

Return of Organization Exempt From Income Tax

2005

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

The organization may have to use a copy of this return to satisfy state reporting requirements

A For the **2005** calendar year, or tax year beginning and ending

B Check if applicable:
 Address change
 Name change
 Initial return
 Final return
 Amended return
 Application pending

C Name of organization
THE HEARTLAND INSTITUTE
 Number and street (or P O box if mail is not delivered to street address) Room/suite
19 SOUTH LA SALLE STREET 903
 City or town, state or country, and ZIP + 4
CHICAGO, IL 60603

D Employer identification number
36-3309812

E Telephone number
(312) 377-4000

F Accounting method: Cash Accrual
 Other (specify)

G Website: **WWW.HEARTLAND.ORG**

J Organization type (check only one) 501(c) (3) (insert no) 4947(a)(1) or 527

K Check here if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS, but if the organization chooses to file a return, be sure to file a complete return. Some states require a complete return.

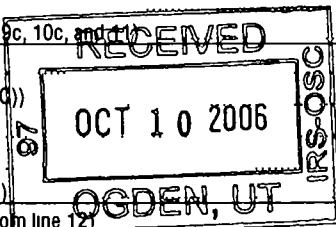
L Gross receipts. Add lines 6b, 8b, 9b, and 10b to line 12 **4,520,884.**

H and **I** are not applicable to section 527 organizations
H(a) Is this a group return for affiliates? Yes No
H(b) If "Yes," enter number of affiliates **N/A**
H(c) Are all affiliates included? **N/A** Yes No (If "No," attach a list)
H(d) Is this a separate return filed by an organization covered by a group ruling? Yes No
I Group Exemption Number **N/A**

M Check if the organization is not required to attach Sch B (Form 990, 990-EZ, or 990-PF)

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances

Revenue					
1	Contributions, gifts, grants, and similar amounts received				
a	Direct public support	1a	4,242,949.		
b	Indirect public support	1b			
c	Government contributions (grants)	1c			
d	Total (add lines 1a through 1c) (cash \$ 4,242,949. noncash \$ _____)	1d	4,242,949.		
2	Program service revenue including government fees and contracts (from Part VII, line 93)	2	229,650.		
3	Membership dues and assessments	3	29,943.		
4	Interest on savings and temporary cash investments	4	1,401.		
5	Dividends and interest from securities	5			
6 a	Gross rents	6a			
b	Less rental expenses	6b			
c	Net rental income or (loss) (subtract line 6b from line 6a)	6c			
7	Other investment income (describe _____)	7			
8 a	Gross amount from sales of assets other than inventory	(A) Securities		(B) Other	
b	Less cost or other basis and sales expenses	8a			
c	Gain or (loss) (attach schedule)	8b			
d	Net gain or (loss) (combine line 8c, columns (A) and (B))	8c			
8d		8d			
9	Special events and activities (attach schedule) If any amount is from gaming, check here <input type="checkbox"/>				
a	Gross revenue (not including \$ _____ of contributions reported on line 1a)	9a			
b	Less direct expenses other than fundraising expenses	9b			
c	Net income or (loss) from special events (subtract line 9b from line 9a)	9c			
10 a	Gross sales of inventory, less returns and allowances	10a			
b	Less cost of goods sold	10b			
c	Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	10c			
11	Other revenue (from Part VII, line 103)	11	16,941.		
12	Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	12	4,520,884.		
13	Program services (from line 44, column (B))	13	2,000,981.		
14	Management and general (from line 44, column (C))	14	172,667.		
15	Fundraising (from line 44, column (D))	15	195,147.		
16	Payments to affiliates (attach schedule)	16			
17	Total expenses (add lines 16 and 44, column (A))	17	2,368,795.		
18	Excess or (deficit) for the year (subtract line 17 from line 12)	18	2,152,089.		
19	Net assets or fund balances at beginning of year (from line 73, column (A))	19	33,696.		
20	Other changes in net assets or fund balances (attach explanation)	20	0.		
21	Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21	2,185,785.		



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Part II Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22 Grants and allocations (attach schedule) (cash \$ <u>0</u> noncash \$ <u>0</u>) If this amount includes foreign grants, check here <input type="checkbox"/>				
23 Specific assistance to individuals (attach schedule)				
24 Benefits paid to or for members (attach schedule)				
25 Compensation of officers, directors, etc.	80,797.	60,597.	12,120.	8,080.
26 Other salaries and wages	670,438.	517,854.	85,540.	67,044.
27 Pension plan contributions				
28 Other employee benefits				
29 Payroll taxes				
30 Professional fundraising fees				
31 Accounting fees				
32 Legal fees				
33 Supplies	34,317.	8,882.	21,287.	4,148.
34 Telephone	7,881.	6,439.	815.	627.
35 Postage and shipping	489,713.	473,543.	1,802.	14,368.
36 Occupancy	89,839.	69,176.	11,679.	8,984.
37 Equipment rental and maintenance				
38 Printing and publications	420,568.	413,960.	1,517.	5,091.
39 Travel	203,930.	114,245.	6,550.	83,135.
40 Conferences, conventions, and meetings				
41 Interest	3,265.		3,265.	
42 Depreciation, depletion, etc. (attach schedule)				
43 Other expenses not covered above (itemize):				
a OTHER EXPENSES	20,108.	3,460.	12,978.	3,670.
b SUBCONTRACTOR,				
c WRITERS, EDITORS	347,939.	332,825.	15,114.	
d				
e				
f				
g				
44 Total functional expenses. Add lines 22 through 43. (Organizations completing columns (B)-(D), carry these totals to lines 13-15)	2,368,795.	2,000,981.	172,667.	195,147.

Joint Costs. Check if you are following SOP 98-2.

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? Yes No
 If "Yes," enter (i) the aggregate amount of these joint costs \$ N/A, (ii) the amount allocated to Program services \$ N/A,
 (iii) the amount allocated to Management and general \$ N/A, and (iv) the amount allocated to Fundraising \$ N/A

Part III Statement of Program Service Accomplishments (See the instructions.)

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

What is the organization's primary exempt purpose? ▶	Program Service Expenses (Required for 501(c)(3) and (4) orgs, and 4947(a)(1) trusts, but optional for others)
RESEARCH & WRITING ON PUBLIC POLICY ISSUES All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)	
a PUBLICATIONS - RESEARCH & WRITING ON PUBLIC POLICY ISSUES. HEARTLAND PRODUCED FOUR NEWSLETTERS, FOUR MONTHLY NEWSPAPERS AND FOUR POLICY REPORTS IN 2005.	
(Grants and allocations \$) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	1,460,636.
b INTERNET PROJECTS - HEARTLAND OPERATED A FREE WEB-BASED RESEARCH SERVICE IN 2005 AND HAD AN EXTENSIVE INTERNET PRESENCE.	
(Grants and allocations \$) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	235,343.
c MEMBER SERVICES - SEMINARS AND EVENTS FOR HEARTLAND MEMBERS AND THE PUBLIC, A MONTHLY MEMBERSHIP NEWSLETTER AND SIMILAR ACTIVITIES.	
(Grants and allocations \$) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	211,758.
d SPEAKERS BUREAU - HEARTLAND OFFERS ITS SENIOR FELLOWS AND STAFF MEMBERS AS SPEAKERS FOR EVENTS HOSTED BY OTHER ORGANIZATIONS. THE SPEAKERS BUREAU PRODUCED 32 SPEAKING ENGAGEMENTS IN 2005.	
(Grants and allocations \$) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	93,244.
e Other program services (attach schedule)	
(Grants and allocations \$) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	
f Total of Program Service Expenses (should equal line 44, column (B), Program services) ▶	2,000,981.

Part IV Balance Sheets (See the instructions.)

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

		(A) Beginning of year	(B) End of year
Assets	45 Cash - non-interest-bearing	13,378.	45 1,050,147.
	46 Savings and temporary cash investments		46
	47 a Accounts receivable	47a 121,791.	
	b Less: allowance for doubtful accounts	47b	47c 121,791.
	48 a Pledges receivable	48a	
	b Less: allowance for doubtful accounts	48b	48c
	49 Grants receivable		49
	50 Receivables from officers, directors, trustees, and key employees		50
	51 a Other notes and loans receivable	51a	
	b Less: allowance for doubtful accounts	51b	51c
	52 Inventories for sale or use		52
	53 Prepaid expenses and deferred charges		53 27,103.
	54 Investments - securities STMT 1 <input type="checkbox"/> Cost <input checked="" type="checkbox"/> FMV		54 0. 980,390.
	55 a Investments - land, buildings, and equipment: basis	55a	
	b Less: accumulated depreciation	55b	55c
56 Investments - other		56	
57 a Land, buildings, and equipment: basis	57a 158,037.		
b Less: accumulated depreciation	57b 116,794.	57c 41,243.	
58 Other assets (describe ► SECURITY DEPOSIT)	6,000.	58 6,000.	
59 Total assets (must equal line 74). Add lines 45 through 58	100,707.	59 2,226,674.	
Liabilities	60 Accounts payable and accrued expenses	67,011.	60 40,889.
	61 Grants payable		61
	62 Deferred revenue		62
	63 Loans from officers, directors, trustees, and key employees		63
	64 a Tax-exempt bond liabilities		64a
	b Mortgages and other notes payable		64b
	65 Other liabilities (describe ►)		65
66 Total liabilities. Add lines 60 through 65)	67,011.	66 40,889.	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.		
	67 Unrestricted	33,696.	67 185,785.
	68 Temporarily restricted		68 2,000,000.
	69 Permanently restricted		69
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74.		
	70 Capital stock, trust principal, or current funds		70
	71 Paid-in or capital surplus, or land, building, and equipment fund		71
	72 Retained earnings, endowment, accumulated income, or other funds		72
73 Total net assets or fund balances (add lines 67 through 69 or lines 70 through 72, column (A) must equal line 19, column (B) must equal line 21)	33,696.	73 2,185,785.	
74 Total liabilities and net assets/fund balances. Add lines 66 and 73	100,707.	74 2,226,674.	

Part IV-A Reconciliation of Revenue per Audited Financial Statements With Revenue per Return (See the instructions.)

a	Total revenue, gains, and other support per audited financial statements		a	4,520,884.
b	Amounts included on line a but not on Part I, line 12:			
1	Net unrealized gains on investments	b1		
2	Donated services and use of facilities	b2		
3	Recoveries of prior year grants	b3		
4	Other (specify): _____	b4		
	Add lines b1 through b4		b	0.
c	Subtract line b from line a		c	4,520,884.
d	Amounts included on Part I, line 12, but not on line a:			
1	Investment expenses not included on Part I, line 6b	d1		
2	Other (specify): _____	d2		
	Add lines d1 and d2		d	0.
e	Total revenue (Part I, line 12). Add lines c and d		e	4,520,884.

Part IV-B Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

a	Total expenses and losses per audited financial statements		a	2,368,795.
b	Amounts included on line a but not on Part I, line 17:			
1	Donated services and use of facilities	b1		
2	Prior year adjustments reported on Part I, line 20	b2		
3	Losses reported on Part I, line 20	b3		
4	Other (specify): _____	b4		
	Add lines b1 through b4		b	0.
c	Subtract line b from line a		c	2,368,795.
d	Amounts included on Part I, line 17, but not on line a:			
1	Investment expenses not included on Part I, line 6b	d1		
2	Other (specify): _____	d2		
	Add lines d1 and d2		d	0.
e	Total expenses (Part I, line 17). Add lines c and d		e	2,368,795.

Part V-A Current Officers, Directors, Trustees, and Key Employees (List each person who was an officer, director, trustee, or key employee at any time during the year even if they were not compensated.) (See the instructions.)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (If not paid, enter -0-.)	(D) Contributions to employee benefit plans & deferred compensation plans	(E) Expense account and other allowances
SEE STATEMENT 2		80,797.	0.	0.

Part V-A Current Officers, Directors, Trustees, and Key Employees (continued) Yes No

75 a Enter the total number of officers, directors, and trustees permitted to vote on organization business at board meetings 0
b Are any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, related to each other through family or business relationships? SEE STATEMENT 3
c Do any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, receive compensation from any other organizations, whether tax exempt or taxable, that are related to this organization through common supervision or common control?
Note. Related organizations include section 509(a)(3) supporting organizations
If "Yes," attach a statement that identifies the individuals, explains the relationship between this organization and the other organization(s), and describes the compensation arrangements, including amounts paid to each individual by each related organization.
d Does the organization have a written conflict of interest policy?

Part V-B Former Officers, Directors, Trustees, and Key Employees That Received Compensation or Other Benefits (If any former officer, director, trustee, or key employee received compensation or other benefits (described below) during the year, list that person below and enter the amount of compensation or other benefits in the appropriate column. See the instructions)

Table with 5 columns: (A) Name and address, (B) Loans and Advances, (C) Compensation, (D) Contributions to employee benefit plans & deferred compensation plans, (E) Expense account and other allowances. Row 1: NONE

Part VI Other Information (See the instructions.) Yes No

76 Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity
77 Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes.
78 a Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?
b If "Yes," has it filed a tax return on Form 990-T for this year?
79 Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement
80 a Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?
b If "Yes," enter the name of the organization N/A and check whether it is [] exempt or [] nonexempt
81 a Enter direct or indirect political expenditures. (See line 81 instructions) 81a 0
b Did the organization file Form 1120-POL for this year?

Part VI Other Information (continued)

		Yes	No
82 a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?		X
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.)		
82b	N/A		
83 a	Did the organization comply with the public inspection requirements for returns and exemption applications?	X	
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	X	
83b			
84 a	Did the organization solicit any contributions or gifts that were not tax deductible?		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
84b	N/A		
85	501(c)(4), (5), or (6) organizations. a Were substantially all dues nondeductible by members?		
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less? If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.		
85a	N/A		
c	Dues, assessments, and similar amounts from members		
85c	N/A		
d	Section 162(e) lobbying and political expenditures		
85d	N/A		
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices		
85e	N/A		
f	Taxable amount of lobbying and political expenditures (line 85d less 85e)		
85f	N/A		
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?		
85g	N/A		
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?		
85h	N/A		
86	501(c)(7) organizations. Enter: a Initiation fees and capital contributions included on line 12		
86a	N/A		
b	Gross receipts, included on line 12, for public use of club facilities		
86b	N/A		
87	501(c)(12) organizations. Enter: a Gross income from members or shareholders		
87a	N/A		
b	Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.)		
87b	N/A		
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX		X
88			
89 a	501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under: section 4911 ▶ 0., section 4912 ▶ 0., section 4955 ▶ 0.		
b	501(c)(3) and 501(c)(4) organizations. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction		X
89b			
c	Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958		0.
d	Enter: Amount of tax on line 89c, above, reimbursed by the organization		0.
90 a	List the states with which a copy of this return is filed ▶ IL		
90b	Number of employees employed in the pay period that includes March 12, 2005		13
91 a	The books are in care of ▶ THE HEARTLAND INSTITUTE Telephone no ▶ (312) 377-4000 Located at ▶ 19 SOUTH LA SALLE STREET, #903, CHICAGO, IL ZIP + 4 ▶ 60603		
b	At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? If "Yes," enter the name of the foreign country ▶ N/A See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		X
91b			
c	At any time during the calendar year, did the organization maintain an office outside of the United States? If "Yes," enter the name of the foreign country ▶ N/A		X
91c			
92	Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041- Check here and enter the amount of tax-exempt interest received or accrued during the tax year		
92			N/A

Part VII Analysis of Income-Producing Activities (See the instructions.)

Note: Enter gross amounts unless otherwise indicated.

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclu- sion code	(D) Amount	
93 Program service revenue:					
a PUBLICATIONS/RESEARCH	511110	62,128.			149,641.
b POLICY BOT/INTERNET					17,881.
c PUBLICATIONS/RESEARCH					
d SPEAKERS BUREAU					
e _____					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					29,943.
95 Interest on savings and temporary cash investments					1,401.
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue:					
a DONATED EQUIPMENT					16,941.
b _____					
c _____					
d _____					
e _____					
104 Subtotal (add columns (B), (D), and (E))		62,128.		0.	215,807.
105 Total (add line 104, columns (B), (D), and (E))					277,935.

Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See the instructions.)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).
93A	ANNUAL FUNDRAISER & OTHER PUBLIC EVENTS EDUCATES ATTENDEES AS WELL AS
93B	HEARTLAND DISSEMINATES ITS RESEARCH THRU PUBLICATIONS & PUBLIC EVENTS.
94	MEMBER DUES QUALIFY MEMBERS FOR FREE PUBLICATIONS & EVENT DISCOUNTS.
95	INTEREST IS EARNED INCIDENTAL TO FUNDRAISING & PROGRAM ACTIVITIES.

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See the instructions.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See the instructions.)

- (a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No
- (b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No
- Note:** If "Yes" to (b), file Form 8870 and Form 4720 (see instructions).

Please Sign Here: Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature of officer: *[Signature]* Date: 9/27/06 Type or print name and title: Joseph Bast, President

Paid Preparer's Use Only: Preparer's signature: *[Signature]* Date: 09/20/06 Check if self-employed: Preparer's SSN or PTIN: _____

Firm's name (or yours if self-employed), address, and ZIP + 4: JAMES F. SEXTON & ASSOCIATES, LTD. 941 N. PLUM GROVE RD STE A SCHAUMBURG, IL 60173

EIN: _____ Phone no.: (847) 605-0700

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Organization Exempt Under Section 501(c)(3)

(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or 4947(a)(1) Nonexempt Charitable Trust

Supplementary Information-(See separate instructions.)

▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ**

OMB No 1545-0047

2005

Name of the organization: **THE HEARTLAND INSTITUTE** Employer identification number: **36 3309812**

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees
(See page 1 of the instructions. List each one. If there are none, enter "None.")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
<u>JOSEPH L. BAST</u> <u>900 EAST WILMETTE RD #124 PALATINE IL</u>	<u>PRESIDENT</u> <u>40.00</u>	<u>80,797.</u>		
<u>DIANE C. BAST</u> <u>900 EAST WILMETTE RD #124 PALATINE IL</u>	<u>VICE PRESIDENT</u> <u>40.00</u>	<u>65,000.</u>		
<u>NICOLETTE M. COMERFORD</u> <u>597 GREEN OAKS DR CRYSTAL LAKE, IL</u>	<u>PUBLISHER</u> <u>40.00</u>	<u>61,234.</u>		
<u>SEAN D. PARNELL</u> <u>1621 WHITEHALL CT. WHEELING IL</u>	<u>VP-EXTERNAL AFFAIRS</u> <u>40.00</u>	<u>80,277.</u>		
Total number of other employees paid over \$50,000 ▶		0		

Part II-A Compensation of the Five Highest Paid Independent Contractors for Professional Services
(See page 2 of the instructions. List each one (whether individuals or firms). If there are none, enter "None.")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
<u>NONE</u>		
Total number of others receiving over \$50,000 for professional services ▶		0

Part II-B Compensation of the Five Highest Paid Independent Contractors for Other Services
(List each contractor who performed services other than professional services, whether individuals or firms. If there are none, enter "None." See page 2 of the instructions.)

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
<u>NONE</u>		
Total number of other contractors receiving over \$50,000 for other services ▶		0

Part III Statements About Activities (See page 2 of the instructions.)

	Yes	No
1 During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ▶ \$ _____ \$ _____ (Must equal amounts on line 38, Part VI-A, or line i of Part VI-B.) Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes" must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities.		X
2 During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions.)		
a Sale, exchange, or leasing of property?		X
b Lending of money or other extension of credit?		X
c Furnishing of goods, services, or facilities? SEE STATEMENT 4	X	
d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?		X
e Transfer of any part of its income or assets?		X
3 a Do you make grants for scholarships, fellowships, student loans, etc.? (If "Yes," attach an explanation of how you determine that recipients qualify to receive payments.)		X
b Do you have a section 403(b) annuity plan for your employees?		X
c During the year, did the organization receive a contribution of qualified real property interest under section 170(h)?		X
4 a Did you maintain any separate account for participating donors where donors have the right to provide advice on the use or distribution of funds?		X
b Do you provide credit counseling, debt management, credit repair, or debt negotiation services?		X

Part IV Reason for Non-Private Foundation Status (See pages 3 through 6 of the instructions.)

- The organization is not a private foundation because it is: (Please check only **ONE** applicable box.)
- 5 A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
 - 6 A school. Section 170(b)(1)(A)(ii). (Also complete Part V.)
 - 7 A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
 - 8 A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
 - 9 A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state ▶ _____
 - 10 An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the **Support Schedule** in Part IV-A.)
 - 11a An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
 - 11b A community trust. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
 - 12 An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the **Support Schedule** in Part IV-A.)
 - 13 An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in: (1) lines 5 through 12 above; or (2) sections 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2). Check the box that describes the type of supporting organization: ▶ Type 1 Type 2 Type 3

Provide the following information about the supported organizations. (See page 6 of the instructions.)

(a) Name(s) of supported organization(s)	(b) Line number from above

- 14 An organization organized and operated to test for public safety. Section 509(a)(4). (See page 6 of the instructions.)

Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12.) Use cash method of accounting.
 Note: You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting.

Calendar year (or fiscal year beginning in)	(a) 2004	(b) 2003	(c) 2002	(d) 2001	(e) Total
15 Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)	1,753,416.	1,546,170.	1,254,137.	1,103,375.	5,657,098.
16 Membership fees received	33,196.	28,945.	28,516.	24,910.	115,567.
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose	211,980.	316,026.	329,152.	334,163.	1,191,321.
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975	2,819.	1,700.	177.	5,381.	10,077.
19 Net income from unrelated business activities not included in line 18	<93,628.>	<92,239.>	<59,213.>	<10,201.>	<255,281.>
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge					
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets	15,000.		SEE STATEMENT 5	178,000.	193,000.
23 Total of lines 15 through 22	1,922,783.	1,800,602.	1,552,769.	1,635,628.	6,911,782.
24 Line 23 minus line 17	1,710,803.	1,484,576.	1,223,617.	1,301,465.	5,720,461.
25 Enter 1% of line 23	19,228.	18,006.	15,528.	16,356.	
26 Organizations described on lines 10 or 11: a Enter 2% of amount in column (e), line 24					26a N/A
b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 2001 through 2004 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts					26b N/A
c Total support for section 509(a)(1) test: Enter line 24, column (e)					26c N/A
d Add: Amounts from column (e) for lines: 18 _____ 19 _____ 22 _____ 26b _____					26d N/A
e Public support (line 26c minus line 26d total)					26e N/A
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))					26f N/A %
27 Organizations described on line 12: a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," prepare a list for your records to show the name of, and total amounts received in each year from, each "disqualified person." Do not file this list with your return. Enter the sum of such amounts for each year: (2004) 349,633. (2003) 309,392. (2002) 239,381. (2001) 329,678.					
b For any amount included in line 17 that was received from each person (other than "disqualified persons"), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11b, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year: (2004) 0. (2003) 0. (2002) 0. (2001) 0.					
c Add: Amounts from column (e) for lines: 15 5,657,098. 16 115,567. 17 1,191,321. 20 _____ 21 _____					27c 6,963,986.
d Add: Line 27a total 1,228,084. and line 27b total 0.					27d 1,228,084.
e Public support (line 27c total minus line 27d total)					27e 5,735,902.
f Total support for section 509(a)(2) test: Enter amount on line 23, column (e)					27f 6,911,782.
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))					27g 82.9873%
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))					27h .1458%
28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 2001 through 2004, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15.					NONE

Part V Private School Questionnaire (See page 7 of the instructions)

N/A

(To be completed ONLY by schools that checked the box on line 6 in Part IV)

		Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?		
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?		
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes," please describe, if "No," please explain (If you need more space, attach a separate statement)		

32	Does the organization maintain the following		
a	Records indicating the racial composition of the student body, faculty, and administrative staff?	32a	
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	32b	
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	32c	
d	Copies of all material used by the organization or on its behalf to solicit contributions? If you answered "No" to any of the above, please explain (If you need more space, attach a separate statement)	32d	

33	Does the organization discriminate by race in any way with respect to		
a	Students' rights or privileges?	33a	
b	Admissions policies?	33b	
c	Employment of faculty or administrative staff?	33c	
d	Scholarships or other financial assistance?	33d	
e	Educational policies?	33e	
f	Use of facilities?	33f	
g	Athletic programs?	33g	
h	Other extracurricular activities? If you answered "Yes" to any of the above, please explain (If you need more space, attach a separate statement)	33h	

34 a	Does the organization receive any financial aid or assistance from a governmental agency?	34a	
b	Has the organization's right to such aid ever been revoked or suspended? If you answered "Yes" to either 34a or b, please explain using an attached statement	34b	
35	Does the organization certify that it has complied with the applicable requirements of sections 4 01 through 4 05 of Rev Proc 75-50, 1975-2 C B 587, covering racial nondiscrimination? If "No," attach an explanation	35	

Part VI-A Lobbying Expenditures by Electing Public Charities (See page 9 of the instructions)

N/A

(To be completed ONLY by an eligible organization that filed Form 5768)

Check a if the organization belongs to an affiliated group Check b if you checked "a" and "limited control" provisions apply

Limits on Lobbying Expenditures		(a) Affiliated group totals	(b) To be completed for ALL electing organizations
(The term "expenditures" means amounts paid or incurred)		N/A	
36	Total lobbying expenditures to influence public opinion (grassroots lobbying)	36	
37	Total lobbying expenditures to influence a legislative body (direct lobbying)	37	
38	Total lobbying expenditures (add lines 36 and 37)	38	
39	Other exempt purpose expenditures	39	
40	Total exempt purpose expenditures (add lines 38 and 39)	40	
41	Lobbying nontaxable amount Enter the amount from the following table -		
	If the amount on line 40 is -		
	The lobbying nontaxable amount is -		
	Not over \$500,000		20% of the amount on line 40
	Over \$500,000 but not over \$1,000,000		\$100,000 plus 15% of the excess over \$500,000
	Over \$1,000,000 but not over \$1,500,000		\$175,000 plus 10% of the excess over \$1,000,000
	Over \$1,500,000 but not over \$17,000,000		\$225,000 plus 5% of the excess over \$1,500,000
	Over \$17,000,000		\$1,000,000
42	Grassroots nontaxable amount (enter 25% of line 41)	42	
43	Subtract line 42 from line 36 Enter -0- if line 42 is more than line 36	43	
44	Subtract line 41 from line 38 Enter -0- if line 41 is more than line 38	44	

Caution: If there is an amount on either line 43 or line 44, you must file Form 4720.

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below See the instructions for lines 45 through 50 on page 11 of the instructions)

Calendar year (or fiscal year beginning in)	Lobbying Expenditures During 4-Year Averaging Period				N/A (e) Total
	(a) 2005	(b) 2004	(c) 2003	(d) 2002	
45 Lobbying nontaxable amount					0.
46 Lobbying ceiling amount (150% of line 45(e))					0.
47 Total lobbying expenditures					0.
48 Grassroots nontaxable amount					0.
49 Grassroots ceiling amount (150% of line 48(e))					0.
50 Grassroots lobbying expenditures					0.

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI-A) (See page 11 of the instructions)

N/A

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of

- a Volunteers
- b Paid staff or management (Include compensation in expenses reported on lines c through h.)
- c Media advertisements
- d Mailings to members, legislators, or the public
- e Publications, or published or broadcast statements
- f Grants to other organizations for lobbying purposes
- g Direct contact with legislators, their staffs, government officials, or a legislative body
- h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means
- i Total lobbying expenditures (Add lines c through h.)

Yes	No	Amount
		0.

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities

Part VII Information Regarding Transfers To and Transactions and Relationships With Noncharitable

Exempt Organizations (See page 12 of the instructions)

51 Did the reporting organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?

a Transfers from the reporting organization to a noncharitable exempt organization of

Table with 3 columns: Question, Yes, No. Rows include 51a(i), a(ii), b(i), b(ii), b(iii), b(iv), b(v), b(vi), and c.

(i) Cash

(ii) Other assets

b Other transactions

(i) Sales or exchanges of assets with a noncharitable exempt organization

(ii) Purchases of assets from a noncharitable exempt organization

(iii) Rental of facilities, equipment, or other assets

(iv) Reimbursement arrangements

(v) Loans or loan guarantees

(vi) Performance of services or membership or fundraising solicitations

c Sharing of facilities, equipment, mailing lists, other assets, or paid employees

d If the answer to any of the above is "Yes," complete the following schedule. Column (b) should always show the fair market value of the goods, other assets, or services given by the reporting organization. If the organization received less than fair market value in any transaction or sharing arrangement, show in column (d) the value of the goods, other assets, or services received.

N/A

Main table for question 51d with columns: (a) Line no, (b) Amount involved, (c) Name of noncharitable exempt organization, (d) Description of transfers, transactions, and sharing arrangements.

52 a Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527?

Yes No (X) No

b If "Yes," complete the following schedule N/A

Table for question 52b with columns: (a) Name of organization, (b) Type of organization, (c) Description of relationship.

FORM 990	GOVERNMENT SECURITIES	STATEMENT	1
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DESCRIPTION	COST/FMV	U.S. GOVERNMENT	STATE AND LOCAL GOV'T	TOTAL GOV'T SECURITIES
U.S. TREASURY BOND	FMV	980,390.		980,390.
TOTAL TO FORM 990, LINE 54, COL B		980,390.		980,390.

FORM 990	PART V - LIST OF OFFICERS, DIRECTORS, TRUSTEES AND KEY EMPLOYEES	STATEMENT	2
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NAME AND ADDRESS	TITLE AND AVRG HRS/WK	COMPEN- SATION	EMPLOYEE BEN PLAN CONTRIB	EXPENSE ACCOUNT
JOSEPH BAST 600 EAST WILMETTE ROAD #124 PALATINE, IL 60074	PRESIDENT 40.00	80,797.	0.	0.
ROBERT BUFORD 1333 N. KINGSBURY AVENUE #301 CHICAGO, IL 60622	DIRECTOR 0.00	0.	0.	0.
WALTER BUCHHOLTZ 2000 K STREET NW #713 WASHINGTON D.C. 20006	GOVT REALTIONS ADVISOR 0.00	0.	0.	0.
PAUL FISHER 77 WEST WACKER DRIVE, SUITE 4400 CHICAGO, IL 60601	HEAD OF REAL ESTATE 0.00	0.	0.	0.
JAMES FITZGERALD 1629 COLONIAL PARKWAY INVERNESS, IL 60067	MANAGING DIRECTOR 0.00	0.	0.	0.
DAN HALES 711 OAK STREET, SUITE 102 WINNETKA, IL 60093	ATTORNEY 0.00	0.	0.	0.
WILLIAM HIGGINSON 990 NORTH LAKE SHORE DRIVE #11B CHICAGO, IL 60611	DIRECTOR 0.00	0.	0.	0.
JAMES JOHNSTON 2143 CHESTNUT AVENUE WILMETTE, IL 60091	DIRECTOR 0.00	0.	0.	0.

ROY MARDEN 330 EAST 46TH STREET, SUITE 4J NEW YORK, NY 10017	DIRECTOR 0.00	0.	0.	0.
DAVID PADDEN 100 WEST MONROE, SUITE 706 CHICAGO, IL 60603	DIRECTOR 0.00	0.	0.	0.
FRANK RESNIK 175 EAST DELAWARE PLACE CHICAGO, IL 60611	DIRECTOR 0.00	0.	0.	0.
ELIZABETH ROSE 2110 GUY STREET SAN DIEGO, CA 92103-1539	DIRECTOR 0.00	0.	0.	0.
HERBERT WALBERG 180 EAST PEARSON STREET, SUITE 3607 CHICAGO, IL 60611	CHAIRMAN 0.00	0.	0.	0.
RAJEEV BAL 501 WEST MICHIGAN MILWAUKEE, WI 53201-3050	DIRECTOR 0.00	0.	0.	0.
THOMAS WALTON 300 RENAISSANCE CENTER, MC 482-C27-C81 DETROIT, MI 48265-3000	DIRECTOR 0.00	0.	0.	0.
BIJU GEORGE KULATHAKAL 211 EAST OHIO, # 603 CHICAGO, IL 60611	DIRECTOR 0.00	0.	0.	0.
TOTALS INCLUDED ON FORM 990, PART V		<u>80,797.</u>	<u>0.</u>	<u>0.</u>

SCHEDULE A	OTHER INCOME			STATEMENT	3
DESCRIPTION	2004 AMOUNT	2003 AMOUNT	2002 AMOUNT	2001 AMOUNT	
LAPSED TIME RESTRICTIONS	15,000.	0.	0.	178,000.	
TOTAL TO SCHEDULE A, LINE 22	<u>15,000.</u>	<u>0.</u>	<u>0.</u>	<u>178,000.</u>	

FORM 990

EXPLANATION OF RELATIONSHIP
PART V-A, LINE 75B

STATEMENT 3

INDIVIDUAL'S NAME

TITLE OR ROLE

JOSEPH L. BAST

PRESIDENT

INDIVIDUAL'S NAME

TITLE OR ROLE

DIANE C. BAST

VICE PRESIDENT

EXPLANATION OF RELATIONSHIP

HUSBAND & WIFE

SCHEDULE A	EXPLANATION OF TRANSACTIONS PART III, LINE 2C	STATEMENT	4
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PAYMENTS OF \$12,000 TO ENTERPRISE LOGIC SYSTEMS, OWNED BY DIRECTOR -
BIJU KULATHAKAL, FOR WEBSITE DESIGN.

SCHEDULE A	OTHER INCOME			STATEMENT 5
DESCRIPTION	2004 AMOUNT	2003 AMOUNT	2002 AMOUNT	2001 AMOUNT
LAPSED TIME RESTRICTIONS	15,000.	0.	0.	178,000.
TOTAL TO SCHEDULE A, LINE 22	15,000.	0.	0.	178,000.

If you are filing for an Additional (not automatic) 3-Month Extension, complete only Part II and check this box

Note: Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.

If you are filing for an Automatic 3-Month Extension, complete only Part I (on page 1).

Part II Additional (not automatic) 3-Month Extension of Time - Must file Original and One Copy. Name of Exempt Organization: THE HEARTLAND INSTITUTE. Employer identification number: 36-3309812. Address: 19 SOUTH LA SALLE STREET, NO. 903 CHICAGO, IL 60603.

Check type of return to be filed (File a separate application for each return):

- Form 990 (checked), Form 990-EZ, Form 990-T (sec. 401(a) or 408(a) trust), Form 1041-A, Form 5227, Form 8870, Form 990-BL, Form 990-PF, Form 990-T (trust other than above), Form 4720, Form 6069.

STOP: Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

The books are in the care of THE HEARTLAND INSTITUTE. Telephone No. (312) 377-4000. FAX No. If the organization does not have an office or place of business in the United States, check this box. If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN). I request an additional 3-month extension of time until NOVEMBER 15, 2006. For calendar year 2005, or other tax year beginning and ending. If this tax year is for less than 12 months, check reason: Initial return, Final return, Change in accounting period. State in detail why you need the extension.

ADDITIONAL INFORMATION NEEDED TO PREPARE A COMPLETE AND ACCURATE TAX RETURN WAS NOT AVAILABLE AT THIS TIME.

8a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions. b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868. c Balance Due. Subtract line 8b from line 8a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature: James Sexton Title: CPA Date: 8/12/06

Notice to Applicant - To Be Completed by the IRS

- We have approved this application. Please attach this form to the organization's return. We have not approved this application. However, we have granted a 10-day grace period from the later of the date shown below or the due date of the organization's return (including any prior extensions). This grace period is considered to be a valid extension of time for elections otherwise required to be made on a timely return. Please attach this form to the organization's return. We have not approved this application. After considering the reasons stated in item 7, we cannot grant your request for an extension of time to file. We are not granting a 10-day grace period. We cannot consider this application because it was filed after the extended due date of the return for which an extension was requested. Other

Director By: Date

Alternate Mailing Address - Enter the address if you want the copy of this application for an additional 3-month extension returned to an address different than the one entered above.

Name: JAMES F. SEXTON & ASSOC. LTD. Number and street (include suite, room, or apt. no.) or a P.O. box number: 941 N. PLUM GROVE RD., STE A City or town, province or state, and country (including postal or ZIP code): SCHAUMBURG, IL 60173

523832 05-01-05

EXTENSION APPROVED SEP 07 2006 SUBMISSION PROCESSING OFFICE