



TAX MATTERS

What was in the 2005 tax packet?

Fifth Third Bank is pleased to report that the 2,400 tax packets for 2005 were mailed in mid-January of this year, well ahead of the federal deadline. The tax packet included:

- a. 2005 Annual Statement of Account Activity
- b. 2005 K-1 from the Trust
- c. 2005 1099-MISC from the Ho-Chunk Nation
- d. Ho-Chunk Trust Bulletin #22
- e. Cover letter from the Ho-Chunk Nation
- f. Certificate of Additional Tax Due
- g. Information on prepaying state taxes

To optimize your filing, you should always consult with your tax advisor.

Why would you want to prepay your state taxes?

The Ho-Chunk Nation automatically withholds federal taxes four times a year. The federal government requires prepayment of estimated taxes, and it penalizes those who pay late. Prepayment of federal taxes helps assure that Trust participants aren't burdened with a large tax bill at the end of the year or penalized by fines. For similar reasons, you may want to consult with your tax advisor about prepaying your state taxes. Information on prepaying your state taxes was included in your 2005 tax packet. States each have their own rates of taxation. Some participants living on tribal land may not need to pay state taxes.

Why does the U.S. government impose the "kiddie tax?"

A number of years ago, federal tax authorities determined that some families were avoiding taxes on investments by transferring them to their minors. The so-called kiddie tax was designed to prevent parents, who may be taxed at higher rates, from transferring all of their investment income to their children, who may be taxed at lower rates. Tax statutes are a one-size-fits-all proposition. Everyone has to comply, whether or not the rule seems fair. There is an exemption allowed for the under-14 minor. In 2005 the minor may shield up to \$1,600. Next year the amount will be \$1,700.

Ho-Chunk Minor's Trust participants who are under the age of 14 must have their investment income taxed at their rate of their parents. If the minor, however, reaches the age of 14 at any time during the calendar year, the special kiddie tax no longer applies. Minors who are 14 or older can pay taxes on their investments at their own tax rate. Your tax advisor will help you.

Can you reinvest a tax refund back into the Trust?

Absolutely! Please consult with the Nation or Fifth Third Bank and we'll be happy to add a tax refund from the Trust to the future investment of your minor.

Over the past eight years,

fewer participants are paying penalties, and those who qualify now receive refunds. If you haven't already, please consult your tax advisor to help safeguard your investment in the Ho-Chunk Minor's Trust.

This newsletter is not intended as tax advice.

THE HO-CHUNK TRUST BULLETIN

How

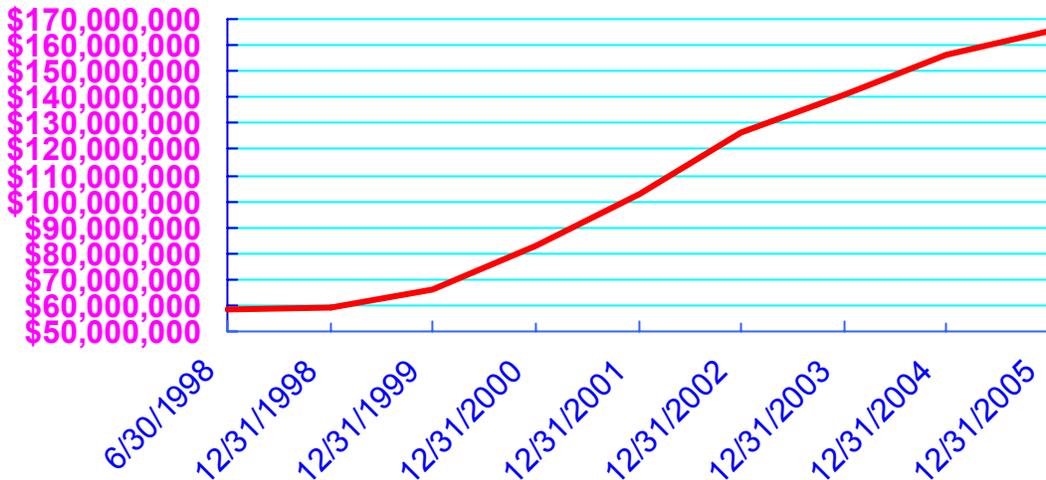
has the Trust performed?

The Ho-Chunk Nation Minor's Trust Fund has continued to perform very well during our moderately growing economy. The fixed income market has low inflation expectations. In response, the maturities in the portfolio have been slightly lengthened. For the past 12 months, the portfolio's benchmark, the Lehman Brothers Intermediate/Corporate Index for A-rated or better bonds, returned +1.71%, while the Trust returned +2.19% before advisory fee. Even after subtracting the advisory fee, the Trust was still ahead of its index, with a net of advisory fee return of +2.04%.

The portfolio's holdings have been broadened to about 150 different bonds. This helps us avoid over-committing to any one sector of the bond market. Many of the new holdings are asset-backed securities, which means that the bond is secured by collateral, such as home mortgages. These asset-backed securities are attractive relative values at this time, in that most are rated AAA, yet offer yields comparable to other corporate bond alternatives. A higher yielding, higher quality portfolio is one of the strategies the manager is executing to provide total return from the portfolio. As always, we invest only in U.S. government bonds, as well as bonds issued by extremely creditworthy corporations. The Minor's Trust is well-positioned for the long term, and will continue to meet the needs of its participants for the years ahead.

Historical asset growth: 6/30/98 to 12/31/05

Below is a graph of the Ho-Chunk Nation Minor's Trust Fund market value, since inception, *net of advisory fee*.



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Trust Performance Update