1,502,602	1,283,685	435,000	436,000	453,000	-	-	-	-
- Authority adjustment (h)	14,000,000	2,000,000	4,500,000	-	-	-	-	-	-
= Airport System Requirement (landing fee revenue required)	**$ 17,397,800**	**$ 19,268,832**	**$ 18,558,346**	**$ 19,865,000**	**$ 21,084,000**	**$ 27,849,000**	**$ 30,209,000**	**$ 31,576,000**	**$ 30,133,000**
Passenger airlines	5,897,071	5,964,045	5,220,000	5,420,000	5,691,000	5,976,000	6,275,000	6,463,000	6,657,000
Cargo airlines	4,648,586	5,080,482	5,478,000	6,005,000	6,605,000	7,199,000	7,775,000	8,008,000	8,248,000
/ Airline Total Landed Weight (1,000-pound units)	10,545,657	11,044,527	10,698,000	11,425,000	12,296,000	13,175,000	14,050,000	14,471,000	14,905,000
= Required landing fee rate (per 1,000-pound unit) (i)	$1.65	$1.74	$1.73	$1.74	$1.71	$2.11	$2.15	$2.18	$2.02

(a) Expenses for the Airport System.
(b) Source: BAA Indianapolis LLC.
(c) Supplemental deposit (credit) to maintain fund at four months of the annual budgeted Operation and Maintenance (O&M) Expenses. Note that O&M Expenses include foreign trade zone and BAAI compensation and exclude capitalized salaries.
(d) Debt Service Requirements plus coverage included in rate base. See Exhibit C.
(e) Amortization of Authority-funded Capital Improvements.
(f) Equals 25% of nonairline operating revenues.
(g) Revenues received from "per use - fees" on unleased gates.
(h) Authority adjustment to reduce the budgeted requirement.
(i) A landing fee rate of $1.61 was in effect for FY 2004. For 2005, the landing fee was set at $1.95 and adjusted to $1.68 on July 1. For 2006, the landing fee rate in effect is $1.74.

Exhibit G

APPLICATION OF GROSS REVENUES AND FEDERAL PAYMENTS
Under Provisions of the Bond Ordinance
Indianapolis Airport Authority
managed by BAA Indianapolis LLC
For Fiscal Years Ending December 31

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

		Actual		Estimated	Forecast					
		2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Terminal Complex rents (a)	[A]	$ 13,975,832	$ 13,670,043	$ 16,234,000	$ 17,816,000	$ 28,807,000	$ 33,392,000	$ 36,337,000	$ 35,521,000	$ 37,698,000
Apron Area rents (a)		2,729,629	884,191	690,000	1,607,000	2,740,000	1,297,000	1,424,000	1,509,000	1,570,000
Security fees (a)		401,707	427,192	413,000	439,000	464,000	489,000	504,000	519,000	534,000
Gate use and RON fees		1,502,602	1,283,685	435,000	436,000	453,000	-	-	-	-
Landing fees (a)										
Passenger airlines		9,704,536	10,998,659	8,998,000	9,424,000	9,758,000	12,632,000	13,492,000	14,102,000	13,458,000
Cargo airlines	[B]	7,538,861	9,295,517	9,531,000	10,441,000	11,326,000	15,217,000	16,717,000	17,474,000	16,675,000
Total airline revenue		$ 35,853,167	$ 36,559,287	$ 36,301,000	$ 40,163,000	$ 53,548,000	$ 63,027,000	$ 68,474,000	$ 69,125,000	$ 69,935,000
Nonairline revenues		47,333,532	50,690,577	50,350,000	54,020,000	60,822,000	75,089,000	77,971,000	80,891,000	84,782,000
Total Gross Revenues		**$ 83,186,699**	**$ 87,249,864**	**$ 86,651,000**	**$ 94,183,000**	**$ 114,370,000**	**$ 138,116,000**	**$ 146,445,000**	**$ 150,016,000**	**$ 154,717,000**
Federal Payments		700,000	586,904	700,000	700,000	700,000	700,000	700,000	700,000	700,000
Transfer from the Coverage Fund		-	-	3,749,000	6,253,000	10,249,000	14,645,000	17,260,000	17,216,000	17,686,000
Total revenues		**$ 83,886,699**	**$ 87,836,768**	**$ 91,100,000**	**$ 101,136,000**	**$ 125,319,000**	**$ 153,461,000**	**$ 164,405,000**	**$ 167,932,000**	**$ 173,103,000**
Total passenger airline payments		$ 26,178,652	$ 27,263,770	$ 26,770,000	$ 29,722,000	$ 42,222,000	$ 47,810,000	$ 51,757,000	$ 51,651,000	$ 53,260,000
Enplaned Passengers	[C]	4,021,749	4,258,054	4,215,000	4,388,000	4,640,000	4,886,000	5,035,000	5,186,000	5,342,000
Total cost per Enplaned Passenger (b)	[(A-B)/C]	**$ 7.04**	**$ 6.40**	**$ 6.35**	**$ 6.77**	**$ 9.10**	**$ 9.79**	**$ 10.28**	**$ 9.96**	**$ 9.97**
Application of revenues										
Operation and Maintenance Fund		$ 36,877,000	$ 37,123,610	$ 40,810,000	$ 42,502,000	$ 48,523,000	$ 51,300,000	$ 53,213,000	$ 55,202,000	$ 57,269,000
BAA management compensation		1,480,000	1,779,865	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000
Revenue Bond Interest and Principal Fund										
Series 1996A Bonds		5,519,383	5,507,314	5,501,000	15,630,000	25,713,000	-	-	-	-
Series 1998 Refunding Bonds		15,662,625	-	-	-	-	-	-	-	-
Series 2003A Bonds (c)		6,716,530	15,275,388	18,878,000	5,568,000	5,595,000	7,190,000	7,191,000	7,195,000	7,193,000
Series 2004A Bonds (c)		-	191,000	371,000	808,000	1,176,000	1,816,000	1,816,000	1,816,000	1,816,000
Series 2005A Bonds (c)		-	-	276,000	281,000	313,000	10,036,000	10,036,000	10,036,000	10,036,000
Proposed Series 2006 Bonds (c)		-	-	1,361,000	2,724,000	8,200,000	17,130,000	24,721,000	20,514,000	22,410,000
Planned Bonds (c)		-	-	-	-	-	22,408,000	25,274,000	29,301,000	29,289,000
Revenue Bond Reserve Fund		-	-	-	-	-	-	-	-	-
Subordinate Securities Interest and Principal Fund										
Subordinate Securities		1,400,000	4,300,094	2,769,000	1,896,000	4,649,000	2,484,000	1,746,000	1,746,000	1,746,000
Operation and Maintenance Reserve Fund (d)		(86,000)	-	1,186,000	564,000	2,007,000	926,000	638,000	663,000	689,000
Renewal and Replacement Fund		56,000	-	21,000	61,000	62,317	169,000	310,000	48,000	103,000
Capital Improvement Fund (e)										
Deposit from Gross Revenues		4,126,000	4,387,921	4,423,000	4,529,000	4,638,000	4,749,000	4,863,000	4,980,000	5,100,000
Coverage Fund (f)		-	3,749,265	6,253,000	10,249,000	14,645,000	17,260,000	17,216,000	17,686,000	16,994,000
Prepaid Airline Fund		12,135,162	15,522,311	7,601,000	14,674,000	8,148,000	16,343,000	15,731,000	17,095,000	18,808,000
Total application of revenues		**$ 83,886,699**	**$ 87,836,768**	**$ 91,100,000**	**$ 101,136,000**	**$ 125,319,317**	**$ 153,461,000**	**$ 164,405,000**	**$ 167,932,000**	**$ 173,103,000**

Source: Indianapolis Airport Authority and BAA Indianapolis.

(a) See Exhibit F-3
(b) For purposes of the cost per enplaned passenger calculation, revenues exclude landing fee revenue from cargo carriers.
(c) Amounts in the Revenue Bond Interest and Principal Fund reflect Debt Service Requirements on Revenue Bonds less Dedicated Revenues.
(d) Supplemental deposit to maintain fund at four months of the annual budgeted Operation and Maintenance (O&M) Expenses.
Note that O&M Expenses include foreign trade zone and BAAI compensation and exclude capitalized salaries.
(e) Excludes deposit of interest income.
(f) Represents the coverage requirement of 25% of the principal and interest on the Revenue Bonds for the subsequent year.

Exhibit H

FORECAST DEBT SERVICE COVERAGE
Indianapolis Airport Authority
managed by BAA Indianapolis
For Fiscal Years Ending December 31

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

		Actual		Estimated	Forecast					
		2004	2005	2006	2007	2008	2009	2010	2011	2012
Gross Revenues (a)		$ 83,186,699	$ 87,249,864	$ 86,651,000	$ 94,183,000	$ 114,370,000	$ 138,116,000	$ 146,445,000	$ 150,016,000	$ 154,717,000
Other revenues (b)		-	5,000,000	5,500,000	9,900,000	12,400,000	13,200,000	13,700,000	12,900,000	13,300,000
Gross Revenues and IMC Gross Revenues		$ 83,186,699	$ 92,249,864	$ 92,151,000	$ 104,083,000	$ 126,770,000	$ 151,316,000	$ 160,145,000	$ 162,916,000	$ 168,017,000
Operation and Maintenance Expenses (c)		36,877,000	37,123,610	40,810,000	42,502,000	48,523,000	51,300,000	53,213,000	55,202,000	57,269,000
Other operating expenses (d)		9,600,000	10,900,000	10,900,000	9,800,000	10,100,000	10,400,000	10,300,000	10,500,000	10,700,000
BAA management compensation (e)		1,480,000	1,779,865	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000
Total operating expenses		$ 47,957,000	$ 49,803,475	$ 53,360,000	$ 53,952,000	$ 60,273,000	$ 63,350,000	$ 65,163,000	$ 67,352,000	$ 69,619,000
Net Revenues		**$ 35,229,699**	**$ 42,446,389**	**$ 38,791,000**	**$ 50,131,000**	**$ 66,497,000**	**$ 87,966,000**	**$ 94,982,000**	**$ 95,564,000**	**$ 98,398,000**
Coverage Fund (a)		-	3,749,265	6,253,000	10,249,000	14,645,000	17,260,000	17,216,000	17,686,000	16,994,000
Transfers from Prepaid Airline Fund from previous year (a)		8,430,287	12,135,162	15,522,000	7,601,000	14,674,000	8,148,000	16,343,000	15,731,000	17,095,000
Other net operating costs from previous year (f)		(1,600,000)	(5,100,000)	(5,100,000)	(4,900,000)	100,000	2,300,000	2,800,000	3,400,000	2,400,000
Net Revenues and Transfers from Prepaid Airline Revenue Fund	**[A]**	$ 42,059,986	$ 53,230,816	$ 55,466,000	$ 63,081,000	$ 95,916,000	$ 115,674,000	$ 131,341,000	$ 132,381,000	$ 134,887,000
Debt Service Requirements on Revenue Bonds										
Series 1996A Bonds		$ 5,519,383	$ 5,507,314	$ 5,501,000	$ 15,630,000	$ 25,713,000	$ -	$ -	$ -	$ -
Series 1998 Refunding Bonds		15,662,625	15,662,625	-	-	-	-	-	-	-
Series 2003A Bonds		7,803,649	16,364,757	19,964,000	6,655,000	6,682,000	8,276,000	8,280,000	8,281,000	8,279,000
Series 2004A Bonds		1,151,727	12,349,818	12,527,000	12,966,000	13,333,000	13,975,000	13,974,000	13,973,000	13,977,000
Series 2005A Bonds		-	-	276,000	281,000	313,000	10,036,000	10,036,000	10,036,000	10,036,000
Proposed Series 2006 Bonds		-	-	2,728,000	8,720,000	14,195,000	26,850,000	35,112,000	33,137,000	35,668,000
Planned Bonds		-	-	-	-	-	22,408,000	25,274,000	29,301,000	29,289,000
Total Debt Service Requirements on Revenue Bonds		$ 30,137,383	$ 49,884,513	$ 40,996,000	$ 44,252,000	$ 60,236,000	$ 81,545,000	$ 92,676,000	$ 94,728,000	$ 97,249,000
Less: committed revenues										
Series 2003A Bonds (PFCs)		(1,087,119)	(1,089,369)	(1,086,000)	(1,087,000)	(1,087,000)	(1,086,000)	(1,089,000)	(1,086,000)	(1,086,000)
Series 2004A Bonds (PFCs)		(1,151,727)	(12,158,818)	(12,156,000)	(12,158,000)	(12,157,000)	(12,159,000)	(12,157,000)	(12,157,000)	(12,161,000)
Proposed Series 2006 Bonds (PFCs)		-	-	-	-	-	(3,723,000)	(3,428,000)	(5,451,000)	(5,871,000)
Proposed Series 2006 Bonds (CFCs)		-	-	(1,368,000)	(5,996,000)	(5,995,000)	(5,997,000)	(6,963,000)	(7,172,000)	(7,387,000)
Other revenues (g)		(6,700,000)	(16,462,625)	(500,000)	-	-	-	-	-	-
Net Debt Service Requirements on Revenue Bonds	[B]	$ 21,198,538	$ 20,173,702	$ 25,886,000	$ 25,011,000	$ 40,997,000	$ 58,580,000	$ 69,039,000	$ 68,862,000	$ 70,744,000
Subordinate Securities	[C]	1,400,000	4,300,094	2,769,000	1,896,000	4,649,000	2,484,000	1,746,000	1,746,000	1,746,000
Total annual debt service requirements	[D=B+C]	$ 22,598,538	$ 24,473,796	$ 28,655,000	$ 26,907,000	$ 45,646,000	$ 61,064,000	$ 70,785,000	$ 70,608,000	$ 72,490,000
Revenue Bond debt service coverage	[A/B]	1.98	2.64	2.14	2.52	2.34	1.97	1.90	1.92	1.91
Total debt service coverage ratio on Revenue Bonds and Subordinate Securities	[A/D]	1.86	2.18	1.94	2.34	2.10	1.89	1.86	1.87	1.86

(a) See Exhibit G.
(b) Represents other revenues not included in the calculation of airline rates and charges as reflected in Exhibits C-G.
(c) See Exhibit D.
(d) Represents other operating expenses not included in the calculation of airline rates and charges as reflected in Exhibits C-G.
The Authority intends to fund these costs with Authority cashflow but reserves the right to include operating expenditures in future calculations.
(e) For illustrative purposes, the BAA compensation payment is shown as a separate line item of expense. However, it is accounted for as Operation and Maintenance Expenses.
(f) Net operating costs including Dedicated Revenues associated with the IMC will be funded with Authority funds, which will reduce the Prepaid Airline Fund balance available to demonstrate debt service coverage.
(g) Other revenues also reflect the reimbursement to be received pursuant to a settlement with the trustee for certain previously issued special facility bonds and proceeds from the sale of miscellaneous equipment which are not otherwise included in Gross Revenues to be used exclusively to pay debt service on the Authority Revenue Bonds.

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Indianapolis Airport Authority

Accountants' Report and Financial Statements

December 31, 2005 and 2004

Indianapolis Airport Authority

December 31, 2005 and 2004

Contents

Independent Accountants' Report on Financial Statements and Supplementary Information

To Members of the Board of
Indianapolis Airport Authority

We have audited the accompanying basic financial statements of Indianapolis Airport Authority (Authority) as of and for the years ended December 31, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indianapolis Airport Authority as of December 31, 2005 and 2004, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Authority's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

March 1, 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2005
(Unaudited)

The following discussion and analysis of the financial performance and activity of the Indianapolis Airport Authority (Authority) is to provide an introduction and overview that users need to interpret the financial statements of the Authority for the years ended December 31, 2005 and 2004. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Authority Powers and Purposes

In 1962, the City Council of the City of Indianapolis (City), the Mayor of the City and the County Council of Marion County (County) created the Authority pursuant to the Authority Act as a municipal corporation, separate from the City and the County. The Authority Act authorizes the Authority to own and operate public airports. The Authority is empowered to do all things necessary or reasonably incident to carrying out the purposes of the Authority Act, including the power to: (i) acquire, establish, construct, improve, equip, maintain, control, lease and regulate municipal airports, landing fields and other air navigation facilities, either inside or outside the County; (ii) manage and operate airports, landing fields and other air navigation facilities acquired or maintained by the Authority; (iii) adopt a schedule of reasonable charges and collect them from all users of facilities and services within the County; (iv) lease all or any part of an airport, landing field or any buildings or other structures, and fix, charge and collect rentals, tolls, fees and charges to be paid for the use of the whole or a part of the airports, landing fields or other air navigation facilities by aircraft landing there and for the servicing of the aircraft; (v) make rules and regulations, consistent with laws regarding air commerce, for management and control of its airports, landing fields, air navigation facilities and other property under its control; and (vi) incur indebtedness in accordance with the Authority Act.

The operations of the Authority depend heavily on revenues received from airlines serving Indianapolis International Airport. Airlines are given the option to sign an Agreement and Lease of Premises (the Airline Agreement), which sets forth rates and charges for use of Authority assets and which utilizes a residual rate-making methodology. The residual nature of the Airline Agreement essentially requires the airlines to assume certain financial risks to guarantee the Airport has sufficient revenue to cover all operating and capital borrowing costs. In return, the Authority has less autonomy over capital asset development decisions in that the airlines have the ability to delay and, in some instances, veto certain proposed capital improvement projects at the Airport. The current Airline Agreements were entered into as of March 15, 2001, and expire December 31, 2010. Airlines that sign the Airline Agreement are subject to favorable Signatory rates, as opposed to the Authority's Non-Signatory rates. As of December 31, 2005, twelve carriers and one cargo carrier represent the Signatory Airlines.

The Authority Board has retained staff to assist it and has contracted with BAA Indianapolis LLC (BAA) for the management of primarily all of the Authority's assets. Further information regarding the BAA Management Contract is included in Note 1 to the financial statements.

Airport Operations Activity and Financial Highlights

	2005	2004	Variance
Enplaned passengers [1]	4,258,054	4,021,749	5.9%
Landed weight (1000 lb. units)			
Passenger airlines	5,937,307	5,897,071	0.7%
Cargo airlines	5,105,088	4,648,586	9.8%
Total landed weight	11,042,395	10,545,657	4.7%
Aircraft operations	222,275	212,558	4.6%

[1] – Includes domestic air carriers, international air carriers and air taxi/commuter flights.

Airport Operations Activity:

- In 2005, the number of enplaned passengers was 5.9% higher than in 2004. This growth was attributable to new service to target markets or underserved markets, increased number of available nonstop markets, high frequency to popular destinations and lower air fares.
- Passenger airlines accounted for approximately 54% of total landed weight at the Airport in 2005 compared to the prior year of 56%; cargo airlines accounted for the remainder. Passenger airline landed weight increased 0.7% in 2005 from prior year; cargo airline landed weight increased 9.8% from prior year.
- Aircraft operations represent landings and takeoffs for air carrier, air taxi and commuter, general aviation and military operations. This activity increased 4.6% over the prior year.

Authority Financial Highlights:

- The Authority experienced an increase in total assets of approximately $221.2 million during 2005. This increase is due to the issuance of approximately $200.9 million in new revenue bonds in November 2005. This resulted in an increase in restricted cash and cash equivalents of $107.3 million. In addition, capital assets increased by approximately $89.8 million, mostly due to the construction of the new Midfield Terminal, which is discussed later in the management's discussion and analysis.
- Total liabilities increased $161.1 million in 2005. This increase is primarily attributable to the net increase in bonds payable and other debt of $152.8 million due to the issuance of new revenue bonds in 2005.
- The increase in net assets for 2005 was $60.1 million, a 20.5% increase compared to 2004. The loss from operations changed from $5.3 million in 2004 to $0.9 million in 2005, an 82.7% improvement. Net non-operating revenue (expense) reflected increased net expenses of $13.9 million due to the $7.4 million loss on the sale of capital assets, a reduction of State and local appropriations of $14.0 million, a $1.9 million increase in interest expense, and an increase in interest income of $9.2 million. Capital contributions, grants and charges increased $19.8 million, a 41.2% increase, primarily due to capital contributions of $21.6 million.

Overview of Financial Statements

The Authority only engages in business-type activities. These are activities that are intended to recover all or a significant portion of their costs through user fee charges to external parties for goods or services. The Authority reports its business-type activities in a single enterprise fund, meaning that its activities are operated and reported like a private-sector business.

The Authority's financial report includes comparative Balance Sheets, Statements of Revenues, Expenses and Changes in Net Assets and Statements of Cash Flows. Also included are notes to the financial statements that provide more detailed data. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

The net assets of the Authority are comprised of these categories:

- *Invested in capital assets, net of related debt* - reflects the Authority's investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to the public; consequently, these assets are not available for future spending.
- *Restricted net assets* - represent resources that are subject to external restrictions on how they may be used.
- *Unrestricted net assets* - represent resources that may be used to meet the Authority's ongoing obligations to the public and creditors.

Balance Sheets

The Balance Sheets present the financial position of the Authority at the end of the fiscal year and include all assets and liabilities of the Authority. The net assets of the Authority represent the difference between total assets and total liabilities and are an indicator of the current fiscal health of the Authority. A summarized comparison of the Authority's assets, liabilities and net assets at December 31, 2005, 2004 and 2003 follows.

	2005	2004	2003
	(Table Amounts in Thousands)		
Current assets - unrestricted	$ 45,976	$ 27,115	$ 24,473
Current assets - restricted	38,009	26,321	23,945
Noncurrent assets:			
Capital assets, net	1,174,325	1,084,480	1,043,844
Other noncurrent assets	417,999	317,167	110,164
Total assets	$ 1,676,309	$ 1,455,083	$ 1,202,426
Current liabilities - payable from unrestricted	$ 5,118	$ 7,505	$ 4,912
Current liabilities - payable from restricted	76,891	85,512	84,604
Noncurrent liabilities	823,410	651,294	452,030
Total liabilities	905,419	744,311	541,546
Net assets			
Invested in capital assets, net of related debt	612,581	626,727	582,707
Restricted	111,310	61,253	55,738
Unrestricted	46,999	22,792	22,435
Total net assets	770,890	710,772	660,880
Total liabilities and net assets	$ 1,676,309	$ 1,455,083	$ 1,202,426

2005 to 2004 Comparative Balance Sheets

The increase in *unrestricted current assets* of $18.9 million primarily reflects an increase in cash and cash equivalents of $5.3 million from airport operations, and a $10.8 million increase in grants receivable.

Restricted current assets have increased $11.7 million, which is primarily due to a $13.7 million increase in cash and cash equivalents restricted for anticipated 2006 revenue bond interest and principal payments and a $2.0 million reduction in various receivables.

Total *noncurrent assets* increased by $190.7 million. Restricted cash and cash equivalents, investment securities and bond issue costs increased by $98.0 million, primarily due to the issuance of the Series 2005A revenue bonds in November 2005. Long-term receivables increased $1.4 million for costs that will be reimbursed by another Government for improvements to the wastewater infrastructure that will service the Midfield Terminal. Total depreciable and non-depreciable capital assets increased $89.8 million. Construction in progress relating to the Midfield Terminal Program, along with other construction in progress activity and land acquisitions by the Authority increased net capital assets by $149.3 million. Depreciation and land dispositions decreased total capital assets by $59.5 million.

Total *current liabilities* decreased by $11.0 million. Current liabilities payable from unrestricted assets decreased $2.4 million due to a decrease in accounts payable for operating activities of $1.6 million and a decrease of $0.7 million in accrued and withheld items. The current portion of debt and accrued interest on debt decreased $14.9 million while accounts payable from restricted assets increased $6.3 million.

Non-current liabilities increased $172.1 million primarily due to the issuance of the Authority's Series 2005A Revenue Bonds in November 2005 combined with the continued paydown of the Authority's Series 2004A, 2003A, and 1996A Revenue Bonds and the payoff of the Series 1998A Revenue Bonds.

2004 to 2003 Comparative Balance Sheets

The increase in *unrestricted current assets* of $2.6 million primarily reflects an increase in cash and cash equivalents of $4.8 million from airport operations and a reduction of receivables and unbilled revenues of $2.1 million.

Restricted current assets have increased $2.4 million, which is primarily an increase in cash and cash equivalents from the issuance of the 2004 revenue bonds in November 2004. Cash and cash equivalents increased by $2.9 million while restricted receivables decreased $0.5 million.

Total *noncurrent assets* increased by $247.6 million. Restricted cash and cash equivalents, investment securities and bond issue costs increased by $206.7 million primarily due to the issuance of the Series 2004A revenue bonds in November 2004. Total depreciable and non-depreciable capital assets increased as a result of $87.6 million of additions to construction in progress relating to the Midfield Terminal Program, along with other construction in progress activity and land acquisitions by the Authority. Depreciation and land dispositions decreased total capital assets $47.0 million, resulting in the net increase in depreciable and non-depreciable capital assets of $40.6 million.

Total *current liabilities* increased by $3.5 million. Current liabilities payable from unrestricted assets increased $2.6 million due to an increase in accounts payable for operating activities of $1.7 million and an increase of $0.9 million in accrued and withheld items. The current portion of debt and accrued interest on debt decreased $0.3 million while accounts payable from restricted assets increased $1.2 million.

Non-current liabilities increased $199.3 million primarily due to the issuance of the Authority's Series 2004A Revenue Bonds in November 2004 combined with the continued paydown of the Authority's Series 2003A, 1998A and 1996A Revenue Bonds.

2005 to 2004 Comparative Statements of Revenues, Expenses and Changes in Net Assets

The Statements of Revenues, Expenses and Changes in Net Assets reflect the operating activity of the Authority for the year using the accrual basis of accounting, similar to private sector companies. The change in net assets is an indicator of whether the overall fiscal condition of the Authority has improved or worsened during the year. The change in net assets for the years ended December 31, 2005 and 2004 was $60.1 million and $49.9 million, respectively. The comparative analysis below is a summary of the Statements of Revenues, Expenses and Changes in Net Assets for 2005 and 2004.

	2005	2004	$ Variance	% Variance
	(Table Amounts in Thousands)			
Operating Revenues				
Airfield	$ 22,597	$ 21,691	$ 906	4.2%
Terminal complex	27,862	27,566	296	1.1%
Parking	25,701	23,202	2,499	10.8%
Rented buildings and other	9,384	8,849	535	6.0%
Indianapolis Maintenance Center (IMC)	3,313	4,469	(1,156)	(25.9)%
Reliever airports	2,028	2,008	20	1.0%
Total operating revenues	90,885	87,785	3,100	3.5%
Nonoperating Revenues				
State and local appropriations	17,575	31,547	(13,972)	(44.3)%
Federal operating grants	1,136	1,381	(245)	(17.8)%
Investment income	11,007	1,765	9,242	523.6%
Total nonoperating revenues	29,718	34,693	(4,975)	(14.3)%
Total revenues	120,603	122,478	(1,875)	(1.5)%
Operating Expenses				
Airfield	15,472	17,209	(1,737)	(10.1)%
Terminal complex	14,843	13,972	871	6.2%
Parking	6,622	6,295	327	5.2%
Rented buildings and other	6,606	7,436	(830)	(11.2)%
Indianapolis Maintenance Center (IMC)	24,364	24,615	(251)	(1.0)%
Reliever airports	3,410	3,189	221	6.9%
Public safety	8,722	9,239	(517)	(5.6)%
Administration	11,757	11,093	664	6.0%
Total operating expenses	91,796	93,048	(1,252)	(1.3)%
Nonoperating Expenses				
Interest expense, net of interest capitalized	29,173	27,264	1,909	7.0%
Loss on disposals of capital assets and other	7,385	349	7,036	2013.9%
Net nonoperating expenses	36,558	27,613	8,945	32.4%
Total expenses	128,354	120,661	7,693	6.4%
Income (Loss) Before Capital Contributions, Grants and Charges	(7,751)	1,817	(9,568)	(526.6)%
Capital Contributions, Grants, and Charges	67,868	48,075	19,793	41.2%
Increase in Net Assets	$ 60,117	$ 49,892	$ 10,225	20.5%

Operating revenue in 2005 increased $3.1 million, or 3.5% from prior year. Increased enplaned passenger traffic, along with applicable rental rate adjustments, resulted in increased activity-based revenues consisting primarily of airfield landing fees, terminal complex rentals and parking revenue. Reimbursements recorded in 2005 for expenses incurred under the terms of the Settlement Agreement executed in February 2004 between the Authority and the trustee for the special facility revenue bonds the Authority issued on behalf of United Air Lines reduced operating revenue by $1.2 million, or 26%. This amount is reflected as a separate operating revenue line in the Statements of Revenues, Expenses and Changes in Net Assets entitled *Indianapolis Maintenance Center (IMC)*.

Airfield revenue in 2005 of $22.6 million was higher than 2004 by $0.9 million or 4.2%. Landed weights increased overall by 4.7% over the prior year as passenger carrier landings increased 0.7% and cargo carrier landings increased 9.8%. The 2005 landing fee signatory rate was $1.95 though June 30, and a mid-year rate adjustment was implemented effective July 1 through December 31 of $1.68, as compared to the 2004 rate of $1.61. The 2005 Non-Signatory landing fee rate increased to $2.81 through June 30 and adjusted to $2.42 effective July 1 through December 31 as compared to $2.24 in 2004. The increased landing fee revenues were offset by a decrease in apron rent as the 2005 rental rate was $0.91 per square foot as compared to $3.32 in 2004.

Terminal complex revenues exceeded prior year by $0.3 million, or 1.1%. Airline terminal rental rates decreased in 2005 as the basic average rental rate in 2005 was $53.45 per square foot compared to an average rental rate in 2004 of $56.97 per square foot. Increased passenger enplanements contributed to increased concession revenues within the terminal (Food & Beverage, Specialty Shops, and News & Gifts) of $0.1 million and increased car rentals of $0.4 million, offsetting the lower revenue resulting from the terminal rate decrease.

Parking revenues increased from prior year by $2.5 million or 10.8%. An increase in enplaned passengers from 2004 to 2005 of 5.9% contributed to the increase. The remaining increase is primarily attributable to the rate increase implemented in January 2005 for the Economy lot ($6.00/day from $5.50/day) and Corporate Connection lot ($8.00/day from $6.50/day).

Revenues from Rented Buildings and Other increased by $0.5 million or 6.0% attributable to reduced revenues in 2004 for the non-cash revenue adjustment for the US Airways Reservation Center of $0.4 million, which results from the application of GASB 13. Current year increases were also experienced due to favorable lease negotiations and increased percentage rental revenues.

Revenues from Indianapolis Maintenance Center (IMC) decreased by $1.2 million or 26.0%. This represents revenues due the Authority as reimbursement of eligible expenditures under the terms of the Settlement Agreement reached between the Authority and the trustee for the special facility revenue bonds the Authority issued on behalf of United Airlines. Reimbursements are lower than the prior year due to fewer available funds.

Operating expense for the years ended December 31, 2005 and 2004 totaled $91.8 million and $93.0 million, respectively.

Airfield expenses decreased $1.7 million, or 10.1%, primarily due to a decrease in depreciation expense for the De-icing Control structure (Seerly Creek). This is offset by an increase of 19.0% or $0.2 million directly related to higher fuel and utility costs experienced in 2005.

Terminal complex expenses increased $0.9 million, or 6.2% from prior year. This increase is due to increased cleaning staff costs of $0.2 million, additional carpet cleaning and contracted cleaning services of $0.4 million, and an increase in utility costs of $0.1 million.

Rented buildings and other expenses decreased $0.8 million, or 11.2% from prior year, primarily related to a decrease in environmental costs to remediate certain contaminated sites in 2005.

Public Safety expenses decreased $0.5 million, or 5.6% from prior year. As a result of continuous improvement efforts and refined security procedures, a $0.4 million cost reduction was realized by a 12.7% reduction in the average number of public safety officers.

Administration costs increased $0.7 million, or 6.0%. The increase is attributable to staffing open positions, particularly in Engineering, as well as an increase in professional fees.

In 2005, *net nonoperating expenses* were $6.8 million, a decrease of approximately $13.9 million, or 196.6% over 2004. State and local appropriations decreased $14 million or 44.3% related to the refunding of the Indiana Transportation Finance Authority (ITFA) 1992/1996 and 1995 bonds issued in connection with the construction of the IMC. Investment income increased $9.2 million due to higher investment balances from the unspent 2004 and 2005 bond proceeds and the composition of investments. Interest expense increased $1.9 million over the prior year driven by an increase in debt service costs offset by an increase in capitalized interest of $1.3 million that was primarily related to increased expenditures for Midfield Terminal program activities. The loss on disposals of capital assets and other increased $7.4 million related to current year land sale transactions, purchase assurance program home sales and the disposal of various assets.

Capital contributions, grants and charges of $67.9 million increased $19.8 million compared to the prior year primarily due to an increase in contributions from lessees of $13.4 million for tenant improvements to leased properties during 2005. Contributions from other governments increased $7.6 million primarily due to payments from the State of Indiana for certain operating expenses and capital improvements at the IMC. During 2005, the Authority received federal grants from the Federal Aviation Administration (FAA) under the Airport Improvement Program (AIP) for the Midfield Terminal Program, Noise and Land Use Compatibility Program, security enhancements and improvements at the Authority's reliever airports. Additionally, State grants were received for the Reliever Airports. Total Federal and State grants decreased $1.9 million from 2004. Passenger Facility Charges (PFC) also increased from prior year by $0.7 million as a result of the increased passenger traffic of 5.9% in 2005.

2004 to 2003 Comparative Statements of Revenues, Expenses and Changes in Net Assets

The change in net assets for the years ended December 31, 2004 and 2003 was $49.9 million and $38.6 million, respectively. The comparative analysis below is a summary of the Statements of Revenues, Expenses and Changes in Net Assets for 2004 and 2003.

	2004	2003	$ Variance	% Variance
	(Table Amounts in Thousands)			
Operating Revenues				
Airfield	$ 21,691	$ 20,808	$ 883	4.2%
Terminal complex	27,566	25,128	2,438	9.7
Parking	23,202	20,704	2,498	12.1
Rented buildings and other	8,849	9,401	(552)	(5.9)
Indianapolis Maintenance Center (IMC)	4,469	2,185	2,284	104.5
Reliever airports	2,008	1,947	61	3.1
Total operating revenues	87,785	80,173	7,612	9.5
Nonoperating Revenues				
State and local appropriations	31,547	31,133	414	1.3
Federal operating grants	1,381	840	541	64.4
Investment income	1,765	1,439	326	22.7
Total nonoperating revenues	34,693	33,412	1,281	3.8
Total revenues	122,478	113,585	8,893	7.8
Operating Expenses				
Airfield	17,209	16,646	563	3.4
Terminal complex	13,972	13,281	691	5.2
Parking	6,295	6,443	(148)	(2.3)
Rented buildings and other	7,436	7,779	(343)	(4.4)
Indianapolis Maintenance Center (IMC)	24,615	19,322	5,293	27.4
Reliever airports	3,189	2,900	289	10.0
Public safety	9,239	10,136	(897)	(8.8)
Administration	11,093	9,639	1,454	15.1
Total operating expenses	93,048	86,146	6,902	8.0
Nonoperating Expenses				
Interest expense, net of interest capitalized	27,264	28,894	(1,630)	(5.6(
Loss on disposals of capital assets and other	349	389	(40)	(10.3)
Net nonoperating revenues	27,613	29,283	(1,670)	(5.7)
Total expenses	120,661	115,429	5,232	4.5
Income (Loss) Before Capital Contributions, Grants, and Charges	1,817	(1,844)	3,661	(198.5)
Capital Contributions, Grants, and Charges	48,075	40,485	7,590	18.7
Increase in Net Assets	$ 49,892	$ 38,641	$ 11,251	29.1

Operating revenue in 2004 increased $7.6 million, or 9.5% from prior year. Increased aviation activity and enplaned passenger traffic, along with applicable rental rate adjustments, resulted in increased activity-based revenues consisting primarily of airfield landing fees, terminal complex rentals and parking revenue. Additionally, $4.5 million in reimbursements were recorded in 2004 for expenses incurred under the terms of the Settlement Agreement executed in February 2004, between the Authority and the trustee for the special facility revenue bonds the Authority issued on behalf of United Air Lines. This amount is reflected as a separate operating revenue line in the Statements of Revenues, Expenses and Changes in Net Assets entitled *Indianapolis Maintenance Center (IMC)*.

Airfield revenue in 2004 of $21.7 million was higher than 2003 by $0.9 million or 4.2%. Landed weights increased overall by 4.2% over the prior year as passenger carriers increased 6.4% and cargo carriers increased 1.5%. The 2004 landing fee signatory rate was maintained at the 2003 rate of $1.61. The Non-Signatory landing fee rate increased to $2.24 in 2004 compared to $1.89 in 2003.

Terminal complex revenues exceeded prior year by $2.4 million, or 9.7%, due to an increase in airline terminal rental rates. The basic average rental rate in 2004 was $56.97 per square foot compared to an average rental rate in 2003 of $50.55 per square foot. The revenue resulting from the rate increase is partially offset by a slight reduction in leased space in various terminal concourse areas during 2004. Increased passenger enplanements also contributed to increased concession revenues within the terminal (Food & Beverage, Specialty Shops, News & Gifts, etc.) of $.6 million.

Parking revenues increased from prior year by $2.5 million or 12.1%. An increase in enplaned passengers from 2003 to 2004 of 9.4% contributed to the increase. Higher yields were experienced in the higher priced Tiger Lot as a result of increased marketing and incentives established in 2004. Overage revenues from the Premier Business Lot were also greater than prior year by $0.3 million. Additionally, the off-airport operator rates were increased from 7% to 10% of gross sales in 2004, which also contributed to the increase.

Revenues from Rented Buildings and Other decreased by $0.6 million or 5.9%, primarily due to the loss of ground rental as a result of United Airlines rejecting its lease of the Indianapolis Maintenance Center and filing Chapter 11 bankruptcy in May 2003.

Operating expense for the years ended December 31, 2004 and 2003 totaled $93 million and $86.1 million, respectively.

Airfield expenses increased $0.6 million, or 3.4%, primarily due to inclusion in 2004 of environmental audit and professional fees of $0.4 million that were included in the Administration (Engineering) cost center previously.

Terminal complex expenses increased $0.7 million, or 5.2% from prior year. This increase is primarily attributable to additional carpet cleaning services, contracted food court cleaning services, and an increase in electricity costs.

Indianapolis Maintenance Center (IMC) costs of $24.6 million in 2004 exceeded prior year costs by $5.3 million, or 27.4%. The increase is partially due to start-up costs related to new tenants for the IMC. Additionally, there were $2.2 million in environmental costs incurred in conjunction with re-letting the facility.

Public Safety expenses decreased $0.9 million, or 8.9% from prior year. This decrease related to a reduction in public safety officers as BAA improved efficiencies and managed the right-sizing of the security organization. The variance also reflects a reduction in overtime required in 2004, which resulted from a fewer number of days being designated at elevated security alert levels nationally than in 2003, as well as reduced War/Risk insurance premiums as the insurance market stabilized in 2004.

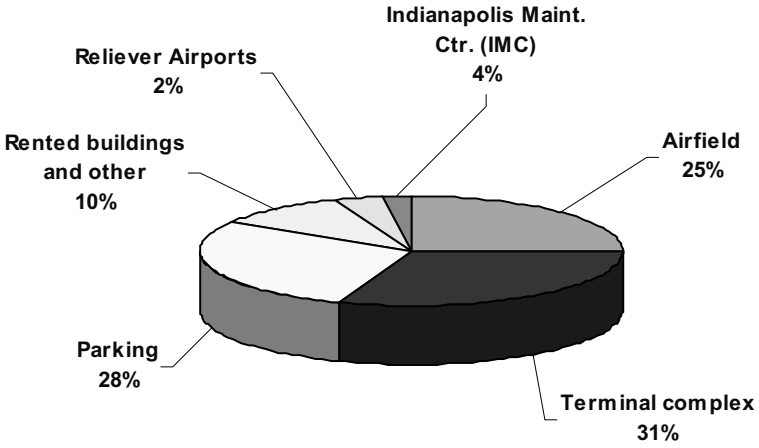
Administration costs increased $1.5 million, or 15.1%. The current year includes an adjustment to the bad debt allowance of $0.4 million related to a recent airline bankruptcy. The increase is also attributable to staffing open positions, particularly in Information Technology, as well as an increase in training, hardware/software maintenance and equipment for information technology system enhancements.

In 2004, *net nonoperating revenue* was $7.1 million, an increase of approximately $3.0 million, or 71.5% over 2003. Interest expense decreased $1.6 million over the prior year. This was driven by an increase in capitalized interest of $1.8 million that was primarily attributable to increased expenditures for Midfield Terminal program activities. Federal operating grants increased $.5 million over the prior year related to additional monies from the Department of Defense to reimburse a portion of incremental security costs incurred during the period September 2001 through May 2002. Investment income increased $0.3 million, or 22.7% due to changes in interest rates and the composition of investments.

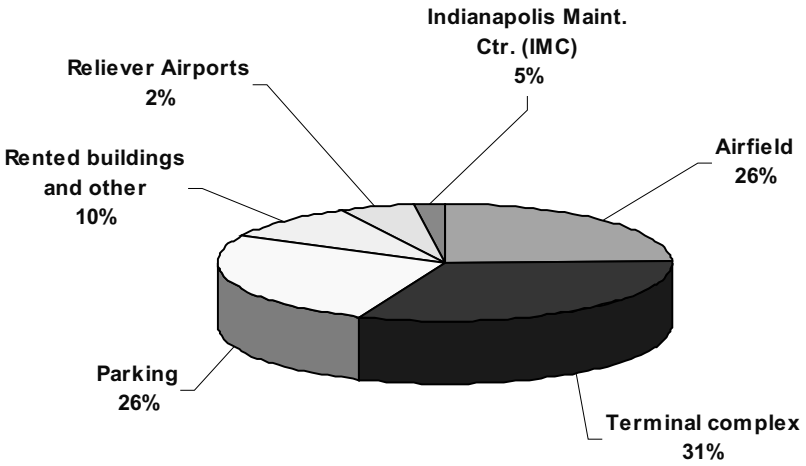
Capital contributions, grants and charges of $48.1 million increased $7.6 million compared to the prior year primarily due to an increase in federal grant revenues. During 2004, the Authority received federal grants from the Federal Aviation Administration (FAA) under the Airport Improvement Program (AIP) for the Midfield Terminal Program, Noise and Land Use Compatibility Program, security enhancements and improvements at the Authority's reliever airports. Additionally, State grants were received for the Reliever Airports. Passenger Facility Charges (PFC) also increased from prior year by $1.1 million as a result of the increased passenger traffic of 9.4% in 2004. These increases are partially offset by a decrease in contributions from lessees of $1.2 million as tenants made fewer improvements to leased properties during 2004.

The following is a graphic illustration of operating revenues by source for the years ended December 31, 2005 and 2004:

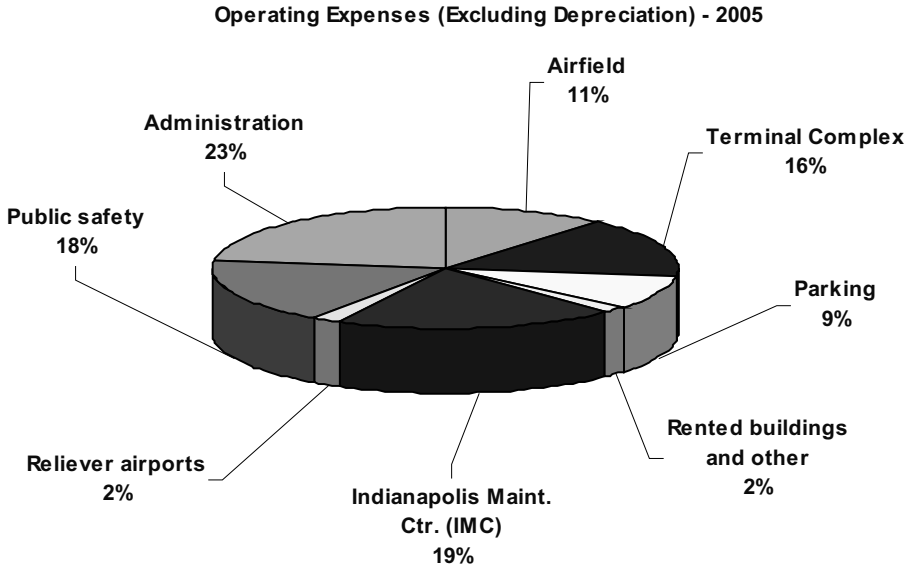
Operating Revenues - 2005

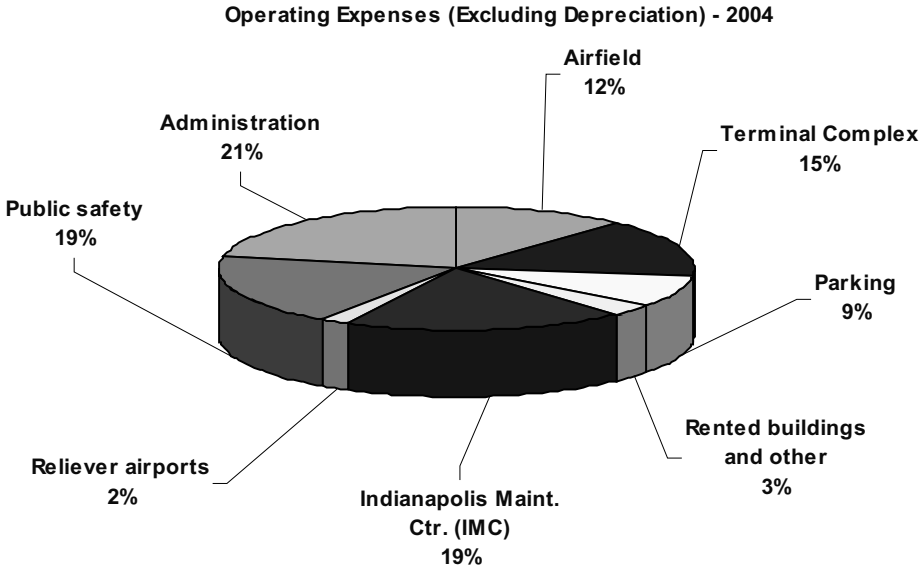


Operating Revenues - 2004



The following is a graphic illustration of the total operating expenses by source for the years ended December 31, 2005 and 2004 (excluding depreciation):





Capital Asset and Debt Administration

Capital Assets

During 2005, the Authority expended approximately $149.3 million on capital activities. This included $7.1 million for land acquisition and sound insulation costs in conjunction with the Authority's approved Part 150 Noise Compatibility Program. The balance of capital expenditures related to multiple construction and acquisition projects, including the Authority's Midfield Terminal Program, Extend Taxiway "R", Environmental Mitigation (HCP Monitoring) and continued development of Airport Safety and Security Enhancements and various other projects.

During 2005, completed projects totaling $19.8 million were closed from construction-in-progress to their respective capital accounts. These major completed projects included:

Physical Security and Screening Access Control	$ 5.6 million
Taxiway "M" & Connectors, Taxiway "N-3" Reconstruction	$ 3.7 million
Existing Terminal Interim Capacity	$ 2.9 million
Reconstruct Runway 7-25 and Blast Pads	$ 1.9 million
Shuttle Bus Replacement	$ 1.0 million

Note 4 to the financial statements provides additional information on the Authority's capital assets activity.

Midfield Terminal

The 2001-2010 Capital Improvement Program contemplates $1.5 billion (in inflated dollars) in capital improvements, including the acquisition, development, construction and implementation of a new Midfield Terminal at the Airport and related infrastructure projects (the "Midfield Terminal Program"). These capital improvements are necessary to expand, develop and maintain the Airport System. During 2005, approximately $108.9 million was expended on capital activities for the Midfield Terminal Program. A significant portion of the 2005 costs related to design, site development, apron and terminal construction, and construction of the Federal Aviation Administration's new control tower.

Long-Term Debt

Capital acquisitions are funded using a variety of financing mechanisms, including federal and state grants, passenger facility charges, public debt issues and airport operating revenues.

On November 3, 2005, the Authority issued $200.9 million of revenue bonds (the Series 2005A Revenue Bonds) as part of its financing program related to the Midfield Terminal, as well as other capital projects. In conjunction with the 2005 bond issuance, insured ratings were provided: "Aaa" by Moody's, "AAA" by S&P, and "AAA" by Fitch. In addition, the Authority received the following underlying ratings: "A1" by Moody's, "A" by S&P, and "A+" by Fitch. Approximately $83.2 million of the proceeds of the 2005 Revenue Bonds remains available for construction purposes as of December 31, 2005.

On November 16, 2004, the Authority issued $221.7 million of revenue bonds (the Series 2004A Revenue Bonds) as part of its financing program related to capital improvements. In conjunction with the 2004 bond issuance, insured ratings were provided: "Aaa" by Moody's, "AAA" by S&P, and "AAA" by Fitch. In addition, the Authority received the following underlying ratings: "A1" by Moody's, "A" by S&P, and "A+" by Fitch. Approximately $174.7 million of the proceeds of the 2004 Revenue Bonds remains available for construction purposes as of December 31, 2005.

The Authority's Master Bond Ordinance enables it to adopt an ordinance or resolution irrevocably designating certain revenues as Dedicated Revenues (which may include, without limitation, PFC revenues, state and/or federal grants, or other identified revenues) to be used to pay debt service on Authority revenue bonds. Pursuant to the ordinance, the Authority adopted a resolution irrevocably designating approximately $1,100,000 per year from 2003 through 2010 in PFC revenues as Dedicated Revenues to be used exclusively to pay debt service on the Authority's Revenue Bonds. Additionally, the Authority adopted a resolution, in 2004, irrevocably designating approximately $1,150,000 in 2004 and $12,160,000 per year from 2005 through 2010 in PFC revenues as Dedicated Revenues to be used exclusively to pay debt service on the Authority's Revenue Bonds.

As of December 31, 2005, the Authority had $593.7 million in outstanding senior bonds and $15 million in outstanding subordinate securities. The Authority, through its Master Bond Ordinance, has covenanted to maintain a debt service coverage ratio of not less than 1.25 for senior lien debt. Debt service coverage is calculated based on a formula included in the Master Ordinance and the Airline Agreements. Historically, the Authority has maintained a coverage ratio higher than its requirement. During 2005 and 2004, respectively, the Authority's debt service coverage was 2.36 and 1.67 for senior lien debt.

Notes 5, 6 and 7 to the financial statements provide additional information regarding the Authority's debt activities.

Economic Factors and Next Year's Rates and Charges

The Authority experienced a 5.9% increase in passenger enplanements during 2005, resulting in total 2005 enplanements of 4,258,054, which sets a record for the largest number of passengers flying from Indianapolis International in any year in the airport's history. The airport's strong passenger growth during 2005 was attributable to new service to target markets or underserved markets, increased seat capacity along with an increased number of available nonstop markets, high frequency to popular destinations, and low air fares.

Indianapolis International is served by most major and several national airlines operating to their mid-continent and East Coast hubs. In addition, point-to-point service is provided to major business destinations on the East and West coasts. The Authority remains significantly an Origination and Destination (O&D) airport, with approximately 90% of its traffic being generated by the population and economy of the region, rather than the schedule of service or hub operations by an airline. The Authority's passenger profile continues to be dominated by leisure travel, with approximately 52% leisure and 48% business travel. Passenger airlines represent 54% of total landed weight at the airport, which approximated 5.9 billion pounds in 2005, a 0.7% increase over 2004.

In addition to passenger activity, the Airport continues to benefit from the strength and growth of cargo operations, significantly dominated by FedEx. In 2005, Cargo carriers represented 46% of the landed weight at the Airport, and experienced a 9.8% increase in cargo landed weight in 2005 above 2004, for a total of approximately 5.1 billion pounds.

Future increases in passenger traffic at the Airport will be influenced by several key factors, which include, but are not limited to, the following:

- Economic and political conditions
- Aviation security concerns
- Financial health of the airline industry
- Airline service and routes
- Airline competition and airfares
- Airline consolidation and alliances
- Availability and price of aviation fuel
- Capacity of national air traffic control and airport systems
- Capacity of the Airport

As of December 31, 2005, three major airlines operating at the Airport, UAL Corporation ("UAL"), the parent of United Air Lines, Northwest Airlines Corporation (Northwest), and Delta Air Lines (Delta), had filed for chapter 11 bankruptcy protection. The Authority cannot predict how future air travel may be impacted by various economic or other factors, or the extent of any adverse impact on net revenues (gross operating revenues less operating and maintenance expenses), passenger facility charge collections, passenger enplanements, operations or the financial condition of the Authority. All airlines, including United Air Lines, Northwest and Delta have remitted all material post-petition payments due the Authority under the Airline Agreements. From time to time certain airlines may have balances as much as 60 days past due, but as of December 31, 2005, substantially all airlines are current on their payment obligations to the Authority. Pre-petition bankruptcy amounts and other potential uncollectible customer balances are included in the Authority's $1,107,000 and $695,000 allowance for doubtful accounts at December 31, 2005 and 2004, respectively.

The Authority anticipates continued passenger growth in 2006, but does not expect to achieve the same level of enplanement growth (5.9%) experienced in 2005. The restructuring or liquidation of one or more of the large network airlines could drastically affect airline service at many connecting hub airports, present business opportunities for the remaining airlines, and change travel patterns throughout the U. S. aviation system. Moderate growth assumptions were incorporated into the Airport's 2006 Budget, resulting in the following airline rates and charges:

	2005 Signatory Rates	2006 Signatory Rates
Landing fees*	$ 1.95/1.68	$ 1.74
Terminal Rental Rate		
Concourse C	$ 64.87	$ 73.65
Concourse D Expansion US Airways Space	48.33	58.02
All other	53.45	62.67
Apron rental rate	$ 0.91	$ 0.72

* - Rates effective January 1, 2005 through June 30, 2005 and July 1, 2005 through December 31, 2005.

The Authority estimates that additional operating costs required to meet security requirements enacted subsequent to September 11, 2001 were $3.0 million and $3.4 million for 2005 and 2004, respectively, and these costs are budgeted at $3.3 million in 2006. Operating grants in the amount of $0.9 million are anticipated to be received to help offset a portion of the costs in 2006. The ability to reduce these incremental operating costs within the current terminal facility will be driven by technological or other solutions deemed acceptable by the TSA and cannot be quantified or determined at the present time.

Request for Information This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Accounting Director, BAA Indianapolis LLC, 2500 S. High School Rd., Ste. 100, Indianapolis, IN 46241 or via the Contact Us area at the Airport's website www.indianapolisairport.com.

Indianapolis Airport Authority

Balance Sheets
December 31, 2005 and 2004

Assets

	2005	2004
Current Assets		
Unrestricted Assets		
Cash and cash equivalents	$ 17,947,848	$ 12,677,102
Receivable from BAAI	1,218,218	—
Accounts receivable, net of allowance of $1,107,000 and $695,000, respectively	1,645,517	1,727,905
Unbilled revenues	3,661,862	3,190,265
Grants receivable	17,376,922	7,410,972
Receivable - other governments	1,626,070	—
Supplies and materials inventories	1,704,879	1,705,634
Other	794,290	402,828
Total unrestricted current assets	45,975,606	27,114,706
Restricted Assets		
Cash and cash equivalents	32,674,776	18,969,480
Cash and cash equivalents - customer deposits	293,457	280,496
Receivable - passenger facility charges	1,776,705	2,216,639
Receivable - State of Indiana	2,268,801	3,638,147
Receivable - reimbursable IMC expenses	995,397	1,216,313
Total restricted current assets	38,009,136	26,321,075
Total current assets	83,984,742	53,435,781
Noncurrent Assets		
Cash and cash equivalents, restricted	391,505,534	297,934,287
Investment securities, restricted	8,681,036	8,855,418
Rent receivable	2,867,059	2,685,545
Receivable - other governments	1,443,370	—
Deferred lease costs	1,830,606	496,110
Bond issue and loan administration costs, net	11,671,699	7,196,152
Non-depreciable capital assets	528,258,828	430,662,703
Depreciable capital assets, net	646,065,956	653,817,069
Total noncurrent assets	1,592,324,088	1,401,647,284
Total assets	$ 1,676,308,830	$ 1,455,083,065

Liabilities and Net Assets

	2005	2004
Current Liabilities		
Payable From Unrestricted Assets		
Accounts payable	$ 1,352,133	$ 2,562,448
Accounts payable - BAAI	447,733	899,295
Accrued and withheld items (including compensated absences)	3,318,133	4,043,097
Total current liabilities payable from unrestricted assets	5,117,999	7,504,840
Payable From Restricted Assets		
Accounts payable	20,191,713	13,899,881
Customer deposits payable	293,457	280,496
Current portion of debt	43,661,655	62,952,872
Accrued interest on debt	12,743,856	8,378,403
Total current liabilities payable from restricted assets	76,890,681	85,511,652
Total current liabilities	82,008,680	93,016,492
Noncurrent Liabilities		
Payable From Restricted Assets		
Bonds payable and other debt	823,410,390	651,294,279
Total liabilities	905,419,070	744,310,771
Net Assets		
Invested in capital assets, net of related debt	612,581,258	626,727,451
Restricted for		
Capital projects	38,445,539	28,864,831
Debt service	72,591,589	31,463,633
Other	272,733	924,858
Total restricted net assets	111,309,861	61,253,322
Unrestricted	46,998,641	22,791,521
Total net assets	770,889,760	710,772,294
Total liabilities and net assets	$ 1,676,308,830	$ 1,455,083,065

Indianapolis Airport Authority

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2005 and 2004

	2005	2004
Operating Revenues		
Airfield	$ 22,597,017	$ 21,690,817
Terminal complex	27,861,804	27,565,939
Parking	25,700,989	23,202,459
Rented buildings and other	9,383,960	8,849,440
Indianapolis Maintenance Center (IMC)	3,313,305	4,468,590
Reliever airports	2,028,307	2,008,175
Total operating revenues	90,885,382	87,785,420
Operating Expenses (includes depreciation of $42,742,883 and $45,112,467 in 2005 and 2004, respectively)		
Airfield	15,471,351	17,208,770
Terminal complex	14,842,448	13,971,948
Parking	6,622,285	6,294,681
Rented buildings and other	6,606,391	7,435,736
Indianapolis Maintenance Center (IMC) (includes depreciation of $14,794,225 and $15,476,732 in 2005 and 2004, respectively)	24,363,793	24,615,491
Reliever airports	3,410,062	3,188,901
Public safety	8,722,396	9,239,066
Administration	11,757,301	11,093,496
Total operating expenses	91,796,027	93,048,089
Loss From Operations	(910,645)	(5,262,669)
Nonoperating Revenues (Expenses)		
State and local appropriations	17,575,077	31,547,272
Federal operating grants	1,135,661	1,381,131
Investment income	11,006,724	1,764,989
Interest expense, net of $5,123,824 and $3,808,506 interest capitalized in 2005 and 2004, respectively	(29,172,465)	(27,264,175)
Loss on disposals of capital assets and other	(7,385,333)	(349,365)
	(6,840,336)	7,079,852
Increase (Decrease) in Net Assets Before Capital Contributions, Grants and Charges	(7,750,981)	1,817,183
Capital Contributions, Grants and Charges		
Passenger facility charges	17,460,359	16,722,939
Federal, state and local grants	28,791,022	30,704,700
Contributions from lessees	14,062,887	647,372
Contributions from other governments	7,554,179	—
	67,868,447	48,075,011
Increase in Net Assets	60,117,466	49,892,194
Net Assets, Beginning of Year	710,772,294	660,880,100
Net Assets, End of Year	$ 770,889,760	$ 710,772,294

Indianapolis Airport Authority

Statements of Cash Flows
Years Ended December 31, 2005 and 2004

	2005	2004
Cash Flows From Operating Activities		
Cash receipts from customers and users	$ 88,583,930	$ 88,824,983
Cash payments to vendors for goods and services	(27,864,228)	(23,246,229)
Cash payments for employees services	(22,704,366)	(21,929,536)
Net cash provided by operating activities	38,015,336	43,649,218
Cash Flows From Noncapital and Related Financing Activities		
Operating grants received	1,066,417	1,440,297
Net cash provided by noncapital and related financing activities	1,066,417	1,440,297
Cash Flows From Capital and Related Financing Activities		
Proceeds from issuance of commercial paper	40,000,000	35,000,000
Proceeds from issuance of revenue bonds	200,901,482	226,105,460
Principal paid on bonds and commercial paper	(81,140,000)	(49,220,000)
Deferred lease costs paid	(1,482,320)	(517,680)
Bond issue and commercial paper costs paid	(4,767,736)	(5,057,709)
Interest paid	(13,086,733)	(7,870,157)
Acquisition and construction of capital assets	(128,729,125)	(88,159,835)
Proceeds from sale of capital assets	8,934,112	3,203,640
Passenger facility charges received	17,900,293	16,318,824
Capital grants received	18,894,319	33,435,709
Contributions from other governments	5,004,739	—
Net cash provided by capital and related financing activities	62,429,031	163,238,252
Cash Flows From Investing Activities		
Purchase of investment securities	(106,286,711)	(46,788,245)
Proceeds from sales and maturities of investment securities	108,246,000	48,482,000
Interest received on investments and cash equivalents	9,090,177	1,038,295
Net cash provided by investing activities	11,049,466	2,732,050
Net Increase in Cash and Cash Equivalents	112,560,250	211,059,817
Cash and Cash Equivalents, Beginning of Year	329,861,365	118,801,548
Cash and Cash Equivalents, End of Year	$ 442,421,615	$ 329,861,365
Reconciliation of Loss From Operations to Net Cash Provided by Operating Activities		
Loss from operations	$ (910,645)	$ (5,262,669)
Item not requiring cash		
Depreciation of capital assets	42,742,883	45,112,467
Change in assets and liabilities		
Accounts receivable and unbilled revenues	(2,301,452)	1,039,563
Supplies and materials inventories	755	(111,383)
Other assets	(243,638)	194,009
Accounts payable	(1,362,242)	2,359,491
Accrued and withheld items	89,675	317,740
Net cash provided by operating activities	$ 38,015,336	$ 43,649,218
Noncash Capital and Related Financing Activities		
Capital assets included in accounts payable at end of year	$ 17,746,303	$ 11,546,477
Capital assets contributed by lessees	13,947,557	647,372
State and local appropriations used to fund capital lease obligations	17,575,077	31,547,272

Indianapolis Airport Authority

Notes to Financial Statements
December 31, 2005 and 2004

Note 1: Nature of Organization and Summary of Significant Accounting Policies

The Indianapolis Airport Authority (Authority) is a municipal corporation established January 1, 1962, under authority granted by Indiana statute (1961 Acts, Chapter 283, I.C. 1979 19-6-2, superseded by I.C. 8-22-3). The Authority was established for the general purpose of acquiring, maintaining, operating and financing airports and landing fields in and bordering on Marion County, Indiana. In connection therewith, the Authority is authorized, among other things, to issue general obligation and revenue bonds and to levy taxes in accordance with the provisions of the statute. The Authority administers an airport system comprised of the Indianapolis International Airport, three general aviation reliever airports, one general aviation airport and one general aviation reliever heliport. The Authority has no stockholders or equity holders and all revenue and other receipts must be disbursed in accordance with such statute.

The Authority's Board consists of eight members, six of which are appointed by the Mayor of the Consolidated City of Indianapolis-Marion County (a unified form of government commonly referred to as Unigov), one by the Marion County Board of Commissioners and one by the Hendricks County Board of Commissioners. Each member is appointed to a four-year term. Also, the Board has two non-voting, advisory board members.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Management Contract

On October 1, 1995, the Authority entered into an Agreement for the Operation and Maintenance of the Indianapolis International Airport Facilities (BAA Management Contract) with BAA Indianapolis, LLC and BAA USA Holdings, Inc. (collectively, BAA), both of which are subsidiaries of BAA plc, a United Kingdom public corporation. The BAA Management Contract, which is currently set to expire on December 31, 2008, does not transfer ownership of airport facilities to BAA. Rather, it grants BAA all necessary rights and powers to operate, maintain and manage the above mentioned airport system. The scope of BAA's services includes terminal, airfield and administrative management. BAA may also provide planning services for an additional fee.

On March 19, 2004, an amendment to the BAA Management Contract was formally approved by the Authority Board. Among other things, this amendment eliminates a management fee based solely on financial measures. The BAA Management Contract now provides for payment of a management fee to BAA in the form of a fixed annual fee as well as a variable fee to be earned based on actual performance each year. The fixed annual fee is equal to $555,000 per year (adjusted annually for inflation) and the variable performance fee can range up to a maximum of $1,295,000 per year. BAA's 2005 and 2004 management fees were calculated using the new compensation provisions.

In accordance with the BAA Management Contract, BAA is required to collect all revenues on behalf of the Authority, deposit all revenues into the Authority's accounts and pay all of the Authority's operating expenses. However, BAA may not obligate the Authority for expenditures beyond budgetary limits adopted by the Authority's Board. While BAA serves as the Authority's administrative agent, all billings of the Authority and all remittances due the Authority are in the name of and made payable to the Authority. All revenues collected are directly deposited into the Airport System Fund, which is maintained by the Authority in the Authority's official depository bank. Withdrawals or transfers from the Airport System Fund can only be made by the Authority.

Under the current Management Contract, the Authority is responsible for making all its debt service payments and for approving and making payments on all capital improvement projects. Additionally, the Authority retains various other powers and responsibilities, including:

a. compliance with airline use agreements;
b. Federal Aviation Administration (FAA)/Airport Improvement Program (AIP) grant assurances compliance;
c. passenger and cargo air service development policy formulation and implementation;
d. issuance of debt in the Authority's name (or which would encumber the Authority's assets);
e. aviation rates and charges regulation;
f. long-range planning;
g. land acquisition and development policy formulation and implementation planning;
h. airport industrial and economic development policy formulation and implementation planning;
i. wetlands and environmental policy;
j. capital expenditure policy;
k. all other statutory powers not delegated to BAA, including compliance with bond ordinance and loan covenants.

BAA receives monthly advances from the Authority for all operating expenses to be paid on the Authority's behalf, as well as reimbursements for certain capital expenditures and rent-free office space. From these advances, BAA pays expenses for the operation and maintenance of the Airport System. Each month, BAA provides the Authority with an itemized statement of operating expenses incurred. Accordingly, these financial statements reflect the Authority's operating expenses as if they had been paid directly by the Authority.

The payable to BAA of $447,733 and $899,295 at December 31, 2005 and 2004, respectively, represents accrued management fees and amounts estimated to be due for operations and maintenance charges. The receivable from BAA at December 31, 2005 of $1,218,218 represents advances to BAA for the operation and maintenance of the airport.

Financial Reporting Entity

The definition of the reporting entity under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended, is based primarily on the concept of financial accountability. Although the Mayor appoints a voting majority of the Authority's governing body, neither of the other two tests of financial accountability is met. Unigov is unable to impose its will on the Authority. Also, the Authority does not impose a financial burden or provide a financial benefit to Unigov.

The following criteria were considered:

I. Imposition of will criteria

A. Remove appointed members of Authority Board at will

The appointed members of the Authority Board cannot be removed by the Mayor without cause, and removal must be through an impeachment procedure.

B. Modify or approve the Authority's budget

The Authority Board is responsible for reviewing, approving, and modifying its budget. The City-County Council (the governing body for Unigov) holds public budget hearings, and may review and modify the budget. Since a tax levy is not currently required to finance the budget of the Authority, the Council's review is considered a routine administrative approval.

C. Modify or approve changes in fees and charges

The Authority establishes all fees and charges and negotiates contracts with commercial enterprises.

D. Veto, overrule or modify decisions of the Authority Board

Decisions of the Board are not subject to change by Unigov.

E. Appoint, hire, reassign or dismiss management of the Authority

Unigov has no control over the employment of Authority personnel.

II. Financial benefit/burden criteria

A. Legally entitled to or can otherwise access the Authority's resources

The Authority's resources cannot be accessed by Unigov. Legislation was enacted in 1992 which authorized the City-County Council to impose a payment in lieu of taxes (PILOT) from various municipal corporations, including the Authority, to recover the cost of providing governmental services to public entities that operate as private enterprises and are exempt from property taxes. However, under the Airport and Airway Improvement Act of 1982, as amended, PILOTs may not be imposed without the risk of loss of all federal funding, unless there exists adequate documentation of services actually provided. Purchases of services are considered exchange transactions, which are not manifestations of a financial benefit relationship.

B. Legally obligated to finance the deficits of, or provide financial support to, the Authority

The Authority is solely responsible for financing its deficits. The Authority may levy taxes on property within Marion County. It does not currently, and has no future plans to, levy such taxes.

C. Obligated in some manner for the debt of the Authority

The Authority is empowered to issue revenue bonds payable solely from revenue derived from the operation of the airport system and special facility revenue bonds payable exclusively from lease-rental payments. The Authority is also empowered to issue general obligation bonds. These bonds are not general obligations of Unigov, and neither the faith and credit nor the taxing power of Unigov is pledged to their payment.

Careful review of these criteria, therefore, has resulted in the conclusion that the Authority is a separate reporting entity and is not a component of Unigov or any other government.

Basis of Accounting and Financial Reporting

The financial statements consist of a single-purpose business-type activity which is reported on the accrual basis of accounting using the economic resources measurement focus.

The Authority prepares its financial statements in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority follows all applicable GASB pronouncements. In addition, the Authority follows all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Changes in Accounting Principles

During 2005, the Authority adopted GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which establishes accounting and financial reporting standards for impairment of capital assets. This statement also clarifies and establishes accounting requirements for insurance recoveries. Under this pronouncement, governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Under this statement, a capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. No capital assets of the Authority were determined to be impaired. Therefore, the adoption of GASB Statement No. 42 had no effect on the Authority's financial position and changes therein.

In 2004, the Authority adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, by retroactively restating prior year's financial statements. This new standard revised the existing requirements regarding disclosure of custodial credit risk and established requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Adoption of GASB Statement No. 40 had no effect on the net assets and change in net assets in the prior or current year.

Cash Equivalents

For purposes of the statements of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investment Securities

Investment securities are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.*

Unbilled Revenues

The Authority accrues revenue for rentals earned but not yet billed as of year end.

Inventories

Inventories of supplies and materials are valued at average cost. The Authority has relinquished management control over its inventories to BAA. However, the Authority retains ownership of the inventories.

Lessee-Financed Improvements

Certain leases include provisions whereby lessee-financed improvements become the property of the Authority. Prior to the adoption of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the Authority recorded lessee-financed improvements only upon leasehold reversion or lease termination, at which time the improvements were capitalized at fair value and recorded as a capital contribution. Upon implementation of GASB Statement No. 33 in 2001, the Authority began recognizing lessee-financed improvements at cost or estimated cost upon completion of construction, or upon the asset being placed in service, whichever occurs first. However, lessee-financed improvements placed in service prior to the adoption of GASB Statement No. 33 continue to be recognized only upon leasehold reversion or lease termination.

Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than $2,500. Capital assets purchased by the Authority are stated at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of such assets. The estimated lives by general classification are as follows:

	Years
Buildings, including parking garage	20 to 40
Sewers	25
Runways, taxiways and aprons	15 to 25
Roads, ramps, parking areas, runway and apron lighting, etc.	15
Heavy equipment, furniture and fixtures and fencing	10
Vehicles, office equipment and other	3 to 5

Interest incurred during construction periods is capitalized and included in the cost of property and equipment. Maintenance and repairs are expensed as incurred. Runways, taxiways, parking areas, sewers and other similar assets are written off when fully depreciated unless clearly identified as still being in use. Environmental mitigation costs incurred to establish wetlands are capitalized, while costs related to maintaining wetlands and habitats are generally charged to expense as incurred. Gains and losses on disposition of capital assets are included in nonoperating revenues and expenses.

Issue Costs

Bond issue costs are deferred and amortized over the life of the respective bond issue using the interest method. Commercial paper issuance costs are being amortized on a straight-line basis over five years, which is equal to the original term of the letter of credit that secures the debt issuance.

Original Issue Discount

Original issue discounts on bonds are amortized using the interest method over the lives of the bonds to which they relate.

Employee Health Benefits

Upon commencement of the BAA Management Contract, the Authority's health plans were effectively terminated and all claims incurred by Authority employees prior to September 30, 1995 were submitted to these plans for settlement. The employees of BAA can elect to be covered under a self-insured plan or a plan provided by a Health Maintenance Organization. The costs associated with these plans are paid by the Authority in accordance with the BAA Management Contract.

Compensated Absences

Through September 30, 1995, all Authority employees received compensation for vacations, holidays, illness and certain other qualifying absences. Former Authority personnel and all others hired by BAA continue to accrue benefits for compensated absences under similar policies. All payments for compensated absences are paid to BAA by the Authority as stipulated in the BAA Management Contract.

Accumulated unused sick leave benefits for BAA employees are nonvesting until retirement. At retirement, any accumulated sick leave in excess of 160 hours (224 hours for fire department personnel) is to be paid to the employee at a rate of one hour for every two excess hours. The maximum number of sick leave hours that can be paid to any Authority or BAA employee is 96.

In accordance with the vesting method provided under GASB Statement No. 16, *Accounting for Compensated Absences*, accumulated unused sick leave pay has been accrued based on assumptions concerning the probability that certain BAA employees will become eligible to receive these benefits in the future.

Federal and State Grants

Outlays for airport capital improvements and certain airport operating expenses, primarily those relating to airport security, are subject to reimbursement from federal grant programs. Funds are also received for airport development from the State of Indiana. Funding provided from government grants is considered earned as the related approved capital outlays or expenses are incurred. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency.

From time to time, the Authority disposes of land or other assets which were originally purchased with federal assistance. In accordance with the Airport Improvement Program (AIP), the Authority must reinvest the federal government's proportionate share of the proceeds realized from the sale or exchange of such assets in approved AIP projects or return such amounts to the federal government.

Revenue and Expense and Net Assets Recognition

Revenues from airlines, concessionaires, rental cars and parking are reported as operating revenues. Operating expenses include the cost of administering the airport system, including depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions, grants and charges.

When both restricted and unrestricted net assets are available for use, it is the Authority's policy to use restricted net assets first, then unrestricted net assets as they are needed.

Passenger Facility Charges

Under a Record of Decision, the Federal Aviation Administration (FAA) grants the Authority approval to impose and use a passenger facility charge (PFC) of either $3.00 or $4.50 per enplaned passenger on flights originating from Indianapolis. PFC's are restricted for use in the acquisition of real estate and the construction of certain airport improvements and other costs, as approved by the FAA. PFC's, which are recognized as earned, are included in capital contributions, grants and charges and amounted to $17,460,359 and $16,722,939 for 2005 and 2004, respectively.

During 2001, the Authority's Record of Decision was amended to increase the Authority's collection level from $3.00 to $4.50 per enplaned passenger and to allow the Authority to impose and collect up to $524,513,829 in PFC's beginning in April 2002. On August 25, 2003, the Record of Decision was further amended providing for the use of such amount for various capital and debt related purposes. Included in the use approval is $208,872,000 for principal payments on debt, $178,668,000 for interest payments on debt and $56,330,000 for Midfield Terminal and associated program construction.

Rental Income

All leases wherein the Authority is the lessor are accounted for as operating leases. Rental income is generally recognized as it becomes receivable over the respective lease terms. The Authority has some leases which provide for waived rent during the initial period of the lease term and/or rental escalations throughout the lease term. In accordance with GASB Statement No. 13, *Accounting for Operating Leases With Scheduled Rent Increases,* the related rental income for these leases, if significant, is reported using the straight-line method rather than using the terms of the lease agreements.

Reclassifications

Certain reclassifications have been made to the 2004 financial statements to conform to the 2005 presentation. The reclassifications had no effect on the change in net assets.

Note 2: Cash, Cash Equivalents and Investment Securities

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of Indiana statutes.

The Authority's cash deposits are insured up to $100,000 per financial institution by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits in excess of the $100,000 FDIC limits are insured by the Indiana Public Deposits Insurance Fund. The Indiana Public Deposits Insurance Fund (Fund) is a multiple financial institution collateral pool as provided under Indiana Code, Section 5-13-12-1.

Investments

Indiana statutes generally authorize the Authority to invest in United States obligations and issues of federal agencies, secured repurchase agreements fully collateralized by U. S. Government or U. S. Government agency securities, certificates of deposit, open end money market mutual funds.

At December 31, 2005 and 2004, the Authority had the following investment securities, all of which mature within one year:

	2005	2004
Repurchase agreements	$ 34,182,657	$ 28,787,974
U. S. Treasury obligations	—	15,905,122
U. S. agency obligations	233,654,765	199,217,866
Money market mutual funds	191,525,966	94,818,244
	$ 459,363,388	$ 338,729,206

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority is limited to investing in securities with a stated maturity of not more than two years after the date of purchase or entry into a repurchase agreement, as defined by Indiana Code, Section 5-13-9-5.6. The Authority's investment policy for interest rate risk requires compliance with the provisions of Indiana statutes. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy for credit risk requires compliance with the provisions of Indiana statutes, and Indiana Code Section 5-13-9-2.5 requires that the Authority only invest in securities that are rated AAA by Standard and Poor's or Aaa by Moody's Investor's Service. At December 31, 2005 and 2004, the Authority's investments in money market mutual funds and U. S. Agency obligations not directly guaranteed by the U. S. Government were rated AAA by Standard & Poor's.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At December 31, 2005 and 2004, all of the Authority's investments in repurchase agreements (which are secured by U. S. Government and U. S. Government agency obligations), as well as U. S. Treasury and agency obligations, were exposed to custodial credit risk. These investments were uninsured and the collateral was held by the pledging financial institution's trust department or agent in other than the Authority's name. The Authority's investment in money market mutual funds was not subject to custodial credit risk at December 31, 2005 and 2004, as their existence is not evidenced by securities that exist in physical or book entry form. The Authority's investment policy does not address how investment securities and securities underlying repurchase agreements are to be held.

Concentration of Credit Risk - The Authority places no limit on the amunt tht may be invested in any one issuer. The following investments held by the Authority are not explicitly guaranteed by the U. S. Government and are subject to concentration of credit risk:

	2005	2004
Federal National Mortgage Association discount notes	$ 125,065,133	$ 170,156,852
Federal Home Loan Mortgage Corporation discount notes	81,552,139	29,061,014
Federal Home Loan Bank discount notes	27,037,493	—
	$ 233,654,765	$ 199,217,866

Foreign Currency Risk - This risk relates to adverse affects on the fair value of an investment from changes in exchange rates. The Authority's investment policy prohibits investments in foreign investments.

Summary of Carrying Values

Cash, cash equivalents and investment securities included in the balance sheets are classified as follows:

	2005	2004
Cash and cash equivalents		
Current - unrestricted	$ 17,947,848	$ 12,677,102
Current - restricted	32,968,233	19,249,976
Noncurrent - restricted	391,505,534	297,934,287
	442,421,615	329,861,365
Investment securities - restricted	8,681,036	8,855,418
	$ 451,102,651	$ 338,716,783

Investment Income

Investment income for the years ended December 31, 2005 and 2004, consisted of:

	2005	2004
Interest and dividend income	$ 11,112,170	$ 1,659,476
Net increase (decrease) in fair value of investments	(105,446)	105,513
	$ 11,006,724	$ 1,764,989

Cash, cash equivalents and investment securities are restricted as follows:

	2005	2004
Revenue Bond Interest and Principal Fund	$ 32,674,776	$ 18,969,480
Revenue Bond Reserve Fund	53,710,980	49,154,715
Operation and Maintenance Reserve Fund	10,640,468	10,574,832
Renewal and Replacement Fund	2,259,683	2,245,979
Capital Improvement Fund	15,239,764	10,515,712
Passenger Facility Charge Fund	21,428,070	16,132,480
Debt Service Coverage Fund	3,754,820	—
Capitalized Interest Account - 2003A Revenue Bonds	840,149	1,658,980
Construction Fund - 2003A Revenue Bonds	—	4,750,041
Capitalized Interest Account 2004A Revenue Bonds	1,871,001	2,754,618
Construction Fund - 2004A Revenue Bonds	174,659,050	198,932,239
Capitalized Interest Account 2005A Revenue Bonds	31,025,746	—
Construction Fund - 2005A Revenue Bonds	83,186,593	—
Construction Fund - Commercial Paper Issuance	1,354,443	9,749,611
Customer deposits	293,457	280,496
Air Service Task Force and other	215,803	320,498
	$ 433,154,803	$ 326,039,681

The Authority's Revenue Bonds have been issued pursuant to General Ordinance No. 6-1985, as amended and restated by the Revised Master Bond Ordinance, General Ordinance No. 4-2002, General Ordinance No. 4-2004 and General Ordinance No. 8-2005. The Master Ordinance provides, among other things, that certain accounting procedures be followed and certain funds be established to provide bond holders a degree of security against certain contingencies. Brief descriptions of these funds follow.

Deposits into the Airport System Fund are disbursed in accordance with the Authority's annual budget to provide for current operation and maintenance expenses. Such deposits are also used to replenish balances in other funds to their required levels under the Master Ordinance. Amounts in the Airport System Fund are pledged to secure the Authority Revenue Bonds, but all current operation and maintenance expenses of the Airport System are paid prior to debt service on the Authority Revenue Bonds.

Assets included in the Bond Interest and Principal Funds and the Bond Reserve Funds are used for the payment of bond principal, interest and redemption premiums, as well as any amounts due under Qualified Derivative Agreements (as defined under the Ordinance) entered into with regard to any of the Authority's Revenue Bonds. The Subordinate Securities Interest and Principal Fund and Subordinate Securities Reserve Fund are used to pay principal, interest, and redemption premiums on any securities secured in whole or in part by liens on the Net Revenues of the Authority that are junior and subordinate to the lien on Net Revenues securing payment of the Revenue Bonds and to pay amounts due under certain derivative agreements. The Operation and Maintenance Reserve Fund must be maintained at a balance at least equal to one-sixth of the Authority's current operating budget as a reserve for payment of operation and maintenance expenses. Assets of the Renewal and Replacement Fund are used to pay extraordinary costs of replacing depreciable property and equipment and/or making extraordinary repairs, replacements, or renovations to the airport system. The Capital Improvement Fund can be used for any lawful airport system purpose, including payment for capital improvements and land acquisition. The Construction Funds are used to pay the project costs for each respective debt issuance. Finally, amounts in the Coverage Fund are used for the purposes of establishing future coverage on outstanding Revenue Bonds.

Funds not used for these purposes are transferred into a Prepaid Airline Revenue Fund and used as a credit against the rentals and fees to be paid by Signatory Airlines (as defined later in these notes) in subsequent years. Balances included in the Airport System Fund and Prepaid Airline Revenue Fund are classified in current unrestricted assets in the accompanying balance sheets.

The Authority's Passenger Facility Charge Fund provides for the segregation of PFC receipts, as required by the FAA. Such revenues are to be expended only for allowable capital projects, or to repay debt issued for allowable capital projects, under a Record of Decision granted by the FAA.

Note 3: Grants Receivable

Grants receivable from government agencies represent reimbursements due from the federal government and/or the State of Indiana for allowable costs incurred on federal and state award programs. Grants receivable at December 31, 2005 and 2004 consist of:

	2005	2004
State of Indiana	$ 68,622	$ 82,336
Federal Aviation Administration	17,100,750	7,190,333
U. S. Department of Homeland Security	207,550	138,303
	$ 17,376,922	$ 7,410,972

The maximum amount of federal and state participation available for eligible continuing projects during 2005 totaled $82,169,259. At December 31, 2005, a cumulative total of $65,278,897 has been earned against these grant commitments.

Note 4: Capital Assets

A summary of changes in capital assets for the years ended December 31, 2005 and 2004 is as follows:

	2005			
	Beginning Balance January 1, 2005	Transfers and Additions	Transfers and Disposals	Ending Balance, December 31, 2005
Capital assets, not being depreciated:				
Land	$ 270,163,186	$ 7,112,975	$ (16,523,086)	$ 260,753,075
Construction in progress	160,499,517	126,787,842	(19,781,606)	267,505,753
Total capital assets, not being depreciated	430,662,703	133,900,817	(36,304,692)	528,258,828
Capital assets, being depreciated:				
Buildings	714,959,173	17,019,026	(746,492)	731,231,707
Runways and other airport infrastructure	393,127,773	13,593,814	(5,179)	406,716,408
Equipment, furniture and fixtures and other	109,975,568	4,613,622	(7,049,736)	107,539,454
Total capital assets, being depreciated	1,218,062,514	35,226,462	(7,801,407)	1,245,487,569
Less accumulated depreciation for:				
Buildings	(227,366,289)	(21,582,190)	619,256	(248,329,223)
Runways and other airport infrastructure	(249,849,835)	(14,700,005)	4,507	(264,545,333)
Equipment, furniture and fixtures and other	(87,029,321)	(6,460,688)	6,942,952	(86,547,057)
Total accumulated depreciation	(564,245,445)	(42,742,883)	7,566,715	(599,421,613)
Total capital assets, being depreciated, net	653,817,069	(7,516,421)	(234,692)	646,065,956
Capital assets, net	$ 1,084,479,772	$ 126,384,396	$ (36,539,384)	$ 1,174,324,784

	2004			
	Beginning Balance January 1, 2004	Transfers and Additions	Transfers and Disposals	Ending Balance, December 31, 2004
Capital assets, not being depreciated:				
Land	$ 261,690,481	$ 12,141,770	$ (3,669,065)	$ 270,163,186
Construction in progress	121,003,007	75,435,224	(35,938,714)	160,499,517
Total capital assets, not being depreciated	382,693,488	87,576,994	(39,607,779)	430,662,703
Capital assets, being depreciated:				
Buildings	712,867,245	2,091,928	—	714,959,173
Runways and other airport infrastructure	362,105,374	31,022,399	—	393,127,773
Equipment, furniture and fixtures and other	105,822,528	4,614,796	(461,756)	109,975,568
Total capital assets, being depreciated	1,180,795,147	37,729,123	(461,756)	1,218,062,514
Less accumulated depreciation for:				
Buildings	(206,219,147)	(21,147,142)	—	(227,366,289)
Runways and other airport infrastructure	(235,188,502)	(14,661,333)	—	(249,849,835)
Equipment, furniture and fixtures and other	(78,236,633)	(9,254,444)	461,756	(87,029,321)
Total accumulated depreciation	(519,644,282)	(45,062,919)	461,756	(564,245,445)
Total capital assets, being depreciated, net	661,150,865	(7,333,796)	—	653,817,069
Capital assets, net	$ 1,043,844,353	$ 80,243,198	$ (39,607,779)	$ 1,084,479,772

Note 5: Bonds Payable and Other Debt

Bonds and other debt outstanding at December 31, 2005 and 2004 consist of:

	2005	2004
Revenue Bonds, Series 2005A		
Serial bonds, maturing January 1, 2023 to January 1, 2030 in payments from $7,735,000 to $20,470,000. Interest at 5.125% to 5.25%, due semiannually on January 1 and July 1	$ 133,970,000	$ —
Term bonds, maturing January 1, 2033. Interest at 4.75%, due semiannually on January 1 and July 1	63,415,000	—
	197,385,000	—
Unamortized premium	3,491,443	—
	200,876,443	—
Revenue Bonds, Series 2004A		
Serial bonds, maturing January 1, 2006 to January 1, 2024 in payments from $2,945,000 to $11,075,000. Interest at 4.00% to 5.25%, due semiannually on January 1 and July 1	96,350,000	96,350,000
Term bonds, maturing January 1, 2026 to January 1, 2034. Interest at 4.75% to 5.00%, due semiannually on January 1 and July 1	125,330,000	125,330,000
	221,680,000	221,680,000
Unamortized premium	4,149,321	4,394,779
	225,829,321	226,074,779
Revenue Bonds, Series 2003A		
Serial bonds, maturing January 1, 2006 to January 1, 2023 in payments from $2,855,000 to $15,395,000. Interest at 4.625% to 5.625%, due semiannually on January 1 and July 1	95,885,000	98,655,000
Term bonds, maturing January 1, 2027 and January 1, 2033. Interest at 5.00%, due semiannually on January 1 and July 1	36,660,000	36,660,000
	132,545,000	135,315,000
Deferred loss on refunding	(1,852,387)	(1,960,819)
Unamortized premium	2,823,935	3,061,745
	133,516,548	136,415,926
Refunding Revenue Bonds, Series 1998A		
Serial bonds, maturing July 1, 2005 with a payment of $15,285,000 in 2005. Interest at 5.00%, due July 1	—	15,285,000
Deferred loss on refunding	—	(239,338)
Unamortized premium	—	32,874
	—	15,078,536

(Continued)	2005	2004
Refunding Revenue Bonds, Series 1996A		
Serial bonds, maturing July 1, 2006 to July 1, 2009 in payments from $3,265,000 to $3,835,000. Interest at 5.25% to 6.00%, due semiannually on January 1 and July 1	$ 14,195,000	$ 17,280,000
Term bonds, maturing July 1, 2015. Interest at 5.60%, due semiannually on January 1 and July 1	27,865,000	27,865,000
	42,060,000	45,145,000
Deferred loss on refunding	(4,139,500)	(4,674,328)
Unamortized discount	(292,867)	(333,083)
	37,627,633	40,137,589
Total revenue bonds	597,849,945	417,706,830
Other Debt		
Obligations under capital lease	254,222,100	261,540,321
Commercial paper	15,000,000	35,000,000
	269,222,100	296,540,321
Total bonds payable and other debt	867,072,045	714,247,151
Current portion	(43,661,655)	(62,952,872)
Long-term portion	$ 823,410,390	$ 651,294,279

Revenue Bonds and Commercial Paper

In November 2005, the Authority issued $197,385,000 of revenue bonds (the 2005 Revenue Bonds) at an average interest rate of 5.10%. The 2005 Revenue Bonds represent the Authority's third long-term financing package to fund the costs of its 2001-2010 Capital Improvement Program, which includes the construction of the new Midfield terminal.

In November 2004, the Authority issued $221,680,000 of revenue bonds (the 2004 Revenue Bonds). The 2004 Revenue Bonds represent the Authority's second long-term financing for purposes of funding the costs of its 2001-2010 Capital Improvement Program. The 2004 Revenue Bonds were issued at an average interest rate of 4.9%.

During 2005, the Series 1998A Revenue Bonds were paid off in full.

The Revenue Bonds, Series 1996A, 2003A, 2004A and 2005A (collectively, the Revenue Bonds) are subject to optional redemption by the Authority at various dates beginning in July 2006 at amounts up to 102% of the principal amount and declining to par at various dates beginning in July 2008.

The 1996A Revenue Bonds, maturing on July 1, 2015 (the 2015 Term Bonds) are subject to redemption from mandatory sinking fund payments during 2010 to 2015.

The 2003A Revenue Bonds, maturing on January 1, 2027 (the 2027 Term Bonds) and January 1, 2033 (the 2033 Term Bonds) are subject to redemption from mandatory sinking fund payments during 2024 to 2027 and 2028 to 2033, respectively.

The 2004A Revenue Bonds, maturing January 1, 2026 (the 2026 Term Bonds), January 1, 2028 (the 2028 Term Bonds), January 1, 2031 (the 2031 Term Bonds), and January 2034 (the 2034 Term Bonds) are subject to redemption from mandatory sinking fund payments during 2025 to 2026, 2027 to 2028, 2029 to 2031, and 2032 to 2034, respectively.

The 2005A Revenue Bonds, maturing January 1, 2033 (the 2033 Term Bonds), are subject to redemption from mandatory sinking fund payments during 2031 to 2033.

The Revenue Bonds are secured under the Master Ordinance (as referenced in a previous footnote) by a pledge of net revenues of the airport system. All of the Authority's Revenue Bonds are secured on parity with each other except with respect to their Revenue Bond Reserve Funds.

Pursuant to the Master Ordinance, the Authority adopted a resolution in 2003 irrevocably designating $1.1 million per year from 2003 through 2010 of passenger facility charges administered under Part 158 of the Federal Aviation Regulations to be collected by the airlines and remitted to the Authority to be used exclusively to pay debt service on the Authority's Revenue Bonds. The Authority adopted a similar resolution in 2004 irrevocably dedicating approximately $1,150,000 in 2004 and $12,160,000 per year from 2005 through 2010 in additional passenger facility charges as dedicated revenues. Also in 2004, the Authority dedicated approximately $15,675,000 held in the Authority's Debt Service Reserve Fund to be used to pay the final debt service payment due in 2005 for the Authority's 1998 Revenue Bonds. Additionally, in 2004, the Authority adopted a resolution to dedicate $8.5 million of revenue related to the IMC Settlement Agreement and the sale of capital assets at IMC to pay debt service. As of December 31, 2005, approximately $7.6 million has been received and used to pay debt service.

In accordance with the Rate Covenant contained in the Master Ordinance, rates and fees charged by the Authority for the use of its facilities must be sufficient to provide annual net revenues when combined with moneys in the coverage fund to equal the larger of: (a) all amounts required to be deposited to the credit of the Revenue Bond Interest and Principal Fund and the Revenue Bond Reserve Fund; or (b) an amount not less than 125% of the Debt Service Requirement for all Revenue Bonds. For the purpose of complying with the Rate Covenant, the Authority includes within net revenues in any fiscal year amounts transferred from the Prepaid Airline Fund pursuant to the Master Ordinance and excludes from interest due on Authority Revenue Bonds any interest paid from bond proceeds. The Authority can exclude debt service to be paid from dedicated revenues from its Rate Covenant calculation.

Commercial Paper

From time to time, the Authority issues commercial paper, the proceeds of which are used to finance various capital projects included in the Authority's Capital Improvement Program. The commercial paper is a short-term promissory note that is sold in traunches with maturities ranging from 1 to 270 days. At maturity, interest is paid to the investor and the commercial paper is resold. To mitigate the risk of an unsuccessful remarketing, the commercial paper is backed by a commitment for a letter of credit in the amount of $126,016,439. The commercial paper is payable from and secured by a lien on net revenues of the airport system. This lien is junior and subordinate to the lien of the Revenue Bonds, and therefore, the commercial paper is considered to be a Subordinate Security as defined in the Master Ordinance. The Authority had $15,000,000 in commercial paper outstanding at December 31, 2005, with interest rates which ranged from 3.19% to 3.25%. At December 31, 2004, the Authority had $35,000,000 in commercial paper outstanding with interest rate of 1.83%. The Authority anticipates issuing additional commercial paper in 2006.

Debt service requirements to maturity for all debt of the Authority, excluding any unamortized discount or premium and its capital lease agreements, are as follows at December 31, 2005:

Years Ending December 31	Revenue Bonds		Commercial Paper	
	Principal	Interest	Principal	Total
2006	$ 17,525,000	$ 26,418,095	$ 15,000,000	$ 58,943,095
2007	21,910,000	28,820,124	—	50,730,124
2008	9,710,000	28,022,160	—	37,732,160
2009	10,205,000	27,516,310	—	37,721,310
2010	10,735,000	26,976,238	—	37,711,238
2011-2015	63,040,000	125,333,038	—	188,373,038
2016-2020	51,995,000	109,128,286	—	161,123,286
2021-2025	101,765,000	91,852,605	—	193,617,605
2026-2030	167,440,000	55,939,927	—	223,379,927
2031-2034	139,345,000	12,076,926	—	151,421,926
	$ 593,670,000	$ 532,083,709	$ 15,000,000	$ 1,140,753,709

The following is a summary of long-term obligation transactions (excluding capital leases) for the Authority for the years ended December 31, 2005 and 2004:

	2005				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term obligations					
Revenue bonds payable	$ 417,425,000	$ 197,385,000	$ (21,140,000)	$ 593,670,000	$ 17,525,000
Bond discounts/premium	7,156,315	3,516,484	(500,967)	10,171,832	—
Loss on refunding	(6,874,485)	—	882,598	(5,991,887)	—
Total revenue bonds payable	417,706,830	200,901,484	(20,758,369)	597,849,945	17,525,000
Commercial paper	35,000,000	40,000,000	(60,000,000)	15,000,000	15,000,000
Total long-term obligations	$ 452,706,830	$ 240,901,484	$ (80,758,369)	$ 612,849,945	$ 32,525,000

	2004				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term obligations					
Revenue bonds payable	$ 214,965,000	$ 221,680,000	$ (19,220,000)	$ 417,425,000	$ 21,140,000
Bond discounts/premium	3,061,631	4,425,460	(330,776)	7,156,315	—
Loss on refunding	(8,317,109)	—	1,442,624	(6,874,485)	—
Total revenue bonds payable	209,709,522	226,105,460	(18,108,152)	417,706,830	21,140,000
Commercial paper	30,000,000	35,000,000	(30,000,000)	35,000,000	35,000,000
Total long-term obligations	$ 239,709,522	$ 261,105,460	$ (48,108,152)	$ 452,706,830	$ 56,140,000

Note 6: Special Facility Revenue Bonds

To provide for the construction of the FedEx Corporation Sort Facility, Indianapolis Maintenance Center (IMC) (formerly leased to United Air Lines, Inc.) and the FedEx Corporation Hangar Facility at the airport, the Authority issued three series of Special Facility Revenue Bonds (conduit debt obligations). These bonds are special limited obligations of the Authority, payable solely from and secured by a pledge of lease rentals to be received by the Authority. The bonds do not constitute a debt or pledge of the faith and credit of the Authority, the County, the City or the State and are therefore not reported in the accompanying financial statements.

At December 31, 2005, the Special Facility Revenue Bonds outstanding were as follows:

Special Facility Revenue Bonds, Series 1998 (FedEx Corporation Hangar Facility)	$ 23,425,000
Special Facility Revenue Bonds, Series 1995 (Indianapolis Maintenance Center)	220,705,000
Special Facility Revenue Bonds, Series 2004 (FedEx Corporation Sort Facility)	237,755,000
	$ 481,885,000

Note 7: Forward Interest Rate Swap Agreements

Objective of the Interest Rate Swaps

During 2005 and 2004, the Authority entered into a total of four forward interest rate swap agreements to provide a hedge against future interest rate risk with regard to additional revenue bonds which the Authority intends to issue in 2006, 2007 and 2008. The intention of the swaps is to effectively change the Authority's variable interest rate on bonds that are to be issued in the future to synthetic fixed rates. The Authority is currently not exposed to basis risk, but it is reasonably possible that the Authority will be subject to basis risk upon issuance of the related revenue bonds in 2006, 2007 and 2008.

Terms

The agreements required no initial net cash receipt or payment by the Authority. The agreements provide for the Authority to receive interest from the counterparty at 75% of the London Interbank Offering Rate (LIBOR) and to pay interest to the counterparty at a fixed rate on notional amounts as set forth in the table below:

Notional Amount	Trade Date	Effective Date of Swap Agreement	Termination Date	Fixed Rate Authority Pays	Variable Rate Authority Receives	Fair Value at December 31, 2005
$ 125,000,000	October 14, 2004	July 1, 2006	January 1, 2036	4.008%	75% LIBOR	$ (4,359,711)
75,000,000	October 14, 2004	July 1, 2007	January 1, 2037	4.120%	75% LIBOR	(3,288,826)
50,000,000	October 7, 2005	July 1, 2008	January 1, 2033	3.786%	75% LIBOR	(292,258)
100,000,000	October 11, 2005	July 1, 2008	January 1, 2033	3.778%	75% LIBOR	(484,343)
$ 350,000,000						$ (8,425,138)

Under the agreements, the Authority pays or receives the net interest amount monthly, with the monthly settlements included in interest expense.

Fair Value

The fair values of the agreements are based on estimated discounted future cash flows determined using the counterparty's proprietary models based upon financial principles and estimates about relevant future market conditions. The fair values of the agreements are not recognized in the Authority's financial statements.

Credit Risk

The fair value of each swap represents the Authority's credit exposure to the counterparty as of December 31, 2005. Should the counterparties to these transactions fail to perform according to the terms of the swap agreements, the Authority has a maximum possible loss equivalent to the fair value at that date. As of December 31, 2005, the Authority was not exposed to credit risk because the swaps had a negative fair value. The swap counterparty for the swaps beginning in 2006 and 2007 was rated Aa2 by Moody's Investors Service and AA- by Standard & Poor's as of December 31, 2005. The swap counterparty for the $50 million swap beginning in 2008 was rated Aa3 by Moody's Investors Service and A+ by Standard & Poor's as of December 31, 2005. The swap counterparty for the $100 million swap beginning in 2008 was rated Aa2 by Moody's Investors Service and AA+ by Standard & Poor's as of December 31, 2005. To mitigate the potential for credit risk, if any of the counterparties' credit quality rating falls below a rating threshold of AA- or Aa3, the fair value of that counterparty's swap or swaps is to be fully collateralized by the counterparty with eligible securities (as defined in the Schedule to the Master Agreement) to be held by a third-party custodian on behalf of the Authority.

Termination Risk

The Authority or the counterparties may terminate the swaps if the other party fails to perform under the terms of the contract. In addition, the Authority has the unilateral option to terminate the swaps. If the swaps have a negative fair value at the time of termination, the Authority would be liable to the counterparty for a payment equal to the fair value of the respective swap.

Note 8: Obligations Under Capital Leases

In November 1991, the Authority entered into an agreement (the MOC-II Agreement) with the State of Indiana, the City of Indianapolis, and United Air Lines, Inc. (United) to provide a 300-acre site for United's Indianapolis Maintenance Center (IMC).

The State, the City and Hendricks County, Indiana provided the initial funding for the IMC. The State provided $184,500,000 from the proceeds of tax-exempt lease revenue bonds and a $15,200,000 grant. The City provided approximately $111,000,000 from the proceeds of tax-exempt current interest and capital appreciation bonds. Hendricks County provided $8,000,000, in the form of a grant, from the proceeds of an economic development income tax revenue bond issue.

Concurrently with the execution of the MOC-II Agreement in 1991, the Authority entered into a tenancy in common agreement and various lease agreements, which created certain leasehold interests in the IMC site and facilities and provided the framework for financing the costs of its construction. Accordingly, the Authority's leases with the State and the City for the IMC and its lease with the State for a building and related equipment ancillary to IMC, the Aviation Technology Center (ATC), have been reflected as capital lease obligations in these financial statements. The leases expire at various dates between 2016 and 2018. The gross amounts of capital assets and related accumulated depreciation recorded under these capital leases at December 31, 2005 and 2004 follow:

	2005	2004
Capital assets	$ 352,111,077	$ 352,111,077
Accumulated depreciation	(105,280,091)	(99,318,018)
	$ 246,830,986	$ 252,793,059

The present value of future minimum capital lease payments at December 31, 2005 follows:

2006	$ 21,206,755
2007	27,696,336
2008	27,863,042
2009	28,133,410
2010	27,855,798
2011 - 2015	140,821,745
2016 - 2018	61,030,354
Total minimum lease payments	334,607,440
Amounts representing interest	(80,385,340)
Present value of future minimum capital lease payments	$ 254,222,100

The Authority's capital lease payments to the State are payable solely from monies to be appropriated by the Indiana General Assembly, the governing body for the State. There is no requirement that these amounts be appropriated. However, the Authority cannot be held liable, should an appropriation not be made, for the State's debt obligations relative to the IMC and ATC facilities. Assuming appropriations from the General Assembly continue, the Authority expects to receive the following future amounts to fund its capital lease obligations with the State:

2006	$ 12,231,098
2007	21,489,919
2008	21,521,807
2009	21,538,335
2010	21,567,495
2012 - 2015	107,832,108
2016 - 2018	65,042,439
	$ 271,223,201

The Authority's capital lease payments to the City are secured by an irrevocable pledge of a distributive share of Marion County Option Income Taxes (the Pledged Revenues). The City-County Council has covenanted not to repeal or rescind this tax as long as such rentals remain due. The Authority is not obligated for the debt incurred by the City with regard to the IMC facilities. Future Pledged Revenues to be received by the Authority to fund its capital lease obligation with the City follow:

2006	$ 14,275,958
2007	14,162,458
2008	14,154,468
2009	14,261,446
2010	14,218,310
2011 - 2015	71,091,873
2016 - 2018	14,211,750
	$ 156,376,263

Note 9: Indianapolis Maintenance Center

As discussed previously in these footnotes, the Authority, the State of Indiana, the City of Indianapolis and United financed the construction and equipping of the IMC. As a part of the financing of these facilities, the Authority issued $220,705,000 in special facility revenue bonds. The Authority had, and continues to have, no obligation to make interest and principal payments on these special facility bonds other than from revenues derived from leasing the IMC facilities. Previously, the interest and principal payments for the Series 1995 Special Facility Revenue Bonds were funded by rentals paid by United under its lease agreement with the Authority. On December 9, 2002, United filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. On May 9, 2003, the Bankruptcy Court made effective United's rejection of its lease of the IMC and United abandoned the IMC facilities, whereby all of the IMC assets reverted to the Authority's control.

In 2004, the Authority and the Trustee bondholders entered into a Settlement Agreement which, among other things, provides for up to $7.5 million in reimbursements for certain costs incurred after May 2003. The Settlement Agreement also provides for reimbursement for up to $6.5 million of capital improvements, if certain conditions are met.

For the years ended December 31, 2005 and 2004, the Authority incurred approximately $9.6 million and $9.1 million of costs for the IMC, respectively. Some of these costs are not reimbursable and some are only partially reimbursable from the $7.5 million held pursuant to the Settlement Agreement. However, the majority of these costs may be recovered in future years, along with any costs incurred in excess of the aforementioned amounts from future revenues of the IMC. The Authority has received reimbursements under the Settlement Agreement aggregating $3.5 million and $3.2 million in 2005 and 2004, respectively. Also, as of December 31, 2005 and 2004, the Authority has accrued an additional $995,000 and $1.2 million in reimbursements for allowable costs incurred.

United emerged from bankruptcy effective February 1, 2006, however, the Settlement Agreement remains in effect for the life of the original special facility revenue bonds. Therefore, United’s emergence from bankruptcy will not affect the operations or financial impact of the IMC on the Authority’s financial statements.

The Authority has entered into five new leases for certain portions of the IMC. Those portions, which include hangar space, office areas and the backshops, will be used primarily for the maintenance, repair and overhaul of commercial aircraft. As a part of the Settlement Agreement, rentals collected for the IMC are not considered revenue to the Authority, but instead are required to be deposited into a trust held on behalf of the United bondholders. The monies held in trust are to be used to pay ongoing operating and maintenance costs of the IMC and must be applied in a manner prescribed by the terms of the Settlement Agreement, including reimbursement of past capital and operating costs, payment of ground rent and payment of debt service on the bonds.

The aforementioned lease agreements contain a number of incentives to be provided by the Authority in the form of grants and rent credits. These grants and rent credits are designed to assist the tenants with start-up costs and the acquisition of certain capital assets, including leasehold improvements, and to encourage them to expand their operations and/or increase the amount of space they lease. In total, the Authority may award up to $7.5 million and $4.3 million in grants and rent credits, respectively, over the terms of these leases which currently range from six months to ten years. Grants for start-up costs are recorded as deferred lease costs by the Authority and amortized over the respective lease term, while grants for capital improvements result in new depreciable assets of the Authority. Success payments (for expanding operations) and other similar grants are expensed as they are earned by the tenants. All existing IMC capital assets, as well as those acquired by the tenants through Authority grants or otherwise, remain the property of the Authority, subject only to the tenants' rights to use such assets during their respective lease terms. As of December 31, 2005, the Authority has provided $2.5 million in grants and $1.5 million in rental credits to the lessees of the IMC.

Note 10: Risk Management

Effective October 1, 1995, BAA assumed the responsibility of providing self-insured health care benefits for former Authority employees and all others it has hired. BAA continues to maintain substantially the same coverage as provided previously by the Authority. The health care plan provides for annual coverage over and above a pre-determined level, referred to as a "stop loss", set at $1,851,938 on an aggregate basis. This plan also contains a similar stop loss feature on individual claims at $75,000. As required by the BAA Management Contract, the Authority pays BAA for all costs associated with providing health care benefits to its employees.

Detail of the health insurance claims liability, based upon the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Issuance Issues*, is provided below. This Statement requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the liability can be reasonably estimated. The liability is estimated based upon historical experience. There is no significant incremental claim adjustment expense, salvage or subrogation attributable to this liability.

	Balance Beginning of Year	Current Year Claims and Changes In Estimates	Claim Payments	Balance End of Year
2005	$ 218,695	$ 1,352,215	$ (1,300,910)	$ 270,000
2004	191,241	1,318,791	(1,291,337)	218,695

Risk management is the responsibility of BAA under the BAA Management Contract with the Authority. The Authority is exposed to various risks of loss related to theft of, damage to and destruction of assets, torts and natural disasters for which commercial insurance is carried. The commercial insurance policies carry deductibles ranging from $0 to $250,000. Insurance policies procured, including commercial general liability and commercial property damage, are inclusive of coverage for certain war casualty and acts of terrorism. Although BAA put in place a $1 billion aviation liability policy in 2005, no assurance can be given that such insurance above the contractual requirement of $250 million will continue to be provided or be available at a reasonable cost and in meaningful amounts; or that, to the extent that the Authority is uninusured, it will be able to satisfy any claims in the event of a future war or terrorist act.

There were no reductions in insurance coverage during 2005 and settlements have not exceeded insurance coverage for the past three years.

Effective June 1, 2005, the Indianapolis Airport Authority secured separate insurance coverages that it will maintain and manage in conjunction with the construction operations related to the opening of the new Midfield terminal in late 2008. Coverages include Worker's Compensation, Commercial General Liability and Excess Liability. The Worker's Compensation and General Liability both utilize an Owner Controlled Insurance Program (OCIP) concept, typical with large construction projects. This type program was selected for its cost efficacy as well as increased supervision of construction firms performing work under contract. Enrolled contractors in the OCIP each pay a proportionate share of premium. Self-insured retention amounts under this program are $500,000 per occurrence for Worker's Compensation and $500,000 per occurrence for General Liability. An aggregate deductible of $8,750,000 over the term of the project also applies. An initial letter of credit in the amount of $5,000,000 was a requirement of the OCIP insurer in support of the deductible amounts and loss payments contained therein.

Casualty loss involving damage to or destruction of physical property in the course of construction is covered by a separately insured Builders Risk policy. This policy contains a $100,000 per occurrence deductible, applicable to all covered causes of loss including flood and earth movement.

Lastly, an Owner's Protective Professional Indemnity policy is in place insuring IAA from financial loss or damage assessed stemming from claims involving contracted professional services such as architects or engineers. This policy contains a per claim self-insured retention amount of $1 million, however, contracted professional service firms participating in this project are required to provide evidence of coverage, naming IAA as Additional Insured, in amounts equal to or exceeding this retention, leaving the Authority minimally exposed.

Note 11: Benefit Plan

BAA maintains a 401(k) defined-contribution pension plan for the benefit of substantially all of its employees which allows for both employee and employer contributions. The plan was administered by MetLife until March 31, 2005, at which time administration responsibilities were transferred to Kushner & Company. Employer contributions can range up to eight and one half percent of eligible compensation. In accordance with the BAA Management Contract, these expenses are paid by the Authority. Plan provisions and contribution requirements are established and may be amended by BAA. Contributions to the plan were approximately $1,169,000 for 2005 and $1,095,000 for 2004.

Note 12: Rental Income From Operating Leases

The Authority leases space in the Indianapolis International Airport terminal along with other land and buildings on a fixed fee as well as a contingent rental basis. Many of the leases provide for a periodic review and adjustment of the rental amounts. Substantially all capital assets are held by the Authority for the purpose of rental or related use.

Minimum future rentals on noncancelable operating leases to be received in each of the next five years and thereafter as of December 31, 2005 are as follows:

2006	$ 35,657,264
2007	28,338,360
2008	25,352,348
2009	23,995,516
2010	22,717,090
Thereafter	77,889,971
	$ 213,950,549

The Authority has entered into an Agreement and Lease of Premises (Airline Agreement) with certain passenger, charter, and cargo airlines serving the airport, which are collectively referred to as the Signatory Airlines. Other airlines operate under an airport use permit that generally has a term of no more than two years. The Airline Agreement's residual rate-making features are designed to ensure that the Authority's debt service and related coverage obligations, including the Rate Covenant, will be met. The Airline Agreement authorizes the Authority to implement new fees and charges as necessary. In the event of an airline bankruptcy, the Authority may adjust the rates and charges for all Signatory Airlines in the current rate period to recover the rates and charges due from the bankrupt carrier. However, there can be no assurance that such other airlines will be financially able to absorb the additional costs. All of the Airline Agreements expire on December 31, 2010. Rental rates under these agreements are determined annually. The table above reflects rental rates that were in effect as of January 2006.

Contingent rentals and fees aggregated approximately $ 34,500,000 in 2005 and $31,000,000 in 2004, and are accrued in arrears.

Subsequent to December 31, 2005, the Authority passed an ordinance providing for the assessment of a Customer Facility Charge (CFC). The charge is $3 per rental car transaction per day and can be adjusted periodically by the Authority. The charge will become effective May 1, 2006, and will be collected by all rental car concessionaires and remitted to the Authority.

Note 13: Commitments and Contingencies

Land Acquisition

In 1991, the Authority updated its Noise and Land Use Compatibility Study and final recommendations were adopted by the Authority Board in April 1992. The recommendations included expanding the Guaranteed Purchase Program to add approximately 750 more homes at an estimated cost of $100.9 million. As of December 31, 2005, the Authority has spent approximately $98.4 million (including relocation costs) under this program (Phase II), substantially all of which was eligible for 80% reimbursement from the FAA. There are an estimated 51 homes remaining eligible for purchase under Phase II.

A second update and five-year review of the Authority's noise compatibility program (Phase III) began in 1996. Final recommendations were adopted by the Authority Board in February 1998, followed by FAA approval in October 1998. The recommendations include continuation of the Guaranteed Purchase Program with respect to approximately 132 homes. In addition, approximately 368 homes are eligible for the new Sound Insulation and Purchase Assurance Programs.

The Sound Insulation Program pays for a home within the impacted noise area to be sound insulated with respect to doors, window treatments, etc., with no further cash outlay required by the Authority. Under the Purchase Assurance Program, the Authority will purchase the property, sound insulate the home and then resell the property on the open market. Participation in either the Sound Insulation or Purchase Assurance programs requires the homeowner to grant an aviation easement in favor of the Authority. A third program, Sales Assistance, is available to approximately 963 homes. Sales Assistance consists of a benefit payment to homeowners adjacent to the 65DNL noise contour. The benefit payment is equal to 10% of the contract sales price between the homeowner and third party buyer, in exchange for the inclusion of a Noise Disclosure Statement in the deed of conveyance. The estimated cost of the Phase III programs approximate $91.7 million. These programs, excluding Sales Assistance, are eligible for reimbursement from passenger facility charges and FAA noise grants (at 80% reimbursement). As of December 31, 2005, the Authority has spent approximately $67.5 million in conjunction with these programs.

In 2001, the Authority began development south of Interstate 70 (I-70). This land contains at least two parcels needed to facilitate additional airside development space and development of an Airport interchange off of I-70. Some of the parcels will protect land needed for the future development of a third parallel runway. As of December 31, 2005, the Authority has expended approximately $1.8 million for this project.

Environmental Mitigation

In order to comply with environmental laws, the Authority has implemented a natural resource mitigation program to create, monitor and maintain wetlands along with habitats for the endangered Indiana bat. As of December 31, 2005, the Authority has acquired approximately 1,645 acres in order to replace those wetland and bat habitat areas that were removed by construction of the Indianapolis Maintenance Center and runway 5L-23R. The Authority will continue to maintain and monitor interim bat habitats under this program through the year 2016 and approximately 2,000 acres of wetlands and certain associated summer bat habitats in perpetuity, or until control over such areas can be transferred to other responsible parties. Approximately $21.6 million has been spent under this program, of which 28% is eligible for reimbursement from the FAA. The Authority's share of the costs for this conservation plan is estimated to be $2,409,000, of which $875,933 has been incurred through December 31, 2005.

Capital Improvements

As of December 31, 2005, the Authority had outstanding commitments for certain airport improvements aggregating approximately $311.3 million, of which an estimated $44.8 million is eligible for partial reimbursement from the FAA.

The Authority continues its program to build a new passenger terminal (the Midfield Terminal Program), which will be located between the two parallel runways at Indianapolis International Airport. As of December 31, 2005, estimated costs for the Midfield Terminal Program are $1,065,827,000.

Litigation and Claims

The nature of the business of the airport generates certain litigation against the Authority arising in the ordinary course of business. However, the Authority believes that the ultimate outcome of these matters, in the aggregate or individually, should not have a materially adverse effect on its financial position or changes in financial position.

As of December 31, 2005, two contractors have filed extra work claims against the Authority asserting payment was not made for services rendered in excess of the original contract amounts. The plaintiffs have claimed actual damages of $491,000. Based on the advice of counsel, the Authority has accrued an amount, which in the opinion of counsel and management, is the best estimate of loss that will result from the claims. The amount accrued at December 31, 2005 was $250,000, but the amount of ultimate loss could differ materially. No suits have been filed under either of these claims.

Supplementary Information

Indianapolis Airport Authority

Schedule of Balance Sheet Information
December 31, 2005

Assets

	2005		
	Authority	IMC	Total
Current Assets			
Unrestricted Assets			
Cash and cash equivalents	$ 17,947,348	$ 500	$ 17,947,848
Receivable from BAA	1,218,218	—	1,218,218
Accounts receivable, net	1,645,517	—	1,645,517
Unbilled revenues	3,661,862	—	3,661,862
Grants receivable	17,376,922	—	17,376,922
Receivable - other government	748,250	877,820	1,626,070
Supplies and materials inventories	1,704,879	—	1,704,879
Other	794,290	—	794,290
Total unrestricted current assets	45,097,286	878,320	45,975,606
Restricted Assets			
Cash and cash equivalents	32,674,776	—	32,674,776
Cash and cash equivalents - customer deposits	288,457	5,000	293,457
Receivable - passenger facility charges	1,776,705	—	1,776,705
Receivable - State of Indiana	397,753	1,871,048	2,268,801
Receivable - reimbursable IMC expenses	—	995,397	995,397
Total restricted current assets	35,137,691	2,871,445	38,009,136
Total current assets	80,234,977	3,749,765	83,984,742
Noncurrent Assets			
Cash and cash equivalents, restricted	391,505,534	—	391,505,534
Investment securities, restricted	8,681,036	—	8,681,036
Rent receivable	2,867,059	—	2,867,059
Receivable - other governments	1,443,370	—	1,443,370
Deferred lease costs	—	1,830,606	1,830,606
Bond issue and loan administration costs, net	11,671,699	—	11,671,699
Capital assets, net	773,285,907	401,038,877	1,174,324,784
Total noncurrent assets	1,189,454,605	402,869,483	1,592,324,088
Total assets	$ 1,269,689,582	$ 406,619,248	$ 1,676,308,830

Liabilities and Net Assets

	2005		
	Authority	IMC	Total
Current Liabilities			
Payable From Unrestricted Assets			
Accounts payable	$ 1,352,133	$ —	$ 1,352,133
Accounts payable - BAA	447,733	—	447,733
Accrued and withheld items	3,318,133	—	3,318,133
Total current liabilities payable from unrestricted assets	5,117,999	—	5,117,999
Payable From Restricted Assets			
Accounts payable	17,666,623	2,525,090	20,191,713
Customer deposits payable	288,457	5,000	293,457
Current portion of debt	32,923,708	10,737,947	43,661,655
Accrued interest on debt	11,862,556	881,300	12,743,856
Total current liabilities payable from restricted assets	62,741,344	14,149,337	76,890,681
Total current liabilities	67,859,343	14,149,337	82,008,680
Noncurrent Liabilities			
Payable From Restricted Assets			
Bonds payable and other debt	587,053,905	236,356,485	823,410,390
Total liabilities	654,913,248	250,505,822	905,419,070
Net Assets			
Invested in capital assets, net of related debt	460,224,435	152,356,823	612,581,258
Restricted for			
Capital projects	38,445,539	—	38,445,539
Debt service	71,601,841	989,748	72,591,589
Other	214,803	57,930	272,733
Total restricted net assets	110,262,183	1,047,678	111,309,861
Unrestricted	44,289,716	2,708,925	46,998,641
Total net assets	614,776,334	156,113,426	770,889,760
Total liabilities and net assets	$ 1,269,689,582	$ 406,619,248	$ 1,676,308,830

Indianapolis Airport Authority

Schedule of Balance Sheet Information
December 31, 2004

Assets

	2004		
	Authority	IMC	Total
Current Assets			
Unrestricted Assets			
Cash and cash equivalents	$ 12,677,102	$ —	$ 12,677,102
Accounts receivable, net	1,727,905	—	1,727,905
Unbilled revenues	3,190,265	—	3,190,265
Grants receivable	7,410,972	—	7,410,972
Supplies and materials inventories	1,705,634	—	1,705,634
Other	402,828	—	402,828
Total unrestricted current assets	27,114,706	—	27,114,706
Restricted Assets			
Cash and cash equivalents	18,969,480	—	18,969,480
Cash and cash equivalents - customer deposits	280,496	—	280,496
Receivable - passenger facility charges	2,216,639	—	2,216,639
Receivable - State of Indiana	325,324	3,312,823	3,638,147
Receivable - reimbursable IMC expenses	—	1,216,313	1,216,313
Total restricted current assets	21,791,939	4,529,136	26,321,075
Total current assets	48,906,645	4,529,136	53,435,781
Noncurrent Assets			
Cash and cash equivalents, restricted	297,934,287	—	297,934,287
Investment securities, restricted	8,855,418	—	8,855,418
Rent receivable	2,685,545	—	2,685,545
Deferred lease costs	—	496,110	496,110
Bond issue and loan administration costs, net	7,196,152	—	7,196,152
Capital assets, net	670,159,774	414,319,998	1,084,479,772
Total noncurrent assets	986,831,176	414,816,108	1,401,647,284
Total assets	$ 1,035,737,821	$ 419,345,244	$ 1,455,083,065

Liabilities and Net Assets

	2004		
	Authority	IMC	Total
Current Liabilities			
Payable From Unrestricted Assets			
Accounts payable	$ 2,562,448	$ —	$ 2,562,448
Accounts payable - BAA	899,295	—	899,295
Accrued and withheld items	4,043,097	—	4,043,097
Total current liabilities payable from unrestricted assets	7,504,840	—	7,504,840
Payable From Restricted Assets			
Accounts payable	11,647,974	2,251,907	13,899,881
Customer deposits payable	280,496	—	280,496
Current portion of debt	56,852,013	6,100,859	62,952,872
Accrued interest on debt	6,675,467	1,702,936	8,378,403
Total current liabilities payable from restricted assets	75,455,950	10,055,702	85,511,652
Total current liabilities	82,960,790	10,055,702	93,016,492
Noncurrent Liabilities			
Payable From Restricted Assets			
Bonds payable and other debt	403,356,949	247,937,330	651,294,279
Total liabilities	486,317,739	257,993,032	744,310,771
Net Assets			
Invested in capital assets, net of related debt	468,085,596	158,641,855	626,727,451
Restricted for			
Capital projects	28,864,831	—	28,864,831
Debt service	29,853,746	1,609,887	31,463,633
Other	320,498	604,360	924,858
Total restricted net assets	59,039,075	2,214,247	61,253,322
Unrestricted	22,295,411	496,110	22,791,521
Total net assets	549,420,082	161,352,212	710,772,294
Total liabilities and net assets	$ 1,035,737,821	$ 419,345,244	$ 1,455,083,065

Indianapolis Airport Authority

Schedules of Revenues, Expenses and Changes in Net Assets Information
Years Ended December 31, 2005 and 2004

	2005		
	Authority	IMC	Total
Operating Revenues			
Airfield	$ 22,597,017	$ —	$ 22,597,017
Terminal complex	27,861,804	—	27,861,804
Parking	25,700,989	—	25,700,989
Rented buildings and other	9,383,960	—	9,383,960
Indianapolis Maintenance Center (IMC)	—	3,313,305	3,313,305
Reliever airports	2,028,307	—	2,028,307
Total operating revenues	87,572,077	3,313,305	90,885,382
Operating Expenses (including depreciation)			
Airfield	15,471,351	—	15,471,351
Terminal complex	14,842,448	—	14,842,448
Parking	6,622,285	—	6,622,285
Rented buildings and other	6,606,391	—	6,606,391
Indianapolis Maintenance Center (IMC)	—	24,363,793	24,363,793
Reliever airports	3,410,062	—	3,410,062
Public safety	8,722,396	—	8,722,396
Administration	11,757,301	—	11,757,301
Total operating expenses	67,432,234	24,363,793	91,796,027
Income (Loss) From Operations	20,139,843	(21,050,488)	(910,645)
Nonoperating Revenues (Expenses)			
State and local appropriations	825,542	16,749,535	17,575,077
Federal operating grants	1,135,661	—	1,135,661
Investment income	11,003,026	3,698	11,006,724
Interest expense, net of capitalized interest	(19,366,686)	(9,805,779)	(29,172,465)
Loss on disposals of capital assets and other	(7,385,333)	—	(7,385,333)
	(13,787,790)	6,947,454	(6,840,336)
Increase (Decrease) in Net Assets Before Capital Contributions, Grants and Charges	6,352,053	(14,103,034)	(7,750,981)
Capital Contributions, Grants and Charges			
Passenger facility charges	17,460,359	—	17,460,359
Federal, state and local grants	28,791,022	—	28,791,022
Contributions from lessees	14,062,887	—	14,062,887
Contributions from other governments	2,191,620	5,362,559	7,554,179
	62,505,888	5,362,559	67,868,447
Increase (Decrease) in Net Assets	68,857,941	(8,740,475)	60,117,466
Net Assets, Beginning of Year	549,420,082	161,352,212	710,772,294
Transfer	(3,501,689)	3,501,689	—
Net Assets, End of Year	$ 614,776,334	$ 156,113,426	$ 770,889,760

2004		
Authority	IMC	Total
$ 21,690,817	$ —	$ 21,690,817
27,565,939	—	27,565,939
23,202,459	—	23,202,459
8,849,440	—	8,849,440
—	4,468,590	4,468,590
2,008,175	—	2,008,175
83,316,830	4,468,590	87,785,420
17,208,770	—	17,208,770
13,971,948	—	13,971,948
6,294,681	—	6,294,681
7,435,736	—	7,435,736
—	24,615,491	24,615,491
3,188,901	—	3,188,901
9,239,066	—	9,239,066
11,093,496	—	11,093,496
68,432,598	24,615,491	93,048,089
14,884,232	(20,146,901)	(5,262,669)
825,542	30,721,730	31,547,272
1,381,131	—	1,381,131
1,764,989	—	1,764,989
(11,046,716)	(16,217,459)	(27,264,175)
(349,365)	—	(349,365)
(7,424,419)	14,504,271	7,079,852
7,459,813	(5,642,630)	1,817,183
16,722,939	—	16,722,939
30,704,700	—	30,704,700
647,372	—	647,372
—	—	—
48,075,011	—	48,075,011
55,534,824	(5,642,630)	49,892,194
498,045,294	162,834,806	660,880,100
(4,160,036)	4,160,036	—
$ 549,420,082	$ 161,352,212	$ 710,772,294

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Indianapolis Airport Authority

Schedules of Operating Revenues
Years Ended December 31, 2005 and 2004

	2005	2004	Increase (Decrease)
Airfield			
Landing fees - scheduled airlines	$ 10,832,543	$ 9,544,544	$ 1,287,999
Landing fees - freight and other	9,461,634	7,698,854	1,762,780
Apron fees	2,002,456	4,116,810	(2,114,354)
Commissions - aviation fuel sales	287,575	312,042	(24,467)
Other	12,809	18,567	(5,758)
	22,597,017	21,690,817	906,200
Terminal Complex			
Space rental			
Airlines	14,159,056	14,433,982	(274,926)
Concessionaires	4,971,098	4,834,206	136,892
Administration building	215,914	279,586	(63,672)
Other space rental	235,623	234,645	978
Automobile rental commissions	6,876,671	6,442,619	434,052
Security fees	427,192	401,707	25,485
Other commissions, fees, etc.	976,250	939,194	37,056
	27,861,804	27,565,939	295,865
Parking - parking operations	25,700,989	23,202,459	2,498,530
Rented Buildings and Other			
Space rental - freight buildings	630,362	613,845	16,517
Space rental - hangars	52,767	45,011	7,756
Space rental - other buildings	3,175,608	3,092,679	82,929
Ground leases	4,452,164	4,298,633	153,531
Farm income	32,169	34,433	(2,264)
International building	70,817	102,276	(31,459)
Other	970,073	662,563	307,510
	9,383,960	8,849,440	534,520
Indianapolis Maintenance Center (IMC)	3,313,305	4,468,590	(1,155,285)
Reliever Airports	2,028,307	2,008,175	20,132
	$ 90,885,382	$ 87,785,420	$ 3,099,962

Indianapolis Airport Authority

Schedule of Operating Expenses
Year Ended December 31, 2005
(With Comparative Totals for 2004)

	Airfield	Terminal Complex	Parking	Rented Buildings and Other	Indianapolis Maintenance Center (IMC)
Personal Services					
Salaries and wages	$ 1,609,696	$ 2,331,556	$ 2,094,271	$ 152,859	$ 196,492
Professional fees	561,776	61,807	10,013	37,760	128,896
Employee insurance	356,120	700,757	428,942	22,589	23,347
Retirement and social security	258,382	353,126	312,914	22,552	24,910
	2,785,974	3,447,246	2,846,140	235,760	373,645
Contractual Services					
Transportation and communication	65,374	37,240	19,059	16,590	12,691
Utilities	722,808	1,618,715	156,887	172,281	2,813,445
Printing and advertising	429	10,099	9,735	1,491	2,294
Repairs and maintenance	241,919	359,850	123,477	81,123	358,556
Facilities maintenance and security	—	—	—	—	2,823,909
Snow removal and other	157,331	1,457,301	688,181	126,812	742,864
BAA compensation	—	—	—	—	—
Environmental remediation	157,212	—	—	160,370	422,609
	1,345,073	3,483,205	997,339	558,667	7,176,368
Supplies					
Fuel	336,614	—	44,610	73	3,756
Garage and motor	40,912	1,198	27,324	112	—
Institutional and medical	17,473	282,949	39,042	3,871	29,905
Office supplies	1,554	4,349	57,774	4,292	2,510
Snow and ice chemicals	271,126	510	32,151	—	7,785
Other	43,134	119,279	42,023	13,448	146,840
	710,813	408,285	242,924	21,796	190,796
Materials					
Building	(1,803)	26,572	2,638	1,870	(2,123)
Pavement and grounds	164,322	406	751	—	—
Repair parts	274,801	103,475	164,845	720	12,375
Small equipment and tools	13,146	1,850	154	—	10,600
Other	41,208	21,006	11,360	1,344	145,498
	491,674	153,309	179,748	3,934	166,350
General					
Insurance	270,013	195,151	187,734	24,131	309,293
Equipment rental	5,569	—	1,080	—	5,292
Lease incentive	—	—	—	—	1,200,000
Other (including bad debts)	9,875	2,190	1,715	4,681	147,824
	285,457	197,341	190,529	28,812	1,662,409
Subtotal	5,618,991	7,689,386	4,456,680	848,969	9,569,568
Depreciation	9,852,360	7,153,062	2,165,605	5,757,422	14,794,225
	$ 15,471,351	$ 14,842,448	$ 6,622,285	$ 6,606,391	$ 24,363,793

2005					
Reliever Airports	Public Safety	Administration	Total	Year Ended December 31, 2004	Increase (Decrease)
$ 214,733	$ 5,548,403	$ 4,591,393	$ 16,739,403	$ 16,141,141	$ 598,262
26	33,321	1,498,778	2,332,377	2,748,425	(416,048)
58,649	1,328,464	650,545	3,569,413	3,732,995	(163,582)
33,477	847,476	632,387	2,485,224	2,373,140	112,084
306,885	7,757,664	7,373,103	25,126,417	24,995,701	130,716
7,737	82,763	709,656	951,110	1,035,744	(84,634)
147,504	35,514	62,634	5,729,788	4,413,861	1,315,927
—	10,981	64,609	99,638	99,388	250
21,324	19,127	307,142	1,512,518	1,352,548	159,970
—	—	—	2,823,909	2,891,798	(67,889)
45,544	96,502	187,417	3,501,952	3,210,916	291,036
—	—	1,779,865	1,779,865	1,480,000	299,865
—	—	—	740,191	3,183,951	(2,443,760)
222,109	244,887	3,111,323	17,138,971	17,668,206	(529,235)
226,135	—	—	611,188	464,169	147,019
2,267	21,018	1,425	94,256	70,944	23,312
8,794	19,690	1,463	403,187	410,572	(7,385)
658	12,481	61,602	145,220	163,933	(18,713)
5,255	19	—	316,846	320,947	(4,101)
7,348	151,257	67,007	590,336	479,206	111,130
250,457	204,465	131,497	2,161,033	1,909,771	251,262
3,565	1,426	398	32,543	33,280	(737)
27,103	—	—	192,582	222,104	(29,522)
36,016	92,548	52,872	737,652	783,982	(46,330)
793	7,456	—	33,999	119,869	(85,870)
6,513	2,411	5,747	235,087	97,069	138,018
73,990	103,841	59,017	1,231,863	1,256,304	(24,441)
77,378	279,068	35,646	1,378,414	1,430,299	(51,885)
—	3,740	65,956	81,637	122,061	(40,424)
—	—	—	1,200,000		1,200,000
15	13,050	555,459	734,809	553,280	181,529
77,393	295,858	657,061	3,394,860	2,105,640	1,289,220
930,834	8,606,715	11,332,001	49,053,144	47,935,622	1,117,522
2,479,228	115,681	425,300	42,742,883	45,112,467	(2,369,584)
$ 3,410,062	$ 8,722,396	$ 11,757,301	$ 91,796,027	$ 93,048,089	$ (1,252,062)

Indianapolis Airport Authority

Schedule of Bond Debt Service Requirements to Maturity
December 31, 2005

	Revenue Bonds of 2005A		Revenue Bonds of 2004A		Revenue Bonds of 2003A		Revenue Bonds of 1996A		Total Debt
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Service
2006	$ —	$ 6,634,890	$ 2,945,000	$ 10,971,348	$ 11,315,000	$ 6,478,237	$ 3,265,000	$ 2,333,620	$ 43,943,095
2007	—	10,035,969	3,060,000	10,835,948	15,395,000	5,810,487	3,455,000	2,137,720	50,730,124
2008	—	10,035,969	3,215,000	10,679,073	2,855,000	5,354,240	3,640,000	1,952,878	37,732,160
2009	—	10,035,969	3,375,000	10,514,323	2,995,000	5,204,244	3,835,000	1,761,774	37,721,310
2010	—	10,035,969	3,545,000	10,336,891	3,150,000	5,042,938	4,040,000	1,560,440	37,711,238
2011	—	10,035,969	3,730,000	10,145,923	3,320,000	4,873,100	4,255,000	1,334,200	37,694,192
2012	—	10,035,969	3,925,000	9,944,979	3,495,000	4,689,838	4,505,000	1,095,920	37,691,706
2013	—	10,035,969	4,135,000	9,733,404	3,685,000	4,492,388	4,750,000	843,640	37,675,401
2014	—	10,035,969	4,350,000	9,510,672	3,890,000	4,281,644	5,015,000	577,640	37,660,925
2015	—	10,035,969	4,580,000	9,276,260	4,105,000	4,056,785	5,300,000	296,800	37,650,814
2016	—	10,035,969	4,820,000	9,029,510	4,340,000	3,819,269	—	—	32,044,748
2017	—	10,035,969	5,325,000	8,763,204	4,580,000	3,568,394	—	—	32,272,567
2018	—	10,035,969	5,610,000	8,476,160	4,835,000	3,327,772	—	—	32,284,901
2019	—	10,035,969	5,895,000	8,174,154	5,065,000	3,089,337	—	—	32,259,460
2020	—	10,035,969	6,210,000	7,864,160	5,315,000	2,836,481	—	—	32,261,610
2021	—	10,035,969	6,520,000	7,545,910	5,565,000	2,571,125	—	—	32,238,004
2022	—	10,035,969	6,845,000	7,211,785	5,845,000	2,285,875	—	—	32,223,629
2023	7,735,000	9,837,759	7,190,000	6,860,910	6,135,000	1,986,375	—	—	39,745,044
2024	13,265,000	9,291,344	11,075,000	6,404,285	2,915,000	1,760,125	—	—	44,710,754
2025	17,480,000	8,484,288	8,135,000	5,930,136	3,060,000	1,610,750	—	—	44,700,174
2026	18,420,000	7,541,913	8,530,000	5,526,010	3,215,000	1,453,875	—	—	44,686,798
2027	19,420,000	6,548,613	8,945,000	5,097,769	3,375,000	1,289,125	—	—	44,675,507
2028	20,470,000	5,501,500	9,390,000	4,643,978	3,540,000	1,116,250	—	—	44,661,728
2029	18,100,000	4,489,038	13,345,000	4,094,631	3,725,000	934,625	—	—	44,688,294
2030	19,080,000	3,513,063	13,980,000	3,445,662	3,905,000	743,875	—	—	44,667,600
2031	20,130,000	2,534,125	14,645,000	2,765,819	4,100,000	543,750	—	—	44,718,694
2032	21,120,000	1,554,438	15,340,000	2,034,500	4,305,000	333,625	—	—	44,687,563
2033	22,165,000	526,419	16,105,000	1,248,375	4,520,000	113,000	—	—	44,677,794
2034	—	—	16,915,000	422,875	—	—	—	—	17,337,875
	$ 197,385,000	$ 227,032,894	$ 221,680,000	$ 207,488,654	$ 132,545,000	$ 83,667,529	$ 42,060,000	$ 13,894,632	$ 1,125,753,709

APPENDIX C

June _____, 2006

The Indianapolis Local Public Improvement Bond Bank
Indianapolis, Indiana

Re: The Indianapolis Local Public Improvement Bond Bank
Bonds, Series 2006 F (Indianapolis Airport Authority Project) ("2006 F Bonds"), and
The Indianapolis Local Public Improvement Bond Bank Taxable Bonds, Series 2006 G (Indianapolis Airport Authority Project) ("2006 G Bonds", and with the 2006 F Bonds, the "Bonds")
Total Issue: $_____
Dated: June ___, 2006

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by The Indianapolis Local Public Improvement Bond Bank ("Issuer") of $_____ of Bonds, dated June _____, 2006, pursuant to a Trust Indenture, dated as of January 1, 2003, as amended and supplemented by a First Supplemental Trust Indenture, dated as of November 1, 2004 and as further supplemented by a Third Supplemental Trust Indenture, dated as of June 1, 2006 (collectively, the "Indenture"), between the Issuer and J.P. Morgan Trust Company, National Association, as Trustee (the "Trustee"). We have examined the law and the certified transcript of proceedings that the Issuer had relative to the authorization, issuance and sale of the Bonds and such other papers as we deem necessary to render this opinion. We have relied upon the certified transcript of proceedings and certificates of public officials and have not undertaken to verify any facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds are the valid and binding limited obligations of the Issuer enforceable in accordance with the terms and provisions thereof, and together with the Bond Bank's Bonds, Series 2003 A (Indianapolis Airport Authority Project) dated January 28, 2003 and issued in the amount of $137,065,000, the Bond Bank's Bonds, Series 2004 I (Indianapolis Airport Authority Project), dated November 16, 2004 and issued in the amount of $221,680,000, and the Bond

Bank's Bonds, Series 2005 B (Indianapolis Airport Authority Project, dated November 3, 2005 and issued in the amount of $197,385,000 and any additional bonds hereafter issued on a parity therewith, will be secured by a pledge of and payable solely from the Trust Estate (as defined in the Indenture), which includes payments received on the Airport Revenue Bonds, Series 2006A and Taxable Airport Revenue Bonds, Series 2006B of the Indianapolis Airport Authority ("Authority").

2. Under statutes, decisions, regulations and rulings existing on this date, interest on the Bonds is exempt from income taxation in the State of Indiana ("State"). This opinion relates only to the exemption of interest on the Bonds from State income taxes.

3. Under federal statutes, decisions, regulations and rulings existing on this date, interest on the 2006 F Bonds is excludable from gross income for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). Under Section 147(a) of the Code, the interest on any 2006 F Bond will not be exempt from taxation during the time such 2006 F Bond is held by a person who is a "substantial user" of the facilities financed by the 2006 F Bonds or a "related person" thereto within the meaning of Section 147(a) of the Code and the regulations promulgated pursuant thereto. The opinions in this paragraph 3 relate only to the exclusion from gross income of interest on the 2006 F Bonds for federal income tax purposes under Section 103 of the Code and are conditioned on continuing compliance with tax representations and covenants made in the Indenture, in the Authority's General Ordinance No. 4-2002 adopted on December 20, 2002 as amended by General Ordinance No. 7-2005 and as supplemented by General Ordinance No. 3-2006, adopted May 19, 2006, by the Authority, and in certificates of the Issuer and the Authority (collectively, "Tax Representations"). Failure to comply with the Tax Representations could cause interest on the 2006 F Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to their date of issue.

It is to be understood that the rights of the owners of the Bonds and the enforceability thereof and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity. It is to be understood that the rights of the owners of the Bonds and the enforceability thereof and of the Indenture may be subject to the valid exercise of the constitutional powers of the Issuer, the Authority, the State and the United States of America.

Very truly yours,

APPENDIX D

SUMMARY OF ORDINANCE

The following is a summary of certain provisions of the Ordinance not otherwise discussed in this Official Statement.

Definitions

Definitions of certain capitalized terms used in this Appendix D are as follows:

"Account" means an account established in any Fund created by the Ordinance.

"Accreted Value" means (a) with respect to any Capital Appreciation Revenue Bond, as of any date of calculation, the sum of the amount set forth in a Supplemental Ordinance as the amount representing the initial principal amount of such Capital Appreciation Revenue Bond plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (b) with respect to any Original Issue Discount Revenue Bond, as of the date of calculation, the amount representing the initial public offering price of such Original Issue Discount Revenue Bonds plus the amount of the discounted principal which has accreted since the date of issue; in each case the Accreted Value shall be determined in accordance with the provisions of the Supplemental Ordinance authorizing the issuance of such Capital Appreciation Revenue Bond or Original Issue Discount Revenue Bond.

"Act" means Indiana Code 8-22-3, as amended from time to time, and all laws supplemental thereto.

"Airline Agreement" means, collectively, the substantially similar agreements between the Authority and the various airlines and other substantial users of the Airport System, as in place from time to time, including the various Agreement and Lease of Premises executed with the Authority effective March 15, 2001, or if no agreement is in place, an ordinance of the Authority setting the rates for and providing the terms upon which the airlines may use the Airport.

"Airport Consultant" means an independent airport consultant or airport consulting firm:

(a) Who has a nationally recognized reputation for special skill and knowledge in methods of the development, operation, management and financing of airports and airport facilities; and

(b) Who is selected and retained by the Authority and is compensated thereby, but who is not in the regular employ or control of the Authority.

"Airport System" means all airport, heliport and aviation facilities, or any interest therein, now or from time to time hereafter owned, operated or controlled in whole or in part by the

Authority, together with all properties, facilities and services thereof, and all additions, extensions, replacements and improvements thereto, and all services provided or to be provided by the Authority in connection therewith. The Airport System currently includes the present airports of the Authority, known as "Indianapolis International Airport," "Eagle Creek Airpark," "Mt. Comfort Airport," "Downtown Heliport," "Speedway Airport∗," "Hendricks County Airport" and "Metropolitan Airport."

"Airport System Fund" means the fund established by the Ordinance into which all Gross Revenues shall be deposited.

"Authority" means the Indianapolis Airport Authority, a municipal corporation created pursuant to the Act and any successor thereto.

"Authorized Airport Representative" means the President, the Vice President, the Secretary or the Treasurer or any other duly authorized representative of the Authority.

"Balloon Indebtedness" shall mean, with respect to any series of Revenue Bonds fifty percent (50%) or more of the principal of which matures on the same date or within a Fiscal Year, that portion of such series which matures on such date or within such Fiscal Year; provided, however, that to constitute Balloon Indebtedness the amount of Revenue Bonds of a series maturing on a single date or within a Fiscal Year must equal or exceed 150% of the amount of such series which matures during any other Fiscal Year. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such Revenue Bonds, scheduled to be amortized by prepayment or redemption prior to their stated maturity date. A Commercial Paper Program and the Commercial Paper constituting part of such Program shall not be Balloon Indebtedness.

"Capital Appreciation Revenue Bond" shall mean Revenue Bonds, all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Ordinance and is payable only upon redemption or on the maturity date of such Revenue Bonds. Revenue Bonds which are issued as Capital Appreciation Revenue Bonds, but later convert to Revenue Bonds on which interest is paid periodically, shall be Capital Appreciation Revenue Bonds until the conversion date and from and after such conversion date shall no longer be Capital Appreciation Revenue Bonds, but shall be treated as having a principal amount equal to their Accreted Value on the conversion date.

"Capital Improvement" shall have the same meaning as "Capital Improvements" in the Airline Agreement, currently meaning any single item having a cost in excess of One Hundred Thousand Dollars ($100,000), as adjusted by the Implicit Price Deflator Index, and a useful life in excess of two (2) years, acquired, purchased, or constructed in order to improve, maintain, or develop the Airport System, as well as any extraordinary or substantial expenditure whose object is to preserve, enhance, or protect the Airport System. Said term may include any expense for development studies, analysis, master planning efforts (including periodic reviews thereof), and economic or operational studies of the Airport System.

∗ Non-operational reliever airport still owned by the Authority.

"Capital Improvement Fund" means the Capital Improvement Fund established to pay for any Capital Improvements and costs associated with repairs, replacements or renewals of the Airport System.

"Capitalized Interest Account" means the Capitalized Interest Account in the Revenue Bond Interest and Principal Fund established to pay interest due on the applicable Revenue Bonds.

"Commercial Paper" shall mean notes or other obligations of the Authority with a maturity of not more than two hundred seventy (270) days from the date of issuance and which are issued and reissued from time to time pursuant to a Program adopted by the Authority.

"Commercial Paper Program" shall mean a Program authorized by the Authority pursuant to which Commercial Paper shall be issued and reissued from time to time, up to the authorized amount of such Program.

"Completion Revenue Bonds" means the Completion Revenue Bonds authorized pursuant to the Ordinance to pay the cost of completing any Project for which Revenue Bonds have previously been issued.

"Coverage Fund" means the Coverage Fund established to provide future coverage on outstanding Revenue Bonds.

"Debt Service Requirement" means the annual amount required for payment of principal of and interest on, but excluding interest which has been funded by Revenue Bond proceeds, all Outstanding Revenue Bonds, whether at maturity or by reason of mandatory sinking fund redemption payment requirements; provided, however, that the following rules shall apply to the computation of Debt Service Requirements:

(i) in determining the principal due in each year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Outstanding Revenue Bonds and Unissued Program Obligations in accordance with any amortization schedule established by or pursuant to a Supplemental Bond Ordinance setting forth the terms of such Revenue Bonds, including, as a principal payment, the Accreted Value of any Capital Appreciation Revenue Bonds or Original Issue Discount Revenue Bonds maturing or scheduled for redemption in such year; in determining the interest due in each year, interest payable at a fixed rate shall (except to the extent subsection (ii), (iii) or (iv) of this definition applies) be assumed to be made at such fixed rate and on the required payment dates; provided, however, that interest payable on the Revenue Bonds shall be excluded to the extent such payments are to be paid from a Capitalized Interest Account for such Fiscal Year;

(ii) if all or any portion or portions of an Outstanding series of Revenue Bonds or Program Obligations constitute Balloon Indebtedness, then, for

purposes of determining the Debt Service Requirement, each maturity which constitutes Balloon Indebtedness shall, unless otherwise provided in the Supplemental Bond Ordinance pursuant to which such Balloon Indebtedness is issued or unless subsection (iii) of this definition then applies to such maturity, be treated as if it were to be amortized over a term of not more than thirty (30) years and with substantially level annual debt service payments commencing not later than the year following the year in which such Balloon Indebtedness was issued; the interest rate used for such computation shall be that rate quoted as The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index selected by the Authority, or if the Authority fails to select a replacement index, that rate determined by the Airport Consultant to be a reasonable market rate for fixed-rate Revenue Bonds of a corresponding term issued under this Ordinance on the date of such calculation, with no credit enhancement and taking into consideration whether such Revenue Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to any series of Revenue Bonds or Program Obligations, only a portion of which constitutes Balloon Indebtedness, the remaining portion shall be treated as described in subsection (i) above or such other provision of this definition as shall be applicable;

(iii) any maturity of Revenue Bonds which constitutes Balloon Indebtedness as described in subsection (ii) of this definition and for which the stated maturity date occurs within twelve (12) months from the date such calculation of the Debt Service Requirement is made, shall be assumed to become due and payable on the stated maturity date and subsection (ii) above shall not apply thereto unless there is delivered to the entity making the calculation of the Debt Service Requirement a certificate of an Authorized Airport Representative stating that the Authority intends to refinance such maturity and stating the probable terms of such refinancing and that the debt capacity of the Authority is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Indebtedness shall be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms shall be used for purposes of calculating the Debt Service Requirement, provided that such assumption shall not result in an interest rate lower than that which would be assumed under subsection (ii) above and shall be amortized over a term of not more than thirty (30) years from the date of refinancing;

(iv) if any Outstanding Revenue Bonds (including Program Obligations) or any Revenue Bonds which are then proposed to be issued constitute Tender Indebtedness (but excluding Program Obligations or Revenue Bonds as to which a Qualified Derivative Agreement is in effect and to which subsection (viii) applies), then, for purposes of determining the Debt Service Requirement, Tender Indebtedness shall be treated as if the principal amount of such Revenue Bonds were to be amortized over a term of not more than thirty

(30) years commencing in the year in which such Tender Indebtedness is first subject to tender and with substantially level debt service payments; the interest rate used for such computation shall be either (a) the average of the variable rates applicable to such Tender Indebtedness during any consecutive 12-month period during the immediately preceding twenty-four (24) months (or a shorter period, commencing on the date of issuance of such Tender Indebtedness) ending within thirty (30) days prior to the date of computation, or (b) with respect to any Tender Indebtedness for which such an average of the variable rates cannot be determined, (i) at a rate equal to 110% of the most recent BMA Index theretofore published in The Bond Buyer, or (ii) if The Bond Buyer is no longer published or no longer publishes the BMA Index, at a rate certified by the Authority's financial advisor, underwriter or other agent, including a remarketing agent, to the rate of interest such Tender Indebtedness would bear if issued on the date of computation in the same amount, with the same maturity or maturities, with the same security and bearing interest at a variable rate, taking into consideration whether interest on such Tender Indebtedness is or is not excluded from gross income for federal income tax purposes; and with respect to all principal and interest payments becoming due prior to the year in which such Tender Indebtedness is first subject to tender, such payments shall be treated as described in subsection (i) above unless the interest during that period is subject to fluctuation, in which case the interest becoming due prior to such first tender date shall be determined as provided in subsections (v) or (vi) below, as appropriate;

(v) if any Outstanding Revenue Bonds constitute Variable Rate Indebtedness, including obligations described in subsection (viii)(B) to the extent it applies (except to the extent subsection (ii) or (iii) relating to Balloon Indebtedness or subsection (iv) relating to Tender Indebtedness or subsection (viii)(A) relating to Synthetic Fixed Rate Debt applies), the interest rate used for such computation shall be either (a) the average of the variable rates applicable to such Variable Rate Indebtedness during any consecutive 12-month period during the immediately preceding twenty-four (24) months (or a shorter period, commencing on the date of issuance of such Variable Rate Indebtedness) ending within thirty (30) days prior to the date of computation, or (b) with respect to any Variable Rate Indebtedness for which such an average of the variable rates cannot be determined, (i) at a rate equal to 110% of the most recent BMA Index theretofore published in The Bond Buyer, or (ii) if The Bond Buyer is no longer published or no longer publishes the BMA Index, at a rate certified by the Authority's financial advisor, underwriter or other agent, including a remarketing agent, to the rate of interest such Variable Rate Indebtedness would bear if issued on the date of computation in the same amount, with the same maturity or maturities, with the same security and bearing interest at a variable rate, taking into consideration whether interest on such Variable Rate Indebtedness is or is not excluded from gross income for federal income tax purposes;

(vi) with respect to any Program Obligations or Unissued Program Obligations (in each case other than Commercial Paper) (A) debt service on such Program Obligations then Outstanding shall be determined in accordance with such of the foregoing provisions of this definition as shall be applicable, and (B) with respect to Unissued Program Obligations, it shall be assumed that the full principal amount of such Unissued Program Obligations will be amortized over a term certified by an Authorized Airport Representative at the time the initial Program Obligations of such Program are issued to be the expected duration of such Program or, if such expectations have changed, over a term certified by an Authorized Airport Representative to be the expected duration of such Program at the time of such calculation, but not to exceed thirty (30) years from the date of the initial issuance of such Program Obligations and it shall be assumed that debt service shall be paid in substantially level annual debt service payments over such assumed term; the interest rate used for such computation shall be the average of the variable rates applicable to such Unissued Program Obligations during any consecutive 12-month period during the immediately preceding twenty-four (24) months (or a shorter period, commencing on the date of issuance of such Unissued Program Obligations) ending within thirty (30) days prior to the date of computation, or (b) with respect to any Unissued Program Obligations for which such an average of the variable rates cannot be determined, (i) at a rate equal to 110% of the most recent BMA Index theretofore published in The Bond Buyer, or (ii) if The Bond Buyer is no longer published or no longer publishes the BMA Index, at a rate certified by the Authority's financial advisor, underwriter or other agent, including a remarketing agent, to be the rate of interest such Unissued Program Obligations would bear if issued on the date of computation in the same amount, with the same maturity or maturities, with the same security and bearing interest at a variable rate, taking into consideration whether interest on such Program Obligations or Unissued Program Obligations is or is not excluded from gross income for federal income tax purposes;

(vii) debt service on Repayment Obligations shall be deemed to be the Debt Service Requirement for the Revenue Bonds associated with such Repayment Obligations;

(viii) (A) for purposes of computing the Debt Service Requirement of Revenue Bonds which constitute Synthetic Fixed Rate Debt, the interest payable thereon shall, if the Authority elects, be that rate as provided for by the terms of the Qualified Derivative Agreement or the net interest rate payable pursuant to offsetting indices, as applicable, or if the Authority fails to elect such rate, then it shall be deemed to be the fixed interest rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index selected by the Authority;

(B) for purposes of computing the Debt Service Requirement of Revenue Bonds with respect to which a Qualified Derivative Agreement has been entered into whereby the Authority has agreed to pay the floating variable rate thereunder, no fixed interest rate amounts payable on the Revenue Bonds to which such Qualified Derivative Agreement pertains shall be included in the calculation of the Debt Service Requirement, and the interest rate with respect to such Revenue Bonds shall, if the Authority elects, be the sum of that rate as determined in accordance with subsection (v) relating to Variable Rate Indebtedness plus the difference between the interest rate on such Revenue Bonds and the rate received from the Qualified Derivative Agreement provider;

(ix) with respect to any Commercial Paper Program which has been implemented and not then terminated or with respect to any Commercial Paper Program then proposed to be implemented, with respect to Commercial Paper issued thereunder, the principal of and interest thereon shall be calculated as if the entire authorized amount of such Commercial Paper Program were to be amortized over a term of thirty (30) years commencing in the year in which such Commercial Paper Program is implemented and with substantially level annual debt service payments; the interest rate used for such computation shall be the average of the variable rates applicable to such Commercial Paper Program during any consecutive 12-month period during the immediately preceding twenty-four (24) months (or a shorter period, commencing on the date of issuance of such Commercial Paper Program) ending within thirty (30) days prior to the date of computation, or (b) with respect to any Commercial Paper Program for which such an average of the variable rates cannot be determined, (i) at a rate equal to 110% of the most recent BMA Index theretofore published in The Bond Buyer, or (ii) if The Bond Buyer is no longer published or no longer publishes the BMA Index, at a rate certified by the Authority's financial advisor, underwriter or other agent, including a remarketing agent, to be the rate of interest such Commercial Paper Program would bear if issued on the date of computation in the same amount, with the same maturity or maturities, with the same security and bearing interest at a variable rate, taking into consideration whether interest on such Commercial Paper is or is not excluded from gross income for federal income tax purposes;

(x) if moneys or Defeasance Obligations have been irrevocably deposited with and are held by the Trustee or another fiduciary or moneys in the Capitalized Interest Account have been set aside exclusively to be used to pay principal of and/or interest on specified Revenue Bonds, then the principal of and/or interest on to be paid from such moneys, Defeasance Obligations or from the earnings thereon shall be disregarded and not included in calculating the Debt Service Requirement;

(xi) the principal of and/or interest on Revenue Bonds to be paid from Dedicated Revenues or from earnings thereon shall be disregarded and not

included in calculating the Debt Service Requirement as provided in Section 4.19; and

(xii) to the extent not otherwise addressed herein, any payments made by the Authority on a Derivative Agreement shall be treated as part of the Debt Service Requirement on the Designated Debt with respect thereto and all payments received by the Authority on a Derivative Agreement shall be applied to reduce the Debt Service Requirement on the Designated Debt with respect thereto.

"Dedicated Revenues" means passenger facility charges, state and/or federal grants or other moneys which the Authority has dedicated to pay principal of and/or interest on Revenue Bonds in the manner provided under the Ordinance.

"Defeasance Obligations" means with respect to any particular series of Revenue Bonds, any security specified by the Authority in the Supplemental Bond Ordinance as a Defeasance Obligation in connection with the sale of such Revenue Bonds by the Authority.

"Derivative Agreement" means an agreement or contract executed by the Authority in connection with a transaction, agreement or understanding entered into by the Authority in connection with Revenue Bonds or Subordinate Securities in which the Authority and a counterparty agree to exchange payments in the future, including, without limitation, transactions commonly called swap agreements, option agreements in which the counterparty can require the Authority to issue Refunding Revenue Bonds, cap and floor agreements and interest rate swap agreements.

"Designated Debt" shall mean a specific indebtedness designated by the Authority in which such debt shall be offset with a Derivative Agreement, such specific indebtedness to include all or any part of a series or multiple series of Revenue Bonds or Subordinate Securities.

"Event of Default" means an Event of Default as set forth in the Ordinance. See "Events of Default and Remedies of Owners of Revenue Bonds."

"Federal Payment" means those funds received by the Airport System from the federal government or any agency thereof as payments for the use of any facilities or services of the Airport System, but excluding grants-in-aid and all mandated payments, including payments from the United States Transportation Security Administration.

"Fiduciary" means any Trustee, Registrar or Paying Agent, or any successor to any thereof, appointed and serving in such capacity pursuant to the provisions of the Ordinance.

"Fiscal Year" means the fiscal year of the Authority being the period from January 1 in any year to the following December 31 or any other period specified by the Authority as its fiscal year, for accounting purposes.

"Fund" means any Fund established by the Ordinance.

"General Obligation Bonds" means any General Obligation Bonds issued by the Authority pursuant to I.C. 8-22-3-16, or prior provisions of statutes governing the Authority.

"General Obligation Bond Interest and Principal Fund" means the General Obligation Bond Interest and Principal Fund established to pay principal, interest and redemption premiums, if any, on the General Obligation Bonds, to purchase General Obligation Bonds on the open market or to pay other costs pertaining to the General Obligation Bonds.

"Gross Revenues" means all revenues, income, accounts and general intangibles from the Airport System, including but not limited to rents, charges, landing fees, user charges, revenues from concessionaires, ground rents from Special Purpose Facilities and similar revenues, but excluding revenue from ad valorem taxes or payments in lieu of taxes, payments received on any Investment Swap or Derivative Agreement (other than a Qualified Derivative), Federal Payments, passenger facility, customer facility and similar charges, grants-in-aid, gifts, investment income, bond or loan proceeds, proceeds from the sale of Airport System capital assets, revenues derived from the reversion of an interest in property following the expiration of a lease, Released Revenues or rental payments made for Special Purpose Facilities to provide for debt service and for an allocable portion of administrative costs for such facilities.

"Implicit Price Deflator Index" means the Implicit Price Deflator Index published by the United States Bureau of Labor Statistics, as amended and supplemented from time to time, or any successor index thereto.

"Investment Swap" means an agreement or contract executed by the Authority in connection with the investment of funds, in which the Authority and a counterparty agree to make payments in the future based upon interest rates, including, without limitation, swap agreements, cap and floor agreements, forward delivery agreements or investment contracts.

"Net Revenues" means Gross Revenues less Operation and Maintenance Expenses.

"Operation and Maintenance Expenses" means the reasonable, necessary current expenses of the Authority paid or accrued in operating and maintaining the Airport System, including but not limited to (a) costs of collecting Gross Revenues and making refunds; (b) engineering, audit reports, legal and administrative expenses; (c) salaries, wages and other compensation; (d) costs of routine repairs, replacements and renewals; (e) costs of utility services; (f) general administrative overhead of the Authority; (g) material and supplies used in the ordinary course of business; (h) contractual and professional services; (i) costs of insurance and fidelity bonds; (j) costs of carrying out provisions of the Ordinance; (k) the costs for any single item of $100,000 or less, as adjusted by the Implicit Price Deflator Index, (or such other amount, if any, specified in the Airline Agreement) or which has a useful life of less than two (2) years; and (l) all other routine costs and expenses or costs and expenses required to be paid by the Authority by law. The term "Operation and Maintenance Expenses" shall not include any allowance for depreciation, any debt service, any payment due on a Derivative Agreement, nor any operation and maintenance expense incurred in connection with Special Purpose Facilities which are reimbursed by the lessee thereof, nor any expenses paid (or the portion) by assets,

grants or other moneys received by the Authority, but only to the extent such assets, grants or other moneys are not included in Gross Revenues.

"Operation and Maintenance Reserve Fund" means the Operation and Maintenance Reserve Fund established to pay for any Operation and Maintenance Expenses for which amounts are not otherwise available in the Airport System Fund.

"Ordinance" means the Amended and Restated Master Bond Ordinance as enacted by the Authority as General Ordinance No. 4-2002 on December 20, 2002, and subsequently amended by General Ordinance No. 7-2005 adopted by the Authority on September 23, 2005, as hereafter further supplemented by General Ordinance No. 4-2004, General Ordinance No. 8-2005, General Ordinance No. 3-2006 and as hereafter amended and supplemented, including any and all Supplemental Ordinances hereafter adopted for the issuance of Revenue Bonds.

"Original Issue Discount Revenue Bond" shall mean Revenue Bonds which are sold at an initial public offering price of less than face value and which are specifically designated as Original Issue Discount Revenue Bonds by the Supplemental Ordinance under which such Revenue Bonds are issued.

"Outstanding" means, as of a particular date, all such Revenue Bonds theretofore and thereupon delivered except: (a) any such Revenue Bond canceled by or on behalf of the Authority at or before said date; (b) any such Revenue Bond defeased pursuant to the defeasance provisions of the ordinance authorizing its issuance, or otherwise defeased as permitted by applicable law; and (c) any such Revenue Bond in lieu of or in substitution for which another Revenue Bond shall have been delivered pursuant to the ordinance authorizing the issuance of such Revenue Bond.

"Paying Agent" means any bank or trust company organized under the laws of any state of the United States or any national banking association designated as Paying Agent or Co-Paying Agent for the Revenue Bonds of any Series, and its successor or successors hereafter appointed in the manner provided in the Ordinance.

"Prepaid Airline Fund" means the Fund containing moneys to be used as a credit in calculating the revenues needed to meet the requirement of the rate covenant set forth in the Ordinance and to meet the tests for additional Revenue Bonds set forth in the Ordinance.

"Program" shall mean a financing program identified in a Supplemental Ordinance, including, but not limited to a Commercial Paper Program, (a) which is authorized and the terms thereof approved by a Supplemental Ordinance adopted by the Authority where the items described in the Ordinance have been filed with the Trustee, (b) wherein the Authority has authorized the issuance, from time to time, of notes, Commercial Paper or other indebtedness as Revenue Bonds, and (c) the authorized amount of which has met the additional bonds test set forth in the Ordinance and the Outstanding amount of which may vary from time to time, but not exceed the authorized amount set forth in such Supplemental Ordinance.

"Program Obligations" shall mean Revenue Bonds issued and Outstanding pursuant to a Program, other than Unissued Program Obligations.

"Project" means, as it pertains to any particular issue of Revenue Bonds, any use of Revenue Bond proceeds for a Capital Improvement as further described in any Supplemental Bond Ordinance.

"Project Costs" with respect to any Project means costs including the following:

(i) obligations of the Authority and all contractors incurred for labor and materials in connection with the construction, installation and equipping of the Project;

(ii) the cost of contract bonds and insurance of all kinds that may be required or necessary during the construction of the Project;

(iii) all costs of architectural and engineering services, including the costs of the Authority for test borings, surveys, estimates, plans and specifications and preliminary investigation therefor, and for supervising construction, as well as for the performance of all other duties required by or consequent upon the proper construction of the Project;

(iv) all expenses incurred in connection with the issuance of Revenue Bonds, including, without limitation, compensation and expenses of the Trustee, Registrar and Paying Agents, expenses of the Authority, legal and accounting expenses and fees, payments on a Derivative Agreement, costs of printing and engraving, recording and filing fees, compensation of underwriters, rating agency fees, costs of financial services, and interest;

(v) all sums required to reimburse the Authority for advances made by it for any of the above items or for any other costs incurred and for work done, whether before or after the adoption of this Ordinance, which are properly chargeable to the Project; and

(vi) all other components of cost of labor, materials, machinery and equipment and financing charges attributable to the Projects to the extent permitted by the Act.

"Qualified Derivative Agreement" means a Derivative Agreement with respect to which:

(i) the counterparty to such Derivative Agreement shall be rated at the time of execution of such Derivative Agreement: (A) at least as high as the then current rating on the Revenue Bonds (without regard to credit enhancement) if the Revenue Bonds are then rated; or (B) in a category not lower than the A category now used by each Rating Agency (if such then exist) if the Revenue Bonds are not then rated; and

(ii) the Authority shall have determined by certificate filed with the Trustee to treat the Derivative Agreement as a Qualified Derivative Agreement under the Ordinance.

"Registrar" means any bank or trust company organized under the laws of any state of the United States or any national banking association designated as Registrar by the Authority to perform the duties set forth in the Ordinance.

"Released Revenues" means revenues (including any revenues, fees, income and receipts that would otherwise be considered to be Gross Revenues) which the Authority has determined to designate as Released Revenues in accordance with the provisions of the Ordinance.

"Revenue Bonds" means the bonds, notes or other obligations authorized to be issued pursuant to the Ordinance as Revenue Bonds or Completion Revenue Bonds secured in whole or in part by a first priority lien on the Net Revenues.

"Revenue Bond Interest and Principal Fund" means the Revenue Bond Interest and Principal Fund established to enable the Authority to pay principal, interest, and redemption premiums, if any, on the Revenue Bonds, to purchase Revenue Bonds on the open market and to pay other costs pertaining to the Revenue Bonds.

"Revenue Bond Reserve Fund" means the Revenue Bond Reserve Fund established under the Ordinance with separate accounts as established in a Supplemental Ordinance for any issue of Revenue Bonds.

"Special Purpose Facilities" means facilities which are leased from the Authority pursuant to which the lessee agrees to pay to the Authority rentals or fees sufficient to pay the principal and interest on bonds issued to pay the cost of construction of the Special Purpose Facility plus such further rentals or fees necessary to maintain all reserves or pay necessary administrative expenses required for Special Purpose Facilities.

"Subordinate Securities" means each series of bonds, notes or other obligations permitted to be issued by the Authority under the Ordinance as Subordinate Securities secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the lien on Net Revenues securing payment of Revenue Bonds.

"Subordinate Securities Interest and Principal Fund" means the Subordinate Securities Interest and Principal Fund to which transfers may be made as required by any Supplemental Ordinance of the Authority authorizing the issuance of Subordinate Securities.

"Subordinate Securities Reserve Fund" means the Subordinate Securities Reserve Fund to which transfers may be made as required by any Supplemental Ordinance of the Authority authorizing the issuance of Subordinate Securities.

"Supplemental Bond Ordinance" means, with respect to a series of Revenue Bonds, the Supplemental Ordinance pursuant to which such series was issued.

"Supplemental Ordinance" means each ordinance enacted by the Authority for the issuance of Revenue Bonds or Subordinate Securities or to amend or supplement the Ordinance.

"Synthetic Fixed Rate Debt" shall mean indebtedness issued by the Authority which: (a) is combined, as Designated Debt, with a Qualified Derivative Agreement and creates, in the opinion of an Underwriter, a substantially fixed-rate maturity or maturities for a term not exceeding such maturity or maturities, or (b) consisting of an arrangement in which two inversely related variable-rate securities are issued in equal notional amounts with interest based on off-setting indices resulting in a combined payment which is economically equivalent to a fixed rate.

"Tax-Exempt Bonds" means any Revenue Bonds or Subordinate Securities the interest on which, when issued, the Authority expected to be excludable from gross income of the Owners thereof for federal income tax purposes.

"Tender Indebtedness" shall mean any Revenue Bonds or portions of Revenue Bonds a feature of which is an option or an obligation on the part of the holders, under the terms of such Revenue Bonds, to tender all or a portion of such Revenue Bonds to the Authority, the Trustee, the Paying Agent or other fiduciary or agent or credit provider for payment or purchase and requiring that such Revenue Bonds or portions of Revenue Bonds be purchased if properly presented.

"Trustee" means any and all Trustees or successor Trustees designated in a Supplemental Bond Ordinance.

"Unissued Program Obligations" shall mean the Revenue Bonds authorized to be issued pursuant to a Program, issuable in an amount up to the authorized amount relating to such Program, which have been approved for issuance by the Authority pursuant to a Supplemental Bond Ordinance adopted by the Authority and with respect to which Program the items described in the Ordinance have been filed with the Trustee but which have not yet been authenticated and delivered pursuant to the Program documents.

"Variable Rate Indebtedness" shall mean any Revenue Bond or Revenue Bonds the interest rate on which is not, at the time in question, fixed to maturity, excluding any Commercial Paper Program.

Creation of Funds and Accounts

(a) The Ordinance establishes special Funds and Accounts including the Airport System Fund, the Revenue Bond Interest and Principal Fund (including a Capitalized Interest Account) and the Revenue Bond Reserve Fund.

(b) In addition, the Authority may provide for additional funds from time to time for accounting and rate-setting purposes, the provisions of which the Authority may amend without the consent of the Trustee or any bondholder. At this time, the Authority has created the General Obligation Bond Interest and Principal Fund, the General

Obligation Bond Reserve Fund, the Subordinate Securities Interest and Principal Fund, the Subordinate Securities Reserve Fund, the Operation and Maintenance Reserve Fund, the Renewal and Replacement Fund, the Capital Improvement Fund, the Coverage Fund and the Prepaid Airline Fund.

Under the Ordinance, the Airport System Fund and any fund described in (b) above must be maintained as separate funds or accounts on the books of the Authority, and all amounts credited to such funds will be maintained in an official depository bank of the Authority. Moreover, the Ordinance provides that the Revenue Bond Interest and Principal Fund and the Revenue Bond Reserve Fund, which constitute trust funds for the owners of the Revenue Bonds, will be maintained with the Trustee subject to the terms and conditions of the Ordinance.

Airport System Fund

All Gross Revenues shall be deposited as received into the Airport System Fund. In addition, the Authority may deposit into the Airport System Fund any Federal Payments, provided that, so long as such Federal Payments are excluded from the definition of Gross Revenues, such Federal Payments shall not be required to be applied for any debt service or reserves therefor. Moneys from time to time credited to the Airport System Fund shall be applied as follows in the following order of priority:

(i) First, to apply and use sufficient amounts to pay and to provide for the payment of all current Operation and Maintenance Expenses.

(ii) Second, to transfer all amounts to the Revenue Bond Interest and Principal Fund.

(iii) Third, to transfer all amounts to the Revenue Bond Reserve Fund required by the Ordinance or any Supplemental Bond Ordinance.

Moneys remaining in the Airport System Fund, after making the deposits provided above, shall be held by the Authority for application at a future time as provided above or for deposit to any other account or fund of the Authority or for any other purpose of the Authority.

After making the deposits mentioned above, the Authority also agrees, to the extent moneys are available, to make deposits from the Airport System Fund as follows:

(i) First, to transfer all amounts to the General Obligation Bond Interest and Principal Fund required by any ordinance authorizing the issuance of General Obligation Bonds;

(ii) Second, to transfer all amounts to the General Obligation Bond Reserve Fund required by any ordinance authorizing the issuance of General Obligation Bonds;

(iii) Third, to transfer all amounts to the Subordinate Securities Interest and

Principal Fund required by any Supplemental Ordinance authorizing the issuance of Subordinate Securities;

(iv) Fourth, to transfer all amounts to the Subordinate Securities Reserve Fund required by any Supplemental Ordinance authorizing the issuance of Subordinate Securities;

(v) Fifth, to transfer all amounts to the Operation and Maintenance Reserve Fund required by the Ordinance or any Supplemental Ordinance;

(vi) Sixth, to transfer all amounts to the Renewal and Replacement Fund required by the Ordinance and any other Supplemental Ordinance;

(vii) Seventh, to transfer amounts to the Capital Improvement Fund as provided in the Ordinance;

(viii) Eighth, to transfer amounts to the Coverage Fund as provided in the Ordinance; and

(ix) Ninth, to transfer all amounts to the Prepaid Airline Fund as provided in the Ordinance.

Notwithstanding the Authority's agreement to deposit moneys as provided in (i)-(ix) above, the Authority may alter, amend or terminate any of these funds without Bondowner or Trustee consent.

Revenue Bond Interest and Principal Fund

Amounts in the Revenue Bond Interest and Principal Fund will be disbursed solely for the purpose of making timely payment of principal, interest and redemption premiums, if any, on the Revenue Bonds, and to pay all fees charged in connection with bond insurance, letters of credit, lines of credit or other credit or liquidity facilities, tender agent agreements and any similar agreements pertaining to the Revenue Bonds. The Authority may create a Capitalized Interest Account of the Revenue Bond Interest and Principal Fund for any series of Revenue Bonds.

Moneys received by the Authority pursuant to any Qualified Derivative Agreement will be deposited into the Revenue Bond Interest and Principal Fund, and moneys paid by the Authority pursuant to any Qualified Derivative Agreement will be paid from the Revenue Bond Interest and Principal Fund. In the event that the moneys in the Revenue Bond Interest and Principal Fund shall be insufficient to pay the amounts described in the Supplemental Bond Ordinance adopted for each series of Revenue Bonds, the Trustee will apply the moneys in the Revenue Bond Interest and Principal on a pro rata basis (except that Dedicated Revenues shall only be applied to the extent allowed by law) to pay such amounts prior to taking into consideration the amounts on deposit in any account of the Revenue Bond Reserve Fund.

Revenue Bond Reserve Fund

The Authority is authorized to specify in the Supplemental Ordinance authorizing a series of Revenue Bonds that an account or accounts of the Revenue Bond Reserve Fund may be maintained for such Revenue Bonds and the provisions with respect thereto or that no account of the Revenue Bond Reserve Fund is being created for such Revenue Bonds. In addition, the Ordinance provides that the reserve requirement for any series of Revenue Bonds may be satisfied by a surety bond, insurance policy or letter of credit (each, a "Reserve Policy"). The issuer of each Reserve Policy must be rated by each Rating Agency then rating such applicable series of Revenue Bonds or such Rating Agency must consent to the delivery of each such Reserve Policy. The obligation of the Authority to fund the applicable reserve requirement shall be deemed satisfied as of any date to the extent of the then available balance of any Reserve Policy; *provided, however,* that the applicable reserve requirement is not satisfied if, on the date of delivery of a Reserve Policy, the rating on any Revenue Bond issued by any Rating Agency would be reduced or withdrawn as a result of the delivery of such Reserve Policy. If a disbursement were to be made pursuant to a Reserve Policy, the Authority would be obligated (i) to reinstate the maximum limits of such Reserve Policy or (ii) to deposit into the applicable account of the Revenue Bond Reserve Fund moneys in an amount equal to the disbursement made under such Reserve Policy, or a combination of such alternatives, as would provide that the applicable account of the Revenue Bond Reserve Fund has all of the moneys on deposit as it shall be required to have at such time.

General Obligation Bond Interest and Principal Fund

Amounts in the General Obligation Bond Interest and Principal Fund will be disbursed solely for the purpose of paying principal, interest and redemption premiums, if any, on the General Obligation Bonds, or to purchase General Obligation Bonds on the open market, and to pay all bank charges, costs of any credit and liquidity facilities and other costs pertaining to the General Obligation Bonds or such payments.

Subordinate Securities Interest and Principal Fund

The Authority will set forth in any Supplemental Ordinance authorizing a series of Subordinate Securities the provisions with respect to the Subordinate Securities Principal and Interest Fund.

Subordinate Securities Reserve Fund

Amounts in the Subordinate Securities Reserve Fund will be maintained and transferred in accordance with the Supplemental Ordinance of the Authority authorizing the issuance of Subordinate Securities.

Operation and Maintenance Reserve Fund

The Authority shall fund and maintain a balance of money and investments in the Operation and Maintenance Reserve Fund at least equal to two (2) months current Operation and

Maintenance Expenses or such other amount as agreed to in any Airline Agreement. The amount required to be held in this Fund will be determined annually at the time of approval of the annual budget for the following Fiscal Year for the Airport System pursuant to the Ordinance. The balance in this fund will be evaluated monthly in light of current Operation and Maintenance Expense expectations and, on or before the last business day of each month, after making all required payments and provision for payment of Operation and Maintenance Expenses and all required transfers, the Authority may transfer from the Airport System Fund, to the extent amounts are available, to the Operation and Maintenance Reserve Fund the amount needed to establish or reestablish the balance in the Operation and Maintenance Reserve Fund to that level required in the Ordinance. Amounts credited to the Operation and Maintenance Reserve Fund may be used at any time first, to pay for any Operation and Maintenance Expenses for which amounts are not otherwise available in the Airport System Fund; second, to the extent any amounts are remaining, to be transferred to the Revenue Bond Interest and Principal Fund, the Revenue Bond Reserve Fund, the General Obligation Bond Interest and Principal Fund, the General Obligation Bond Reserve Fund, the Subordinate Securities Interest and Principal Fund or the Subordinate Securities Reserve Fund to the extent of any deficiency; third, to pay any costs or expenses payable from the Renewal and Replacement Fund for which there are insufficient amounts in the Renewal and Replacement Fund; and fourth, to the extent any excess amounts remain, for transfer to the Capital Improvement Fund.

Renewal and Replacement Fund

The Authority may fund and maintain a balance in the Renewal and Replacement Fund equal to the greater of $2,000,000, as adjusted for inflation, or 2% of all Airport System Operation and Maintenance Expense or such other amount agreed to in any Airline Agreement. Amounts in the Renewal and Replacement Fund may be used for the following purposes and in the following order of priority: (a) to pay the extraordinary costs of replacing depreciable property and equipment and making extraordinary repairs, replacements or renovations of the Airport System; (b) to pay any Operation and Maintenance Expenses for which insufficient amounts are available in the Airport System Fund; (c) to satisfy any deficiencies in the Revenue Bond Interest and Principal Fund and the Revenue Bond Reserve Fund; and (d) to the extent of any amounts remaining in excess of such minimum reserve requirement, to the Capital Improvement Fund.

Capital Improvement Fund

The Authority may disburse amounts in the Capital Improvement Fund for any lawful purpose of the Authority, including without limitation to pay for any Capital Improvements, to pay for any costs of replacing any depreciable property or equipment in the Airport System, to pay for any major or extraordinary repairs, replacements or renewals of the Airport System, payments to be made by the Authority on an Investment Swap or a Derivative Agreement, to acquire land or any interest therein, to pay any lease or contractual obligations not otherwise paid as Operation and Maintenance Expenses for any lawful purpose of the Authority and to make any transfers required to cure any deficiencies in any Funds.

Coverage Fund

The Authority may, after making all required payments and transfers, the Authority may deposit Gross Revenues to the Coverage Fund for the purpose of establishing future coverage on outstanding Revenue Bonds. Moneys in the Coverage Fund may be used for any lawful purpose of the Authority.

Prepaid Airline Fund

Any amount in the Prepaid Airline Fund at the end of any Fiscal Year shall be used as a credit in calculating the required rentals and fees under the Ordinance for the following Fiscal Year. After making such credit, however, such moneys may ultimately be used for any Airport System purpose deemed necessary by the Authority.

Investment of Funds

Moneys in all Funds will, at the option and direction of the Authority, be invested and secured in the manner required by law for public funds in direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, in obligations of any agencies or instrumentalities of the United States of America or in any other investment authorized by Indiana law; provided, that all such deposits and investments must be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. For purposes of maximizing investment returns, money in such Funds may be invested, together with money in other Funds or with other money of the Authority, in common investments of the kind described above, or in a common pool of such investments maintained by the Authority or the Trustee which will not be deemed to be a loss of the segregation of such money or Funds so long as safekeeping receipts or certificates of participation or other documents clearly evidencing the investment or investment pool in which such money is invested, and the share thereof purchased with such money or owned by such Fund, are held by or on behalf of each such Fund. If, and to the extent necessary, such investments or participations therein will be promptly sold to prevent any default.

Interest and income derived from the deposit and investment of amounts held in all Funds will be transferred or credited monthly to the Airport System Fund or such other Fund as the Authority shall direct, except as follows: (a) all interest and income derived from deposits and investments in any Fund will remain in such Fund to the extent necessary to accumulate the balance required to be maintained therein; and (b) all interest and income derived from deposits and investments held in any Construction Fund will remain in such Construction Fund for application on Project Costs until such Projects are complete, at which time all moneys in the Construction Fund will be transferred to: (i) any account or fund as provided in the Supplemental Ordinance pursuant to which such moneys were deposited into the Construction Fund; (ii) the Revenue Bond Interest and Principal Fund or the Revenue Bond Reserve Fund if needed to eliminate deficiencies therein; and (iii) then to the Capital Improvement Fund or such other Fund as the Authority shall direct.

Dedicated Revenues

From time to time the Authority may adopt an ordinance or resolution irrevocably designating certain revenues, passenger facilities charges, state and/or federal grants or other moneys received by the Authority (and not otherwise treated as Gross Revenues) as Dedicated Revenues to be used exclusively to pay debt service on Revenue Bonds. In such ordinance or resolution, the Authority shall elect to exclude from the Debt Service Requirement, an amount of principal of and/or interest on Revenue Bonds in an amount equal to such Dedicated Revenues. If the Authority adopts an ordinance or resolution as described in this paragraph, the Authority shall transfer such Dedicated Revenues into the Revenue Bond Interest and Principal Fund at such time as is needed to pay such debt service when due.

Released Revenues

The Authority may identify and determine that any revenues (including revenues, fees, income and receipts that would otherwise be considered to be Gross Revenues) are to be designated as Released Revenues by filing the following items with the Trustee:

(a) a written request of an Authorized Airport Representative to release such revenues, accompanied by a certificate of such Authorized Airport Representative certifying the Authority is in compliance with all requirements of the Ordinance;

(b) either (i) an Accountant's Certificate to the effect that Net Revenues, excluding the revenues proposed to become Released Revenues, for each of the two (2) latest Fiscal Years for which audited financial reports are available were equal to at least 135% of the Debt Service Requirement for each of such Fiscal Years; or (ii) a certificate of an Airport Consultant to the effect that based upon current knowledge of the operation of the Airport, Net Revenues, excluding the revenues proposed to become Released Revenues, for the current Fiscal Year will be equal to at least 135% of the Debt Service Requirement for such Fiscal Year;

(c) Proof of notice provided to each Rating Agency of the Authority's intent to release such revenues from the definition of Gross Revenues; and

(d) an opinion of bond counsel to the effect that the exclusion of such revenues from the definition of Gross Revenues and from the pledge, charge and lien of the Ordinance will not adversely affect the tax-exempt status of the interest on any Outstanding Tax-Exempt Bond.

In such event, the Released Revenues shall not be deposited in the Airport System Fund and shall not be pledged as security for the Revenue Bonds.

Operation and Maintenance of Airport System

So long as any Revenue Bonds remain outstanding, the Authority covenants that it will at all times maintain and operate the Airport System, or within the limits of its authority cause the same to be maintained and operated, in good and serviceable condition.

Sale or Encumbrance of Airport System

Except as permitted in the Ordinance, neither all nor a substantial part of the Airport System or any property necessary to the operation and use of the Airport System will be sold, leased, mortgaged, pledged, encumbered, alienated or otherwise disposed of.

The Authority may enter into a management contract or lease of all or substantially all of the Airport System or any lesser part thereof, on the condition that the manager or lessee agrees to comply with and perform all of the duties of the Authority under the provisions of the Ordinance (except those expressly retained by the Authority). Subject to such conditions, the Authority may delegate to such manager or lessee all or a portion of the Authority's rights and duties under the Ordinance. In such event, after providing for the deposits required by the Ordinance, the lessee may compensate the Authority for the lessee's use of such property from Gross Revenues in the Airport System Fund for deposit into the Capital Improvement Fund.

The Authority may also execute any leases, licenses, easements, or other agreements of any part of the Airport System in connection with the operation of the Airport System by the Authority, or in connection with any Special Purpose Facilities located at any airport within the Airport System.

The Authority may sell, exchange, lease or otherwise dispose of, or exclude from the Airport System, any property constituting a part of the Airport System which the Authorized Airport Representative certifies (i) to be no longer useful in the construction or operation of the Airport System, (ii) to be no longer necessary for the efficient operation of the Airport System, or (iii) to have been replaced by other property of at least equal value. The net proceeds of any such sale or disposition of any Airport System property (or the fair market value of any property so excluded) will be used for the purpose of replacing properties at the Airport System, or will be paid into the Airport System Fund for the purposes thereof.

In addition, the Authority may transfer all or a substantial part of the Airport System to another body corporate and politic which assumes the Authority's obligations under the Ordinance and in any Supplemental Ordinance if, in the written opinion of the Airport Consultant, the ability to meet the rate covenant and other covenants under the Ordinance and in any Supplemental Ordinance, are not materially and adversely affected. In the event of any such transfer and assumption, the Authority may retain any facility of the Airport System if, in the written opinion of the Airport Consultant, such retention will not materially and adversely affect nor unreasonably restrict such other entity's ability to comply with the requirements of the rate covenant and the other covenants of the Ordinance and in any Supplemental Ordinance.

Insurance

The Ordinance requires the Authority to keep the Airport System insured with insurers of good standing against risks, accidents or casualties against which and to the extent customarily insured against by, and with deductible and self-insurance provisions customarily utilized by, operators operating similar properties, to the extent that such insurance is reasonably available. To the extent the Authority self-insures its insurance risks in an amount greater than $5,000,000, the Authority will provide to the Trustee a report of an independent insurance consultant satisfactory to the Trustee that its self-insurance program is funded in accordance with industry standards.

Accounts, Records and Audits

So long as any Revenue Bonds remain outstanding, the Authority covenants and agrees that it will maintain a proper and complete system of records and accounts pertaining to the Gross Revenues and the operation of the Airport System in which full, true and proper entries will be made of all dealings, transactions, business and affairs which in any way affect or pertain to the Gross Revenues and the Airport System. The Authority will, within 120 days after the close of each Fiscal Year or as soon thereafter as practicable, cause an audit report of such records and accounts to be prepared by an independent certified public accountant or independent firm of certified public accountants. In addition, the Authority will cause a detailed accounting to be prepared by an independent certified public accountant or independent firm of certified public accountants, which will calculate the Gross Revenues, Net Revenues and Debt Service Requirement for such Fiscal Year and will set forth a calculation to demonstrate whether the Authority has satisfied the Rate Covenant contained in the Ordinance. In addition, the Authority will each year, either as a part of its annual audit or by separate engagement, cause an independent certified public accountant or independent firm of certified public accountants to prepare an annual report. Each year promptly after such reports are prepared, the Authority will furnish copies thereof to any registered owners of Revenue Bonds who so request.

Tax-Exemption

So long as any Tax-Exempt Bonds remain outstanding, the Authority covenants that it will not take, or omit to take, any acts, including without limitation entering into any lease, operating agreement or other contract for the operation of all or any portion of the Airport System or pledge to the payment of the Tax-Exempt Bonds any revenues or fail to make any required payment or rebate of interest earnings if to do so would cause interest on any Tax-Exempt Bonds to be includable within the gross income of the Owners thereof for federal income tax purposes. See "TAX MATTERS" contained in this Official Statement.

Notwithstanding the foregoing, the Authority may issue taxable Revenue Bonds in the manner and pursuant to the terms set forth in the Ordinance.

Events of Default and Remedies of Owners of Revenue Bonds

Each of the following constitutes an Event of Default under the Ordinance:

(a) Default in the punctual payment of principal or redemption premium, if any, due to be paid on any Revenue Bond, whether at maturity or by call or proceedings for redemption or otherwise; or

(b) Default in the punctual payment of any installment of interest due to be paid on any Revenue Bond; or

(c) Default in the performance or observance of any other covenant, agreement or condition required to be performed or observed by the Authority under the Ordinance or in any of the Revenue Bonds, continuing for 90 days after written notice of such default is given to the Authority by the Trustee or to the Authority and the Trustee by the owners of not less than 25% of the aggregate principal amount of outstanding Revenue Bonds; provided that if such default is correctable, but cannot be corrected within 90 days, it will not constitute an Event of Default if the Authority institutes and diligently pursues corrective action, within such period, until the default is corrected or, if such action involves legal action, the default is determined to be not correctable as a matter of law by a court of competent jurisdiction; or

(d) Certain voluntary or involuntary proceedings in bankruptcy or reorganization.

So long as the Event of Default has not been remedied, either the Trustee, upon written notice to the Authority, or the owners of not less than 25% in aggregate principal amount of Outstanding Revenue Bonds, upon notice to the Authority and the Trustee, may declare that an Event of Default has occurred. Any such declaration may be waived if, prior to the maturity of all of the outstanding Revenue Bonds, all overdue installments of interest upon the Revenue Bonds, together with interest on such overdue installments to the extent permitted by law and all other sums then payable by the Authority under the Ordinance are made good or are secured to the satisfaction of the Trustee, and if (i) the owners of not less than 50% of the aggregate principal amount of outstanding Revenue Bonds rescind such declaration by written notice to the Trustee and the Authority or (ii) the Trustee has acted on its own without written direction to the contrary by the owners of not less than 25% of the aggregate principal amount of outstanding Revenue Bonds.

If an Event of Default has occurred, and has not been remedied, the Trustee may proceed, and upon the written request of the owners of not less than 25% of the aggregate principal amount of the outstanding Revenue Bonds and the provision for indemnification required under the Ordinance, must proceed to protect the rights of the owners of the Revenue Bonds under the Act or the Ordinance by such actions at law or in equity as the Trustee, upon the advice of counsel, deems to be most effectual in protecting the interests of the owners of the Revenue Bonds.

During the continuance of an Event of Default, the Trustee or receiver appointed pursuant to the Ordinance will apply all moneys, securities, funds and revenues received by the Trustee pursuant to any right given or action taken under the provisions of the Ordinance as follows and in the following order:

(i) Expenses of Fiduciaries - to the payment of the reasonable and proper charges, expenses and liabilities of the Trustee, Registrar or Paying Agent, or any successor thereof, appointed and serving in such capacity pursuant to the Ordinance;

(ii) Operation and Maintenance Expenses - to the payment of the amounts required for reasonable and necessary Operation and Maintenance Expenses and for the reasonable renewals, repairs and replacements of the Airport System necessary in the judgment of the Trustee to prevent a loss of revenues;

(iii) Principal and redemption premium, if any and interest - to the payment of the interest, principal and redemption premium, if any, then due on the Revenue Bonds, as follows:

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

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

The owners of a majority in principal amount of outstanding Revenue Bonds may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee upon the continuance of an Event of Default, unless (a) the Trustee is advised by counsel that the action or proceeding so directed may not be lawfully taken, (b) the Trustee determines in good faith that the action or proceeding so directed would involve the Trustee in personal liability for which provision for indemnification has not been made, or (c) the Trustee determines that the action or proceeding so directed would be unjustly prejudicial to the owners of Revenue Bonds which are not parties to such direction.

As a condition to the issuance of the Financial Guaranty Insurance Policy by Ambac Assurance Corporation for The Indianapolis Local Public Improvement Bond Bank Bonds, Series 2006 F (Indianapolis Airport Authority Project), and The Indianapolis Local Public

Improvement Bond Bank Taxable Bonds, Series 2006 G (Indianapolis Airport Authority Project), the Authority has agreed to consider Ambac Assurance Corporation the sole holder of the Authority's 2006A Revenue Bonds and 2006B Taxable Revenue Bonds for all purposes under the Ordinance in accordance with Section 9.04(c) thereof.

Discharge by Deposit

The Ordinance provides that the Authority may discharge its obligations to the Owners of any or all of the Revenue Bonds to pay principal, interest and redemption premium (if any) thereon by depositing with the Trustee cash in an amount equal to the principal amount and redemption premium, if any, of Revenue Bonds plus interest thereon to the date of maturity or redemption, or by depositing either with the Trustee or with any national banking association with capital and surplus in excess of $100,000,000, pursuant to an escrow or trust agreement to which the Trustee is a party, cash and/or Defeasance Obligations in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of the principal amount and redemption premium, if any, of such Revenue Bonds plus interest thereon to the date of maturity or redemption. Upon such deposit, such Revenue Bonds will no longer be regarded to be Outstanding or unpaid. The Authority will give irrevocable instructions to the Trustee to mail notice of redemption to the Owners of such Revenue Bonds to be redeemed and to mail notice of such deposit to the holders of all Revenue Bonds not to be redeemed or paid in full within 60 days. Any failure, error or delay in giving such notice shall not affect the defeasance of such Revenue Bonds.

Amendment of Ordinance

The Authority may, without the consent of, or notice to, any of the owners of the Revenue Bonds, amend or supplement the Ordinance for any one or more of the following purposes:

(a) To cure any ambiguity, defect, omission or inconsistent provision in the Ordinance or in the Revenue Bonds or to comply with any applicable provision of federal law or regulations, so long as such action does not adversely affect the interests of the owners of the Revenue Bonds;

(b) To change the terms or provisions of the Ordinance to the extent necessary to prevent the interest on the Tax-Exempt Bonds from being includable within the gross income of the owners thereof for purposes of federal income tax;

(c) To grant to or confer upon the owners of the Revenue Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the owners of the Revenue Bonds;

(d) To add other covenants or agreements of, or conditions or restrictions on the Authority to the covenants and agreements of the Authority contained in the Ordinance, or to surrender or eliminate any right or power reserved to or conferred upon the Authority in the Ordinance;

(e) To subject to the lien and pledge of the Ordinance additional revenues, properties or collateral;

(f) To authorize the issuance, and to specify the terms and conditions, of Revenue Bonds or Subordinate Securities, so long as all of the requirements under the Ordinance are met for the issuance of such Revenue Bonds or Subordinate Securities;

(g) To authorize any change or amendment in the Ordinance which, in the judgment of the Trustee, does not materially and adversely affect the rights or interests of the registered owners of outstanding Revenue Bonds and does not otherwise require unanimous consent of the owners of the Revenue Bonds then outstanding under the Ordinance; or

(h) To authorize any change or amendment in the Ordinance relating to deposits or balances in the Airline System Fund or any Fund established pursuant to Section 4.04(b) of the Ordinance.

With the exception of amendments for the purposes set forth in the preceding paragraph, the Owners of not less than a majority of the aggregate principal amount of the Revenue Bonds then outstanding which are affected have the right to consent, in accordance with the Ordinance, to any ordinance adopted by the Authority which would amend, modify, add to or eliminate any provision of the Ordinance; provided, however, that no such subsequent ordinance may permit (i) an extension of the maturity of the principal of or interest on any Revenue Bond; (ii) a reduction in the principal amount of or the rate of interest on any Revenue Bond; (iii) a privilege or priority of any Revenue Bond over any other Revenue Bond; or (iv) a reduction in the aggregate principal amount of Revenue Bonds required for consent to any amendment to the Ordinance.

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APPENDIX E

SUMMARY OF AIRLINE AGREEMENTS

As of the date of this Official Statement, the Authority has an Agreement and Lease of Premises (an "Airline Agreement") with each of the following passenger, charter or cargo air carriers (the "Signatory Airlines") serving the Airport: AirTran Airways, America West Airlines, American Airlines, Cargolux Airlines, Chautauqua Airlines, Continental Airlines, Delta Air Lines, Federal Express, Frontier Airlines, Northwest Airlines, Skyway Airlines, Southwest Airlines, United Airlines, and US Airways.

All of the Airline Agreements contain substantially identical terms and conditions. The term of each Airline Agreement is for the period from the date of execution through December 31, 2010.

The following is a summary of certain provisions of the Airline Agreements. The summary is qualified in its entirety by reference to the standard form of the Airline Agreement.

Definitions

Capitalized terms used in this Appendix F shall have the meanings defined below.

"Air Transportation" shall mean the carriage of persons, property, cargo and mail by aircraft and all other activities reasonably related thereto.

"Aircraft Arrival" shall mean any aircraft arrival at the Airport (including, without limitation, scheduled flights, charters, sightseeing flights, test flights, ferry flights, courtesy flights, inspection flights or any other flights). Aircraft arrival shall not include any flight that returns to the Airport after departure because of mechanical, meteorological or other precautionary reason.

"Airline Agreement" means an Agreement and Lease of Premises between the Authority and a Signatory Airline.

"Airport" shall mean the Indianapolis International Airport as shown on the Airport Layout Plan in Exhibit A to the Airline Agreement.

"Airport System" shall mean Indianapolis International Airport, Eagle Creek Airpark, Mt. Comfort Airport, Downtown Heliport, Metropolitan Airport and the Hendricks County Airport.

"Annual Budget" shall mean the capital and operating budget prepared by the Airport Director and adopted by ordinance of the Authority.

"Apron Area" shall mean those areas of the Airport that provide for the parking, loading, unloading and servicing of aircraft.

"Authority" means the Indianapolis Airport Authority.

“Capital Improvement” shall mean any single item having a cost in excess of One Hundred Thousand Dollars ($100,000), as adjusted in proportion to the changes in the Consumer Price Index published by the U.S. Department of Labor, Bureau of Labor Statistics, or any similar index mutually agreeable to the parties to the Airline Agreement, and a useful life in excess of two (2) years, acquired, purchased or constructed in order to improve, maintain or develop the Airport System, as well as any extraordinary or substantial expenditure whose object is to preserve, enhance or protect the Airport System. Said term shall include any expense for development studies, analyses, master planning efforts (including periodic reviews thereof) and economic or operational studies of the Airport System.

“Fiscal Year” shall mean the 12-month period beginning on January 1 of any year and ending on December 31 of that year or any other period adopted by the Authority for its financial affairs.

"Indemnified Parties" shall mean the Authority, BAA Indianapolis LLC and BAA USA (Holdings), Inc. and any of their representatives or agents.

“Joint Use Space” shall mean the premises assigned by the Authority to a Signatory Airline and one or more other Airlines.

"Landing Fees" shall mean the amount equal to the product of a landing fee rate per thousand pounds of Maximum Gross Certificated Landing Weight multiplied by the Total Landed Weight for such Signatory Airline during such month.

“Majority-in-Interest” shall mean any combination of the Signatory Airlines who together, according to the Authority, have paid more than fifty percent (50%) of the combined Signatory Airlines’ fees and rentals imposed pursuant to the Airline Agreement during the most recent six (6) full month period for which statistics are available, and which represent more than fifty percent (50%) in number of the combined total of the Signatory Airlines.

“Maximum Gross Certificated Landing Weight” shall mean the maximum weight, in 1,000 pound units, at which each aircraft as operated by a Signatory Airline is certificated by the FAA.

"Passenger Facility Charge" shall mean the fee the Authority may assess airline passengers for the use of the Airport.

“Preferential Use Space” shall mean the nonexclusive preferential use space in the Terminal Building and Apron Areas as designated or allocated by the Authority to a Signatory Airline for which the Signatory Airline has primary use rights as determined by the Authority.

"Program" shall mean the construction of the Midfield Terminal and the Capital Improvements described in the "Indianapolis International Airport Proposed Mid-Field Terminal

Attached Concourse Option Full Project Scope Definition Phase Estimate" as modified by Exhibit I to the Airline Agreement.

"Projection Period" shall mean the four year period beginning January 1, 2007 through December 31, 2010.

"Signatory Airlines" shall mean those airlines providing Air Transportation of passengers or property by air to and from the Airport that rent land or facilities at the Airport and have executed Airline Agreements with the Authority.

"Targeted Limits" means the average airline cost per enplaned passenger over the Projection Period of $9.65 and an average landing fee rate over the Projection Period of $1.89.

"Terminal Building" means the passenger terminal building at the Airport as presently existing or as hereafter modified, developed or relocated.

"Terminal Complex" shall mean those areas of the Terminal Building assigned to air carriers providing Air Transportation to the Airport.

Lease Rentals and Fees

In order to satisfy its Signatory Airline Revenue Requirement (see "THE AIRPORT AND THE AIRPORT SYSTEM — Certain Authority Agreements"), each Signatory Airline agrees to make the following monthly payments in accordance with the applicable provisions of and the schedules attached to its Airline Agreement with the Authority:

1. Rentals for the Terminal Complex area (collectively, the "Space Rentals");

2. Rentals for use of the Apron Area ("Apron Fees"); and

3. Landing Fees.

Each Signatory Airline shall report to the Authority (i) a description of all Aircraft Arrivals of such Signatory Airline during the previous month, by type and model of aircraft and the Maximum Gross Certificated Landing Weight of such aircraft, (ii) the total number of enplaning and deplaning passengers of such Signatory Airline at the Airport during the previous month, and (iii) the amount in tons of freight, mail and other cargo carried or transported by such Signatory Airline at the Airport during the previous month. In the event that a Signatory Airline fails to provide such report, the Landing Fees due to the Authority will be equal to the Landing Fees paid for the most recent month during which such a report was filed, subject to appropriate adjustment upon delivery of the currently required report by such Signatory Airline.

Each Signatory Airline will also collect on behalf of and remit to the Authority any such Passenger Facility Charges in accordance with the requirements of Federal law. The proceeds of such Passenger Facility Charges will be applied in any lawful manner.

Annual Recalculation of Lease Rentals and Fees

Not later than June 1 of each year, each Signatory Airline will submit to the Authority an estimate of both the reasonably expected Maximum Gross Certificated Landing Weight and passenger forecast at the Airport for such Signatory Airline during the next Fiscal Year. Not later than August 1 of each year, the Authority will submit copies of the following reports to each Signatory Airline:

(a) report of the proposed Annual Budget for the following Fiscal Year, reflecting, among other things, all estimated operation and maintenance expenses and all outlays for Capital Improvements;

(b) report of debt service payable during the following Fiscal Year, together with an estimate of debt service coverage for such Fiscal Year;

(c) report of preliminary estimates of fees and charges reasonably expected to be imposed by the Authority for the following Fiscal Year; and

(d) report of the aggregate of the amounts required to be deposited to the various special Funds established under the Ordinance.

Within seven days after the receipt of such reports by the Signatory Airlines, and upon the request of the Authority or any Signatory Airline, the Authority and the Signatory Airlines may meet to review the reports of the Authority. The Authority will have sole discretion to modify or amend its Annual Budget based upon the results of such meeting. Prior to the first day of each Fiscal Year, the Authority will furnish each Signatory Airline with a copy of the Authority's Annual Budget, together with a schedule of the fees and charges applicable to such Signatory Airline during such Fiscal Year. In the event that the Authority does not adopt an Annual Budget prior to the commencement of a Fiscal Year, the fees and charges applicable to each Signatory Airline for the preceding Fiscal Year will remain in effect until a new Annual Budget, together with applicable fees and charges, is promulgated by the Authority, effective as of January 1 of such Fiscal Year.

If at any time, the revenues and balances available in any fund under the bond resolution are not sufficient to pay, when due, all items included in the Annual Budget, or to pay any other expense or cost incidental or necessary to, or arising out of, the operation of the Airport System, including, without limitation, emergency repairs or expenses, the reasonably necessary cost of defending, settling or satisfying any litigation or threatened litigation that relates to the Airport System, or any aspect thereof, or to compensate for the loss of revenue by reason of any labor dispute, or a force majeure, or because of adoption of an amended Annual Budget, Authority may, upon notice to and consultation with Airline, increase the Landing Fee to such amount as is sufficient to assure Authority that all such items, expenses and costs shall be paid in full, solely from revenues of the Airport System.

Capital Improvements

On or before August 1 of each Fiscal Year, the Authority will notify each Signatory Airline of the cost of proposed Capital Improvements to be undertaken at the Airport in the following Fiscal Year. All such proposed Capital Improvements will be included in the Airlines' rates and charges calculation upon completion. Such notification will describe the nature, estimated cost, necessity for, feasibility of and expected benefits from such Capital Improvement, together with an allocation of costs among the Airport System and a description of the Authority's preferred means of financing. Not earlier than 30 days after the distribution of such notice, the Authority will convene a meeting of all Signatory Airlines in order to discuss and to obtain concurrence of such Capital Improvement. The Signatory Airlines will be deemed to have concurred in a Capital Improvement unless, within 30 days after the date of such meeting, concurrence is specifically withheld in writing by two-thirds of the Signatory Airlines. In the event that such concurrence is specifically withheld, the Authority will have the option to convene a second meeting within 30 days of the Authority's receipt of the notice of nonconcurrence by the Signatory Airlines. After reconsideration, the Signatory Airlines will be deemed to have concurred in a Capital Improvement unless, within 30 days after the date of such second meeting, concurrence is specifically withheld in writing by two-thirds of the Signatory Airlines. If concurrence is still withheld, the proposed Capital Improvement will be deferred until the next Fiscal Year. In addition to the foregoing, the Authority may not construct any Capital Improvement costing in excess of $5,000,000 if concurrence in such Capital Improvement is specifically withheld by a Majority-In-Interest. See "Definitions" herein.

However, notwithstanding any of the foregoing, the Authority may construct and include in the calculation of rentals, fees and charges under the Airline Agreements the cost of any Capital Improvement found to be necessary or prudent to: (i) assure or facilitate compliance with a rule, regulation or order of any Federal, state or other governmental agency having jurisdiction over the Airport; (ii) maintain, operate or create functional capability and capacity of the Airport System at a level required by public health, safety, access, security or welfare or by the Trustee for the security of the Bonds; (iii) satisfy a judgment or fines rendered against the Authority by a court of competent jurisdiction; (iv) repair casualty damage, net of insurance proceeds, to Airport System property; (v) develop a Special Purpose Facility; (vi) acquire land to preserve, protect or enhance the Airport System; or (vii) pay the costs of architectural, engineering and economic studies and other professional services of planned Airport System facilities.

The following Capital Improvements are also exempt from the review procedures listed above: a new Midfield Terminal and related facilities and improvements developed, constructed and financed in accordance with the provisions of the following paragraphs and all preliminary planning and preparation expenditures for a third runway south of Interstate 70 and the relocation of Interstate 70 as identified in the Airport's capital improvement program (the "CIP").

Each Signatory Airline consented to and approved the construction of the Midfield Terminal and all related Capital Improvements identified in the project definition phase of

terminal development with an expected operating date of July 1, 2007∗. In the Airline Agreement, the Authority acknowledged that each Signatory Airline is concerned that future airline costs per enplaned passenger and landing fee rates following the planning, design, construction and development of the Midfield Terminal not exceed certain Targeted Limits for the Projection Period. The Targeted Limits are an average airline cost per enplaned passenger of $9.65 over the Projection Period and an average landing fee rate of $1.89 over the Projection Period. The Authority agrees to use its best efforts to assure that the average projected airline cost per enplaned passenger and landing fee rate expected over the Projection Period will not exceed the Targeted Limits. If the Authority estimates that it will be unable to construct and develop the Midfield Terminal within the Targeted Limits, then prior to proceeding the Authority will consult with the Signatory Airlines and (i) redesign the Midfield Terminal Program to achieve the Targeted Limits, (ii) reallocate the CIP budget to shift costs from other projects within the CIP to the Midfield Terminal, (iii) adjust the financial plan or the CIP to minimize impact on net airline requirements, or (iv) increase the Midfield Terminal budget.

In the Airline Agreement, the Authority and the Signatory Airlines agreed that the Targeted Limits are not a guarantee, but are targets to be used by the Authority in planning the Program. The Authority agrees to annually prepare and forward to the Signatory Airlines an updated financial model showing that, based upon current information, the Midfield Terminal can be developed within the Targeted Limits. So long as, at the time design, bidding and construction of the Program have commenced, the Authority estimates that the expected costs will be within the Targeted Limits during the Projection Period or that the Authority has otherwise consulted with the Signatory Airlines in the manner provided above, the Authority shall be permitted to proceed with the Midfield Terminal and include its costs as provided under the Airline Agreement.

In the Airline Agreement, the Authority and the Signatory Airlines agreed that the budget for the Midfield Terminal is $808 million, in 2000 dollars, subject to adjustment for agreed upon additions or deletions.* The Authority agrees to allow reviews of the design documents and the contract bid awards by a representative of the Signatory Airlines prior to the start of construction. In addition, the representative has input to and required consultation with the Authority as construction of the Midfield Terminal proceeds.

Signatory Airline Responsibilities

Each Signatory Airline is required to maintain its portion of the Terminal Complex premises, the Terminal Complex Apron Area and the Joint Use Apron Area and to repair at its own expense any damages to the Terminal Complex Premises caused by an action or omission of such Signatory Airline and any damages to its assigned premises not caused by an action or omission of the Authority. Title to any improvements on the premises leased by such Signatory

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∗ This date has been changed to mid- to late-2008 as described in CAPITAL IMPROVEMENT PROGRAM – Midfield Terminal Program.

* See CAPITAL IMPROVEMENT PROGRAM-Midfield Terminal Program herein for description of additional projects added since the Airline Agreement was executed.

Airline will be in the Authority, subject to the right of such Signatory Airline to use such improvement for the term of such Airline Agreement. Each Signatory Airline will be responsible for paying any and all lawful taxes, assessments or charges which become a lien or are levied upon any interest of such Signatory Airline in the Terminal Complex premises or any improvements thereof. Each Signatory Airline will also be responsible for paying for all licenses, permits, fees or authorizations required under federal, state or local laws for its use and operation of the Airport System facilities and will be responsible for paying for all allocable charges for utility services in excess of those specifically provided by the Authority.

Insurance and Indemnification

Each Signatory Airline is required to carry at all times comprehensive airline public liability insurance insuring such Signatory Airline against liability for personal injury and bodily injuries and personal and property damage caused by such Signatory Airline's negligent actions or omissions on or about the Airport System facilities. The policy limit must be not less than $100,000,000 of total liability for any one occurrence. The Indemnified Parties will be named as an additional insured on all policies, to the extent that the Signatory Airline is required to indemnify the Indemnified Parties under the Airline Agreement, and each Signatory Airline will provide the Authority with acceptable evidence of such insurance. The coverage provided by any such policy may not be decreased or canceled without 30 days' written notice to the Authority, and the Authority, at the Signatory Airline's sole expense, may obtain and maintain in force any such policy not otherwise obtained or maintained by the Signatory Airline.

Each Signatory Airline agrees to indemnify the Authority and the Indemnified Parties from and against all liabilities, losses, claims, actions, judgments, administrative proceedings, fines, settlement demands, penalties and damages and related expenses arising out of personal injury or bodily injury to person or property attributable to the use, occupancy, activities or operations of such Signatory Airline at or on any Airport System facility.

Termination by the Signatory Airline

So long as it is not in default of its rental obligations under its Airline Agreement, any Signatory Airline may terminate such Airline Agreement after 60 days' written notice and the surrender of the premises upon the occurrence of one or more of the following:

(a) The Terminal Complex premises assigned to such airline become untenantable in whole or substantial part, and the Authority does not terminate the assignment of such premises and does not proceed reasonably promptly with necessary repairs and rebuilding;

(b) The Authority fails to provide and maintain means for unobstructed ingress and egress to and from the Terminal Complex in accordance with such Airline Agreement;

(c) The Authority closes the Airport to aircraft operations in general or to flights of such Signatory Airline for reasons other than weather, acts of God or other

causes beyond the Authority's control, and fails to reopen the Airport to such operations or flights for a period in excess of 30 days; or

(d) The Authority fails to comply with any of the material terms or provisions of such Airline Agreement or fails promptly to fulfill any of its obligations under such Airline Agreement.

In addition to any other right of termination which a Signatory Airline may have under its Airline Agreement, each Signatory Airline has a special limited right to terminate its Airline Agreement in the event that the Authority adopts a bond ordinance or an amendment to such ordinance which either (i) materially affects the method of calculation of Signatory Airline rentals and fees under its Airline Agreement or (ii) materially affects the rights of such Signatory Airline under its Airline Agreement. This special right of termination expires 15 days after the date of adoption of such ordinance or ordinance amendment by the Authority.

Termination by the Authority

The Authority may terminate the Airline Agreement of any Signatory Airline upon 30 days' written notice, and may re-enter the Airline's leased Terminal Complex premises 15 days after such termination, upon the occurrence and continuation of one or more of the following:

(a) Such Signatory Airline fails to make required payments of rentals, fees and charges when due;

(b) Such Signatory Airline files a voluntary petition in bankruptcy, makes a general assignment for the benefit of creditors or is adjudicated a bankrupt;

(c) A court of competent jurisdiction takes jurisdiction of such Signatory Airline or such Signatory Airline's assets pursuant to proceedings brought under any federal reorganization act;

(d) A receiver or trustee is appointed for such Signatory Airline's assets by a court of competent jurisdiction, or such Signatory Airline enters into a voluntary agreement with its creditors, and such receiver, trustee or agreement is not removed within 90 days;

(e) Any act occurs which operates to deprive such Signatory Airline permanently of the rights, powers and privileges necessary for the proper operation and conduct of its business;

(f) Such Signatory Airline abandons and fails to use the Terminal Complex for any period of 30 consecutive days for reason other than fire, earthquake, strike, governmental action, the default of the Authority or other cause beyond such Signatory Airline's control;

(g) Such Signatory Airline uses or permits the use of the leased Terminal Complex premises for any purpose not authorized by its Airline Agreement or for any purpose prohibited by applicable law, rule or regulation;

(h) Such Signatory Airline discontinues air service to the Airport System as a consequence of the filing by such Signatory Airline of a bankruptcy petition or the seeking by such Signatory Airline of a reorganization or an adjustment of its indebtedness or being adjudged bankrupt under any federal or state law; or

(i) Such Signatory Airline remains in violation of any material provision of its Airline Agreement for a period of 30 days after notice thereof.

Amendment to Bond Ordinance

Each Airline Agreement provides that the Authority must not enact any bond ordinance or subsequently amend a bond ordinance so as to require a change in the method of calculation of rentals and fees payable under such Airline Agreement or so as to materially affect the rights of the Signatory Airline subject to such Airline Agreement. If the Authority adopts a bond resolution or a subsequent amendment to a bond resolution, either of which materially affects the method of calculation of such rentals and fees or materially affects the rights of the Signatory Airline under such Airline Agreement, such Signatory Airline may, in writing, cancel such Airline Agreement within 15 days after the adoption date of the bond resolution or amendment thereto by the Authority.

Cancellation

If any Airline Agreement of a Signatory Airline is terminated or canceled by such Signatory Airline or the Authority for any reason as set forth in the respective Airline Agreement, such Signatory Airline will thereafter be charged for its use of the Airport at the then current non-Signatory Airline rates specified by ordinance of the Authority. Historically, such non-Signatory Airline rates have been higher than rates imposed under the Airline Agreements.

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APPENDIX F

SUMMARY OF THE BOND BANK INDENTURE

The following is a summary of certain provisions of the Trust Indenture between The Indianapolis Local Public Improvement Bond Bank ("Bond Bank") and Bank One Trust Company, National Association, as trustee, ("Bank One"), dated as of January 1, 2003 ("Original Indenture"), as amended and supplemented by the First Supplemental Trust Indenture, dated as of November 1, 2004 ("First Supplemental Indenture"), and further supplemented by the Second Supplemental Trust Indenture, dated as of October 1, 2005 ("Second Supplemental Indenture"), between the Bond Bank and J.P. Morgan Trust Company, National Association (as successor-in-interest to Bank One), as trustee ("Bond Bank Trustee") and further supplemented by the Third Supplemental Trust Indenture dated as of June 1, 2006 ("Third Supplemental Indenture"), between the Bond Bank and the Bond Bank Trustee (the Original Indenture as supplemented by the First Supplemental Indenture, Second Supplemental Indenture and Third Supplemental Indenture is referred to as the "Indenture"). This summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Indenture.

Certain capitalized terms used in this summary are defined as follows:

"Act" means the provisions of Indiana Code 5-1.4.

"Additional Bonds" means Bonds issued pursuant to the Indenture and any supplemental indenture, including, but not limited to, the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture.

"Additional Qualified Obligations" means any Qualified Obligations which are general obligations or revenue bonds issued by the Authority and purchased by the Bond Bank with a portion of the proceeds of a series of Bonds.

"Authority" means the Indianapolis Airport Authority.

"Bondholder" or "holder of Bonds" or "owner of Bonds" or "Registered Owner" or any similar term means the registered owner of any Bond, including the Bond Bank, and any purchaser of Bonds being held for resale, including the Bond Bank.

"Bonds" means any of The Indianapolis Local Public Improvement Bond Bank Bonds issued pursuant to the Indenture or any supplemental indenture, including, but not limited to, the Series 2003 A, the Series 2004 I Bonds, the Series 2005 B Bonds, the Series 2006 F Bonds and the Series 2006 G Bonds.

"Cash Flow Certificate" means a certificate prepared by an accountant or firm of accountants in accordance with the Indenture concerning anticipated Revenues.

"Code" means the Internal Revenue Code of 1986, as in effect on the date of issuance of any series of Bonds, and the applicable judicial decisions or published rulings, or any applicable regulations promulgated or proposed thereunder or under the Internal Revenue Code of 1954 as in effect immediately prior to the enactment of the Tax Reform Act of 1986.

"Fees and Charges" means fees and charges established by the Bond Bank from time to time pursuant to the Act which are payable by the Authority.

"Fiscal Year" means the twelve month period from January 1 through the following December 31.

"Funds and Accounts" means the funds and accounts established under the Indenture as further defined in the Indenture.

"Governmental Obligations" means (a) direct obligations of the United States of America or obligations the timely payment of the principal of and interest on which are unconditionally guaranteed by the United States of America, including but not limited to securities evidencing ownership interests in such obligations or in specified portions thereof (which may consist of specific portions of the principal of or interest on such obligations), and (b) obligations of any state of the United States of America or any political subdivision thereof, the full payment of principal of, premium, if any, and interest on which (i) are unconditionally guaranteed or insured by the United States of America, or (ii) are provided for by an irrevocable deposit of securities described in clause (a) and are not subject to call or redemption by the issuer thereof prior to maturity or for which irrevocable instructions to redeem have been given.

"Investment Earnings" means earnings and profits (after consideration of any accrued interest paid and amortization of premium or discount on the investment) on the moneys in the Funds and Accounts established under the Indenture, except the Rebate Fund.

"Investment Securities" means any of the following: (i) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"), (ii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (iii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, (iv) evidence of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated, (v) deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least $5 million, or (vi) money market funds rated "AAm" or "AAm-G" by Standard and Poor's Ratings Services, or better.

"Program" means the program for the purchase of Qualified Obligations by the Bond Bank pursuant to the Act and the Indenture.

"Program Expenses" means all of the Bond Bank's expenses in carrying out and administering the Program pursuant to the Indenture and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, credit enhancement fees, liquidity facility fees, legal, accounting, management, consulting and banking services and expenses, fees and expenses of the Bond Bank Trustee, the Registrar and the Paying Agent, costs of verifications required under the Indenture, costs of issuance not paid from the proceeds of Bonds, travel, payments for pension, retirement, health and hospitalization, life and disability insurance benefits, any other costs permitted under the Act, and rebates, if any, which in the opinion of bond counsel are required to be made under the Code in order to preserve or protect the exclusion from gross income for federal tax purposes of interest on the Tax-Exempt Bonds, all to the extent properly allocable to the Program.

"Qualified Entity" means the Authority, a qualified entity under IC 5-1.4-1-10.

"Qualified Obligation" means a Security (as that term is defined in the Act), including the 2003 Authority Bonds, the Series 2004 Authority Bonds, the 2005 Authority Bonds and the 2006 Authority Bonds, which have been acquired by the Bond Bank pursuant to the Indenture.

"Qualified Obligation Payment" means the amounts paid or required to be paid, from time to time, for principal and interest by the Qualified Entity to the Bond Bank on the Qualified Entity's Qualified Obligation and any Fees and Charges paid or required to be paid by any Qualified Entity to the Bond Bank under the provisions of any agreement for the purchase and sale of Securities.

"Refunding Qualified Obligation" means any Qualified Obligation issued to refund any of the Qualified Obligations or another Refunding Qualified Obligation.

"Revenues" means the income, revenues and profits of the Funds and Accounts referred to in the granting clauses of the Indenture, including, without limitation, all Qualified Obligation Payments and Investment Earnings, but excluding amounts required to be deposited and maintained in the Rebate Fund.

"Series 2003 A Bonds" means the Bond Bank Bonds, Series 2003 A (Indianapolis Airport Authority Project) authorized by the Original Indenture.

"Series 2004 I Bonds" means the Bond Bank Bonds, Series 2004 I (Indianapolis Airport Authority Project) authorized by the First Supplemental Indenture.

"Series 2005 B Bonds" means the Bond Bank Bonds, Series 2005 B (Indianapolis Airport Authority Project) authorized by the Second Supplemental Indenture.

"Series 2006 F Bonds" means the Bond Bank Bonds, Series 2006 F (Indianapolis Airport Authority Project) authorized by the Third Supplemental Indenture.

"Series 2006 G Bonds" means the Taxable Bond Bank Bonds, Series 2006 G (Indianapolis Airport Authority Project) authorized by the Third Supplemental Indenture.

"Tax-Exempt Bonds" means the Series 2003 A Bonds, the Series 2004 I Bonds, the Series 2005 B Bonds and the Series 2006 F Bonds

"2003 Authority Bonds" means the Authority's Airport Revenue Bonds, Series 2003A.

"2004 Authority Bonds" means the Authority's Airport Revenue Bonds, Series 2004A.

"2005 Authority Bonds" means the Authority's Airport Revenue Bonds, Series 2005A.

"2006 Authority Bonds" means the Authority's Airport Revenue Bonds, Series 2006A, and the Authority's Taxable Airport Revenue Bonds Series 2006B.

Security for Bonds

The Bond Bank issued its Series 2003 A Bonds, pursuant to the Original Indenture, its 2004 I Bonds pursuant to the First Supplemental Indenture, its 2005 B Bonds pursuant to the Second Supplemental Indenture, and will issue its Series 2006 F Bonds and Series 2006 G Bonds pursuant to the Third Supplemental Indenture. The Series 2003 A Bonds, the Series 2004 I Bonds, the Series 2005 B Bonds, the Series 2006 F Bonds and the Series 2006 G Bonds are secured by the Indenture on a parity basis. To secure the payment of the principal of, premium, if any, and interest on the outstanding Bonds and any Additional Bonds, and the performance of the covenants contained in the Bonds and the Indenture, the Bond Bank, grants to the Bond Bank Trustee a security interest in the following property ("Trust Estate"):

1. All cash and securities held for the credit of the Funds and Accounts created or established under the Indenture, the Investment Earnings thereon and all proceeds thereof (except the Rebate Fund under the Indenture); and

2. All Qualified Obligations acquired and held pursuant to the Indenture and the earnings thereon and all proceeds thereof (including all Qualified Obligation Payments); and

3. All Revenues and any moneys pledged as security by the Bond Bank.

The Trust Estate is to be held by the Bond Bank Trustee for the equal and proportionate benefit and security and protection of the owners from time to time of all the outstanding Bonds without any privilege, priority or distinction as to the lien or otherwise of any such Bond over any other such Bond, except as otherwise expressly provided in the Indenture.

Accounts

Creation of Funds and Accounts. Under the Indenture, the Bond Bank creates and establishes the following Funds: (1) the General Fund and (2) the Rebate Fund. The following Accounts are established in the General Fund: a "General Account," a "Bond Issuance Expense Account" and a "Redemption Account."

All such Funds and Accounts will be held and maintained by the Bond Bank Trustee. All moneys or securities held by the Bond Bank Trustee pursuant to the Indenture will be held in trust and applied only in accordance with the provisions of the Indenture. The Bond Bank and the Bond Bank Trustee may establish such additional Funds, Accounts or subaccounts as they may in their discretion determine to be appropriate to comply with the provisions of the Indenture.

General Account. There will be deposited in the General Account: (a) the proceeds of the sale of the Bonds, other than the amounts deposited in the Bond Issuance Expense Account as described below; and (b) any other amounts required to be deposited in the General Account pursuant to the Indenture. The Bond Bank Trustee will apply the moneys in the General Account (i) to purchase the Qualified Obligations; (ii) to pay principal and interest coming due on the Bonds; (iii) to pay, as necessary, Program Expenses; (iv) to pay any amount needed to comply with Section 6.08 of the Indenture (rebate); and (v) to transfer to any other fund or account of the Bond Bank of any moneys in excess of the amounts needed to pay principal and interest on the Bonds within the immediately succeeding twelve month period pursuant to the Indenture.

Redemption Account. There will be deposited in the Redemption Account (i) all moneys received upon the sale or redemption prior to maturity of Qualified Obligations and (ii) such other amounts as may be designated by the Indenture. Funds in the Redemption Account will be disbursed as follows by the Bond Bank Trustee: (1) on such dates as are specified in the Indenture, an amount equal to the principal which would have been payable during the following month for Qualified Obligations sold or redeemed prior to maturity; (2) on such dates as are specified in the Indenture, to the extent moneys in the General Account are not sufficient, for the purpose of paying the principal of and interest on the Bonds as the same become due; (3) after providing for the payments required under (1) and (2) above, moneys may be used (A) on any redemption date, to redeem Bonds; (B) to purchase Qualified Obligations as permitted under the Indenture; (C) to transfer any excess moneys to the General Account; (D) to purchase Bonds at the most advantageous price obtainable with reasonable diligence; or (E) to invest such moneys until the maturity or maturities of Bonds in accordance with Article IX of the Indenture; and (4) if the Bond Bank Trustee is unable to purchase Bonds under (3) above, then, subject to the Indenture, the Bond Bank Trustee shall redeem Bonds to exhaust as nearly as possible the amounts remaining in the Redemption Account under the Indenture after payment of the amounts described in clauses (A), (B), (C) and (D) above. Upon presentation of a Cash Flow Certificate from the Bond Bank, the Bond Bank Trustee may transfer moneys to the General Account (pursuant to the Indenture.)

Bond Issuance Expense Account. There will be deposited in the Bond Issuance Expense Account: (i) a portion of the proceeds of the Bonds in an amount equal to the estimated costs of issuing the Bonds, and (ii) any other amounts required to be deposited therein pursuant to the Indenture. Funds in the Bond Issuance Expense Account will be disbursed to pay the costs of issuing the Bonds. Any funds remaining in the Bond Issuance Expense Account ninety days after the issuance of Bonds will be transferred to the General Account and the Bond Issuance Expense Account may, at the direction of the Bond Bank, be closed.

Rebate Fund. There shall be made all deposits and disbursements as required by law from the Rebate Fund solely in accordance with the Bond Bank's written direction. Money at any time deposited in the Rebate Fund will be held by the Bond Bank Trustee in trust. The Bond Bank Trustee will remit part or all of the balances in the Rebate Fund to the United States, as directed by the Bond Bank. Any funds remaining in the Rebate Fund after

discharge of the Indenture and payment and satisfaction of any rebate amount, or provision made therefor satisfactory to the Bond Bank Trustee, will be distributed to the Bond Bank.

Investment of Money

Subject to the right of the Bond Bank to direct the investment or deposit of funds under the Indenture, moneys in any Fund or Account (except the Redemption Account) shall be continuously invested and reinvested or deposited or redeposited by the Bond Bank Trustee in Investment Securities.

Any moneys in the Redemption Account shall be invested only in Governmental Obligations as directed by the Bond Bank. Any moneys in the Rebate Fund shall be invested as directed by the Bond Bank from time to time. All such investments shall at all times be a part of the Fund or Account in which the moneys used to acquire such investments had been deposited and all Investment Earnings on such investments shall be deposited as received in the General Account, except for income and profits on investment of funds in the Rebate Fund which shall remain in the Rebate Fund.

Additional Bonds

Additional Bonds may be issued from time to time only for the purchase of Additional Qualified Obligations, including, but not limited to, Refunding Qualified Obligations, issued by a Qualified Entity or to refund all or a portion of the outstanding Bonds. Any Additional Bonds shall be authorized by a supplemental indenture, will be secured by the supplemental indenture and will be equally and ratably payable from the Trust Estate.

Accounts and Reports

The Bond Bank will keep proper and separate books of records and accounts in which complete and correct entries will be made of its transactions relating to the Program and the Funds and Accounts established by the Indenture. Such books, and all other books and papers of the Bond Bank, and all Funds and Accounts will at all reasonable times be subject to the inspection of the Bond Bank Trustee and the owners of an aggregate of at least five percent (5%) in principal amount of Bonds then outstanding or their representatives duly authorized in writing.

Before the twentieth day of each month, the Bond Bank Trustee will provide the Bond Bank with a statement of the amounts on deposit in each Fund and Account as of the last day of the preceding month and the total deposits to and withdrawals from each Fund and Account during the preceding month. The Bond Bank may provide for less frequent statements so long as such statements are supplied no less frequently than quarterly.

Tax Covenants

In order to preserve the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes and as an inducement to purchasers of the Tax-Exempt Bonds, the Bond Bank represents, covenants, and agrees that the Bond Bank will take no action nor fail to take any action with respect to any of the Tax-Exempt Bonds that would result in the loss of the exclusion from gross income for federal tax purposes of interest on the Tax-Exempt Bonds under Section 103 of the Code, nor will it act in any other manner which would adversely affect such exclusion. These tax covenants are based solely on current law in effect and in existence on the date of issuance of each series of Tax-Exempt Bonds. It shall not be an event of default under the Indenture if interest on any Tax-Exempt Bond is not excludable from gross income pursuant to any provision of the Code which is not in existence and in effect on the issue date of such Tax-Exempt Bonds.

Covenants of the Bond Bank

In order to provide for the payment of the principal of, premium, if any, and interest on the Bonds and of Program Expenses, the Bond Bank will from time to time, and in a sound and economical manner in accordance with the Act, the Indenture and sound banking practices and principles (i) undertake all necessary actions to receive and collect Revenues (including the enforcement of the prompt collection of any arrears on all Qualified Obligation

Payments), and (ii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Bond Bank to protect the rights of the Bond Bank with respect to or to maintain any insurance on the Qualified Obligations and to enforce all terms, covenants and conditions of the Qualified Obligations. Whenever necessary to provide for the payment of principal of and interest on the Bonds, the Bond Bank will also commence appropriate remedies with respect to any Qualified Obligations which is in default.

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

(a) Not to permit or agree to any material change in any Qualified Obligation or the underlying ordinance with respect thereto unless the Bond Bank first supplies the Bond Bank Trustee with a Cash Flow Certificate to the effect that, after such change, Revenues expected to be received, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all outstanding Bonds.

(b) To the extent that such action would not adversely affect the validity of the Qualified Obligation or other obligations of the Qualified Entity, the Bond Bank will instruct the Bond Bank Trustee to pursue the remedies set forth in the Act, particularly Indiana Code 5-1.4-8-4.

(c) To enforce or authorize the enforcement of all remedies available to the Bond Bank under the Qualified Obligations, unless the Bond Bank provides the Bond Bank Trustee with a Cash Flow Certificate to the effect that, if such remedies are not enforced, Revenues expected to be received, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all outstanding Bonds, and the Bond Bank Trustee determines, relying on an opinion of Bond Counsel, that failure to enforce such remedies will not adversely affect the interests of the Bondholders in any material way.

(d) Not to sell or dispose of the Qualified Obligations unless it first provides the Bond Bank Trustee with a Cash Flow Certificate to the effect that, after such sale or disposition, Revenues expected to be received, together with moneys expected to be held in the Funds and Accounts, minus any proceeds of such sale to be transferred from any Fund or Account, will at least equal debt service on all outstanding Bonds.

Budgets

The Bond Bank will, at least sixty (60) days prior to the beginning of each Fiscal Year, prepare and file with the Bond Bank Trustee a preliminary budget covering its fiscal operations for the succeeding Fiscal Year.

Defeasance and Discharge of Indenture

If payment or provision for payment is made to the Bond Bank Trustee of the whole amount of principal of and interest due and to become due on all of the Bonds then outstanding under the Indenture, and if the Bond Bank Trustee receives all payments due and to become due under the Indenture, then the Indenture may be discharged in accordance with its provisions. In the event of any early redemption of Bonds in accordance with their terms, the Bond Bank Trustee must receive irrevocable instructions from the Bond Bank, satisfactory to the Bond Bank Trustee, to call such Bonds for redemption at a specified date and pursuant to the Indenture. Outstanding Bonds will continue to be a limited obligation of the Bond Bank payable only out of the moneys or securities held by the Bond Bank Trustee for the payment of the principal of and interest on the Bonds.

Any Bond will be deemed to be paid when payment of the principal of that Bond, plus interest to its due date, either (a) has been made or has been caused to be made in accordance with its terms, or (b) has been provided for by irrevocably depositing with the Bond Bank Trustee, in trust and exclusively for such payment, (i) moneys sufficient to make such payment, (ii) noncallable or nonprepayable Governmental Obligations maturing as to principal and interest in such amounts and at such times, without consideration of any reinvestment thereof, as will ensure the availability of sufficient moneys to make such payments, or (iii) a combination of such moneys and

Governmental Obligations, and all other sums payable under the Indenture, including the necessary and proper fees and expenses of the Bond Bank Trustee pertaining to the Bonds, have been paid or deposited with the Bond Bank Trustee.

Events of Default and Remedies

Any of the following events constitutes an "Event of Default" under the Indenture:

(a) The Bond Bank defaults in the due and punctual payment of the principal of or interest on any Bond;

(b) The Bond Bank defaults in carrying out any of its covenants, agreements or conditions contained in the Indenture or in the Bonds, and the continuance of such Event of Default within sixty (60) days after receipt of notice, all in accordance with the Indenture;

(c) Any warranty, representation or other statement by or on behalf of the Bond Bank contained in the Indenture, or in any instrument furnished in compliance with or in reference to the Indenture, is materially false or misleading when made, and there has been a failure to remedy such Event of Default within thirty (30) days after receipt of notice, all in accordance with the Indenture;

(d) The Bond Bank fails to make remittances required by the Indenture to the Bond Bank Trustee within the time limits prescribed in the Indenture;

(e) A petition is filed against the Bond Bank under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect and is not dismissed within sixty (60) days after such filing;

(f) The Bond Bank files a petition in voluntary bankruptcy or seeking relief under any provisions of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law;

(g) The Bond Bank is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or a liquidator or trustee of the Bond Bank or any of its property is appointed by court order or takes possession and such order remains in effect or such possession continues for more than sixty (60) days; or

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

Upon the occurrence and continuance of an Event of Default, the Bond Bank Trustee will notify the owners of outstanding Bonds of such Event of Default and will have the following rights and remedies:

(a) The Bond Bank Trustee may pursue any available remedy at law or in equity or by statute to enforce the payment of the principal of and interest on Bonds outstanding under the Indenture, including any and all such actions arising under, or by reason of, the Qualified Obligations;

(b) The Bond Bank Trustee may by action at law or in equity require the Bond Bank to account as if it were the trustee of an express trust for the holders of the Bonds, and may take such action with respect to the Qualified Obligations as the Bond Bank Trustee deems necessary, appropriate and in the best interest of the Bondholders, subject to the terms of the Qualified Obligations;

(c) Upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Bond Bank Trustee and of the Bondholders under the Indenture, the Bond Bank Trustee will

be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate under the Indenture and of the Revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer; and

(d) By notice to the Bond Bank and the Corporation Counsel of the City, the Bond Bank Trustee may declare the principal of and accrued interest on all Bonds to be due and payable immediately in accordance with the provisions of the Indenture and the Act.

If an Event of Default has occurred, if requested to do so by the owners of twenty-five percent (25%) or more in aggregate principal amount of the Bonds outstanding under the Indenture, and if indemnified as provided in the Indenture, the Bond Bank Trustee will be obligated to exercise one or more of the rights, remedies and powers conferred by the Indenture as the Bond Bank Trustee, being advised by counsel, deems most expedient in the interest of the Bondholders.

The owners of a majority in aggregate principal amount of the Bonds outstanding under the Indenture will have the right, at any time during the continuance of an Event of Default, by a written instrument or instruments executed and delivered to the Bond Bank Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture. However, such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Waivers of Events of Default

At its discretion, the Bond Bank Trustee may waive any Event of Default and its consequences, and must do so upon the written request of the owners of (a) more than 66-2/3% in aggregate principal amount of all Bonds then outstanding under the Indenture in the case of default in the payment of principal of or interest on the Bonds or (b) more than 50% in aggregate principal amount of all Bonds then outstanding under the Indenture in the case of any other default. However, there may not be waived (i) any Event of Default in the payment of the principal of any Bond then outstanding under the Indenture at the specified date of maturity or (ii) any Event of Default in the payment when due of the interest on any Bond then outstanding under the Indenture unless, prior to the waiver, all arrears of interest or principal due, as the case may be, with interest on overdue principal at the rate borne by such Bond, and all expenses of the Bond Bank Trustee in connection with the Event of Default have been paid or provided for. In case of any such waiver or rescission, or in case any proceeding taken by the Bond Bank Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then the Bond Bank, the Bond Bank Trustee and the Bondholders will be restored to their former respective positions and right under the Indenture. No waiver or rescission will extend to any subsequent or other Event of Default or impair any right consequent thereon.

Rights and Remedies of Owners of Bonds

No Owner of any Bond will have any right to institute any suit, action or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or for any other remedy under the Indenture, unless (a) an Event of Default has occurred and the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then outstanding under the Indenture have made written request to the Bond Bank Trustee and have offered the Bond Bank Trustee reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, (b) such Owners of Bonds have offered to indemnify the Bond Bank Trustee, as provided in the Indenture, and (c) the Bond Bank Trustee has refused, or for sixty (60) days after receipt of such request and offer of indemnification has failed to exercise the remedies granted in the Indenture or to institute such action, suit or proceeding in its own name. All proceedings at law or in equity must be carried out as provided in the Indenture and for the equal benefit of the owners of all outstanding Bonds. However, nothing contained in the Indenture will affect or impair the right of any owner of Bonds to enforce the payment of the principal of and interest on any Bond at and after its maturity, or the limited obligation of the Bond Bank to pay the principal of and interest on each of the Bonds to the respective owners of the Bonds at the time and place, from the source and in the manner expressed in the Bonds.

Supplemental Indentures

The Bond Bank and the Bond Bank Trustee may, without the consent of or notice to any of the owners of Bonds, enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

(a) To cure any ambiguity, formal defect or omission in the Indenture;

(b) To grant to or confer upon the Bond Bank Trustee for the benefit of the Bondholders any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Bond Bank Trustee or to make any change which, in the judgment of the Bond Bank Trustee, relying on an opinion of Bond Counsel, will not have a material adverse effect on the interests of any of the owners of the Bonds and does not otherwise require the unanimous consent of all Bondholders under the Indenture;

(c) To subject to the lien and pledge of the Indenture additional revenues, security, properties or collateral;

(d) To modify, amend or supplement the Indenture or any supplemental indenture in order to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if the Bond Bank and the Bond Bank Trustee so determine, to add to the Indenture or to any supplemental indenture such other terms, conditions and provisions as may be permitted by the Trust Indenture Act of 1939 or any other federal or state statute; provided that any supplemental indenture shall not have a material adverse effect on the interest of any of the owners of the Bonds;

(e) To give evidence of the appointment of a separate or co-trustee, or the succession of a new trustee, registrar or paying agent;

(f) To provide for the issuance of each series of Additional Bonds;

(g) To provide for the refunding of all or a portion of the Bonds; and

(h) To amend the Indenture to permit the Bond Bank to comply with any covenants contained in any Supplemental Indenture with respect to compliance with future federal or state tax laws.

With the exception of supplemental indentures for the purposes set forth in the preceding paragraph and subject to the terms of the Indenture, the owners of not less than a majority of the aggregate principal amount of the Bonds then outstanding under the Indenture which are affected (other than Bonds held by the Bond Bank) will have the right from time to time to consent to and approve the execution by the Bond Bank and the Bond Bank Trustee of any supplemental indenture or indentures deemed necessary and desirable by the Bond Bank Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture. However, no supplemental indenture may permit or be construed as permitting, without the consent of the owners of all Bonds then outstanding under the Indenture, (a) an extension of the stated date for maturity or redemption or a reduction in the principal amount of or redemption premium, or reduction in the rate or extension of the time of payment of the interest, on any Bonds, (b) the creation of any lien on the Trust Estate or any part thereof pledged under the Indenture prior to or on a parity with the lien of the Indenture other than a lien ratably securing all of the Bonds outstanding under the Indenture, (c) a reduction in the aggregate principal amount of the Bonds the owners of which are required to consent to such supplemental indenture, (d) the creation of privilege, priority or preference of any Bond or Bonds over any other Bond or Bonds, or (e) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Bond Bank Trustee without the written consent of the Bond Bank Trustee.

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APPENDIX G

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2006 Bonds. The 2006 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 bond certificate will be issued for each maturity of the 2006 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 2006 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2006 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2006 F Bond and each Series 2006 G Bond (the "Beneficial Owners") 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 2006 Bonds are to be accomplished by entries made on the books of the Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the 2006 Bonds, except in the event that use of the book-entry-only system for the 2006 Bonds is discontinued.

To facilitate subsequent transfers, the 2006 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the 2006 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 2006 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2006 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 and regulatory requirements as may be in effect from time to time.

Beneficial owners of the 2006 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2006 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. Beneficial Owners of the 2006 Bonds may wish to ascertain that the nominee holding the 2006 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of the notices be provided directly to them. Redemption notices shall be sent to DTC. If less than all of the 2006 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2006 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 2006 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2006 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 Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent 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 dividends 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 Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may determine to discontinue providing its service as depository with respect to the 2006 Bonds at any time by giving reasonable notice to the Bond Bank or Paying Agent. 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 to DTC.

The information in this section concerning DTC and DTC's book-entry-only 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 (1) the Bond Bank receives notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities as a clearing agency for the 2006 Bonds or (2) the Bond Bank elects to discontinue its use of DTC as a clearing agency for the 2006 Bonds, then the Bond Bank will do or perform or cause to be done or performed all acts or things, not adverse to the rights of the holders of the 2006 Bonds, as are necessary or appropriate to discontinue use of DTC as a clearing agency for the 2006 Bonds and to transfer the ownership of each of the 2006 Bonds to such person or persons, including any other clearing agency, as the holder of such 2006 Bonds may direct. Any expenses of such a discontinuation and transfer, including any expenses of printing new certificates to evidence the 2006 Bonds will be paid by the Bond Bank.

APPENDIX H

Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor: Policy Number:

Obligations: Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)

Authorized Officer of Insurance Trustee

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