NEW ISSUE **RATING: Standard & Poor's: AA**
Book-Entry-Only **(See "RATING" herein)**

In the opinion of Hall, Render, Killian, Heath & Lyman, P.C., Indianapolis, Indiana ("Bond Counsel"), under existing laws, interest on the Series 2009D Bonds (as hereafter 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 2009D Bonds. In the opinion of Bond Counsel under existing laws, interest on the Series 2009D Bonds is exempt from income taxation in the State of Indiana for all purposes except the Indiana financial institutions tax. See "TAX MATTERS" and Appendix F herein.

Clark Memorial Hospital
Jewish Hospital Health Network Partner
No One Cares Like Clark.

$52,000,000
INDIANA BOND BANK
Special Program Bonds, Series 2009D
(Clark Memorial Hospital Project)

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

The Indiana Bond Bank Special Program Bonds, Series 2009D (Clark Memorial Hospital Project) (the "Series 2009D Bonds") will bear interest from their date to their respective maturities in the amounts and at the rates set forth on the inside front cover. The Series 2009D 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 Series 2009D Bonds will be made in book-entry-only form, in the denomination of $5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Series 2009D Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interests in the Series 2009D Bonds. Interest on the Series 2009D Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2010. The principal of, redemption premium, if any, and interest on the Series 2009D Bonds will be paid directly to DTC by The Bank of New York Mellon Trust Company, N.A., Indianapolis, Indiana, as trustee (the "Trustee") under the Indenture, as defined and described herein, so long as DTC or its nominee is the registered owner of the Series 2009D Bonds. The final disbursement of such payments to the Beneficial Owners of the Series 2009D Bonds will be the responsibility of the DTC Participants and the Indirect Participants, all as defined and more fully described herein under the caption "THE SERIES 2009D BONDS-Book-Entry-Only System."

The Series 2009D Bonds are being issued by the Indiana Bond Bank (the "Bond Bank") for the principal purposes of (1) providing funds for the purchase of securities of the Qualified Entity as defined and described herein; (2) funding the Reserve Requirement of the Debt Service Reserve Fund; and (3) paying costs related to the issuance of the Series 2009D Bonds, all as more fully described in this Official Statement.

Certain Series 2009D Bonds are subject to optional, mandatory sinking fund and extraordinary mandatory redemption prior to maturity as described herein under the caption "THE SERIES 2009D BONDS-Redemption."

The Series 2009D 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. The Series 2009D Bonds do not constitute a debt, liability or loan of the credit of the State of Indiana (the "State") or any political subdivision thereof, including the Qualified Entity 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 Qualified Entity. The source of payment of, and security for, the Series 2009D Bonds are more fully described herein. The Bond Bank has no taxing power.

(A detailed maturity schedule is set forth on the inside cover.)

The Series 2009D Bonds are offered when, as and if issued by the Bond Bank and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Hall, Render, Killian, Heath & Lyman, P.C., Indianapolis, Indiana, Bond Counsel. Certain legal matters will be passed on for the Bond Bank by counsel for the Issuer, Barnes & Thornburg LLP, Indianapolis, Indiana, and for the Underwriters by their counsel, Baker & Daniels LLP, Indianapolis, Indiana. It is expected that the Series 2009D Bonds will be available for delivery to DTC in New York, New York, on or about November 24, 2009.

PiperJaffray® RAYMOND JAMES

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

November 13, 2009

Maturity Schedule
$52,000,000
Indiana Bond Bank
Special Program Bonds, Series 2009D
(Clark Memorial Project)

Base CUSIP #454624

$19,660,000 Serial Bonds

Maturity Date	Principal	Interest Rate	Yield	CUSIP
02/01/10	$ 310,000	2.00%	0.95%	ZS9
08/01/10	860,000	3.00%	1.00%	ZT7
02/01/11	870,000	3.00%	1.45%	ZU4
08/01/11	885,000	4.00%	1.55%	ZV2
02/01/12	900,000	3.00%	2.05%	ZW0
08/01/12	915,000	4.00%	2.16%	ZX8
02/01/13	930,000	3.00%	2.58%	ZY6
08/01/13	950,000	4.00%	2.65%	ZZ3
02/01/14	965,000	3.00%	3.12%	A23
08/01/14	980,000	4.00%	3.20%	A31
02/01/15	1,000,000	3.50%	3.60%	A49
08/01/15	1,020,000	5.00%	3.65%	A56
02/01/16	1,045,000	4.00%	3.87%	A64
08/01/16	1,065,000	5.00%	3.90%	A72
02/01/17	1,095,000	5.00%	4.02%	A80
08/01/17	1,120,000	5.00%	4.05%	A98
02/01/18	1,150,000	4.00%	4.20%	B22
08/01/18	1,170,000	5.00%	4.25%	B30
02/01/19	1,200,000	5.00%	4.40%	B48
08/01/19	1,230,000	5.00%	4.40%*	B55

$32,340,000 Term Bonds

$2,560,000 4.50% Term Bond Due August 1, 2020, Yield 4.74%, CUSIP B71
$8,445,000 5.00% Term Bond Due August 1, 2023, Yield 5.12% CUSIP C21
$13,000,000 5.50% Term Bond Due August 1, 2029, Yield 5.30%* CUSIP B97
$8,335,000 5.00% Term Bond Due August 1, 2029, Yield 5.30% CUSIP C39

*Priced to First
Redemption Call Date

INDIANA BOND BANK

Officer of the Bond Bank
Dan Huge, Executive Director

Trustee
The Bank of New York Mellon Trust Company, N.A.
Indianapolis, Indiana

Indiana Bond Bank Counsel
Barnes & Thornburg LLP
Indianapolis, Indiana

Bond Counsel
Hall, Render, Killian, Heath & Lyman, P.C.
Indianapolis, Indiana

Financial Advisor
London Witte Group LLC
Indianapolis, Indiana

No dealer, broker, salesperson or other person has been authorized by the Bond Bank or by 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 Series 2009D 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 Series 2009D Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. 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 information contained herein under the heading "THE INDIANA BOND BANK" and "LITIGATION-Bond Bank" has been furnished by the Bond Bank. The information under the heading "BOOK-ENTRY ONLY SYSTEM" has been obtained from The Depository Trust Company ("DTC"). All other information contained herein has been obtained from the Qualified Entity, the County and the Hospital and other sources (other than the Bond Bank) which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Bond Bank, the Qualified Entity, the County or the Hospital since the date hereof.

The Series 2009D Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Indenture been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The registration or qualification of the Series 2009D Bonds in accordance with applicable provisions of securities laws of the states in which the Series 2009D Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the Series 2009D Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2009D BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE BOND BANK AND THE TERMS OF THE OFFERING, INCLUDING THE MERIT AND RISK INVOLVED. THE SERIES 2009D BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Cautionary Statements Regarding Forward-Looking Statements in this Official Statement

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statement." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or similar words. Such forward-looking statements include, among others, "BONDHOLDERS' RISKS" and Appendix C to this Official Statement.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE HOSPITAL DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN CHANGES TO THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

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OFFICIAL STATEMENT

$52,000,000
Indiana Bond Bank
Special Program Bonds, Series 2009D
(Clark Memorial Hospital Project)

INTRODUCTION

The purpose of this Official Statement, including the cover page and appendices, is to set forth certain information concerning the issuance and sale by the Indiana Bond Bank (the "Bond Bank") of its $52,000,000 aggregate principal amount of Special Program Bonds, Series 2009D (Clark Memorial Hospital Project) (the "Series 2009D Bonds") to be issued by the Bond Bank. The Series 2009D Bonds are authorized by Resolutions adopted by the Board of Directors of the Bond Bank on August 27, 2009, and October 6, 2009 (together, the "Resolutions") and are issued pursuant to the provisions of a Trust Indenture, dated as of November 1, 2009, between the Bond Bank and the Trustee (as hereinafter defined) (the "Indenture"), and the laws of the State of Indiana, including particularly Indiana Code 5-1.5 (as amended from time to time, the "Act"). The Bank of New York Mellon Trust Company, N.A., Indianapolis, Indiana, is the trustee, registrar and paying agent (the "Trustee") under the Indenture.

The proceeds from the sale of the Series 2009D Bonds will be used to provide funds to (a) purchase the Series 2009 Qualified Obligations identified in Appendix B of this Official Statement (the "Series 2009 Qualified Obligations"), (b) fund the Reserve Requirement of the Debt Service Reserve Fund, and (c) pay all of the Costs of Issuance (as defined in Appendix H) of the Series 2009D Bonds, including the underwriters' discount. See the caption "PLAN OF FINANCING."

Upon the delivery of the Series 2009D Bonds and receipt of the net proceeds therefor, the Bond Bank shall deliver to the Trustee a portion of the proceeds of the Series 2009D Bonds for deposit (1) into the Bond Issuance Expense Account, the sum of $285,000.00, to pay Costs of Issuance (other than underwriters' discount retained by the Underwriters); (2) into the Debt Service Reserve Fund, the sum of $4,201,037.50 to fund the Reserve Requirement; and (3) into the General Account $47,515,868.05 which is the remainder of the net proceeds, of which $47,407,368.05 will be used for payments to the Qualified Entity for the purchase of the Series 2009 Qualified Obligations identified in Appendix B as more fully described in this Official Statement under the captions "PLAN OF FINANCING" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009D BONDS."

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

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. Summaries of certain provisions of the Indenture and definitions of some of the capitalized words and terms used in this Official Statement are set forth in Appendix G and Appendix H. Terms not defined herein shall have the respective meanings ascribed thereto in the Indenture.

Information contained in this Official Statement with respect to the Bond Bank and the Qualified Entity and copies of the Indenture and the Authorizing Instruments (as hereinafter defined) may be obtained from the Indiana Bond Bank, 2980 Market Tower, 10 West Market Street, Indianapolis, Indiana 46204. The Bond Bank's telephone number is (317) 233-0888.

THE SERIES 2009D BONDS

General Description

The Series 2009D Bonds are issuable as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Series 2009D Bonds will carry an original date of their initial date of delivery and authentication.

Interest on the Series 2009D Bonds will be payable semi-annually on February 1 and August l of each year, commencing February 1, 2010 (each an "Interest Payment Date"). The Series 2009D Bonds will bear interest (calculated on the basis of a 30-day month and 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. If a Series 2009D Bond is authenticated on or prior to January 15, 2010, it shall bear interest from the date of original issuance of the Series 2009D Bonds. Each Series 2009D Bond authenticated after January 15, 2010, shall bear interest from the most recent Interest Payment Date to which interest has been paid on the date of authentication of such Series 2009D Bond unless such Series 2009D Bond is authenticated after a Record Date and on or before the next succeeding Interest Payment Date, in which event the Series 2009D Bond will bear interest from such next succeeding Interest Payment Date.

When issued, all Series 2009D Bonds will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests from DTC in the Series 2009D Bonds will be made in book-entry-only form (without certificates) in the denomination of $5,000 or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Series 2009D Bonds payments of the principal of and interest on the Series 2009D Bonds will be made directly by the Trustee by wire transfer of funds to Cede & Co., as nominee for DTC. Disbursement of such payments to the participants of DTC (the "DTC Participants") will be the sole responsibility of DTC, and the ultimate disbursement of such payments to the Beneficial Owners, as defined herein, of the Series 2009D Bonds will be the responsibility of the DTC Participants and the Indirect Participants, as defined herein. See the heading, "Book-Entry-Only System" under this caption.

If DTC or its nominee is not the registered owner of the Series 2009D Bonds, principal of and premium, if any, on all of the Series 2009D Bonds will be payable at maturity upon the surrender thereof at the principal corporate trust office of the Trustee. Interest on the Series 2009D Bonds, when due and payable, will be paid by check dated the due date mailed by the Trustee one business day prior to the due date (or, in the case of an owner of Series 2009D 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 Trustee 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) to the persons in whose names such Series 2009D Bonds are registered, at their addresses as they appear on the bond registration books maintained by the Trustee on the Record Date, irrespective of any transfer or exchange of such Series 2009D Bonds subsequent to such Record Date and prior to such Interest Payment Date unless the Bond Bank shall default in the payment of interest due on such Interest Payment Date.

Except as provided under "Book-Entry-Only System," in all cases in which the privilege of exchanging or transferring Series 2009D Bonds is exercised, the Bond Bank will execute and the Trustee will deliver Series 2009D Bonds in accordance with the provisions of the Indenture. The Series 2009D Bonds will be exchanged or transferred at the principal corporate trust office of the Trustee only for Series 2009D Bonds of the same tenor and maturity. In connection with any transfer or exchange of Series 2009D Bonds, the Bond Bank or the 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 Series 2009D Bond is registered will be deemed and regarded as its absolute owner for all purposes and payment of principal thereof 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 Series 2009D Bond to the extent of the sum or sums so paid.

Redemption

Optional Redemption. The Series 2009D Bonds maturing on or after August 1, 2019, are subject to redemption prior to maturity on or after February 1, 2019, in whole or in part on any date as selected by the Bond Bank, at a redemption price equal to the principal amount of each Series 2009D Bond to be redeemed, plus accrued interest to the redemption date, and without any redemption premium.

If less than all of the Series 2009D Bonds shall be called for redemption, the principal amount and maturity of the particular Series 2009D Bonds to be redeemed shall be selected by the Bond Bank. Unless the Bond Bank directs that particular Series 2009D Bonds be redeemed, the Trustee shall select the particular Series 2009D Bonds to be redeemed by lot within a maturity in such manner as the Trustee may determine.

Mandatory Redemption. The Series 2009D Bonds (or any portions thereof in integral multiples of $5,000 each) maturing on August 1 in the years 2020, 2023 and 2029 (bearing interest rates of 5.000% and 5.500%, respectively) (the "Series 2009D Term Bonds"), are also subject to mandatory sinking fund redemption prior to their maturity date at a redemption price equal to the principal amount of such Series 2009D Term Bonds, plus accrued interest on February 1 and August 1 of each year as shown in the following tables:

Series 2009D Term Bonds Due August 1, 2020

Mandatory Sinking Fund Redemption Date	Principal Amount
February 1, 2020	$1,265,000
August 1, 2020*	1,295,000

*Final Maturity

Series 2009D Term Bonds Due August 1, 2023

Mandatory Sinking Fund Redemption Date	Principal Amount
February 1, 2021	$1,320,000
August 1, 2021	1,355,000
February 1, 2022	1,390,000
August 1, 2022	1,425,000
February 1, 2023	1,460,000
August 1, 2023*	1,495,000

*Final Maturity

Series 2009D Term Bonds Due August 1, 2029 (bearing the interest rate of 5.000%)

Mandatory Sinking Fund Redemption Date	Principal Amount
February 1, 2024	$600,000
August 1, 2024	615,000
February 1, 2025	630,000
August 1, 2025	650,000
February 1, 2026	665,000
August 1, 2026	685,000
February 1, 2027	695,000
August 1, 2027	720,000
February 1, 2028	740,000
August 1, 2028	760,000
February 1, 2029	775,000
August 1, 2029*	800,000

*Final Maturity

Series 2009D Term Bonds Due August 1, 2029 (bearing the interest rate of 5.500%)

Mandatory Sinking Fund Redemption Date	Principal Amount
February 1, 2024	$ 935,000
August 1, 2024	960,000
February 1, 2025	985,000
August 1, 2025	1,010,000
February 1, 2026	1,035,000
August 1, 2026	1,065,000
February 1, 2027	1,100,000
August 1, 2027	1,120,000
February 1, 2028	1,150,000
August 1, 2028	1,180,000
February 1, 2029	1,215,000
August 1, 2029*	1,245,000

*Final Maturity

Under the Indenture, selection of Term Bonds to be redeemed will be made by lot by the Trustee. In accordance with DTC's standard practices and its agreement with the Bond Bank, DTC and the DTC Participants will make this selection so long as the Series 2009D Bonds are in book entry form. The principal amount of Term Bonds to be redeemed on each date set forth above will be subject to reduction by the principal amount of any such Term Bonds of the same maturity which, not less than 45 days prior to a sinking fund redemption date, have been theretofore surrendered to or purchased by the Trustee for cancellation and canceled, all in accordance with the Indenture. The principal amount of any Term Bonds so surrendered and canceled in excess of the principal amount scheduled for redemption in any one year will be credited against future redemption obligations and the principal amounts of Term Bonds subject to sinking fund redemption at such times will be accordingly reduced.

Extraordinary Mandatory Redemption. The Series 2009D Bonds are also subject to extraordinary mandatory redemption in whole or in part, at any time, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, from and to the extent that moneys are deposited in the Redemption Account from an extraordinary redemption of a Qualified Obligation (as hereinafter defined), if any, or from proceeds received upon a default on a Qualified Obligation, unless such moneys can be invested at a yield calculated in accordance with the Code (as defined in Appendix H) over any period of time ending on any subsequent Interest Payment Date which equals or exceeds the average interest rate on the Outstanding Series 2009D Bonds provided that in the Opinion of Bond Counsel (as defined in Appendix H) such investment would not cause any of the Series

2009D Bonds to be "arbitrage bonds" as defined in the Code or otherwise cause the interest on the Series 2009D Bonds to be includable in gross income of the owners thereof for federal income tax purposes.

Cash Flow Certificate. Prior to any optional or extraordinary mandatory redemption of any Series 2009D Bonds, the Bond Bank will be required under the Indenture to deliver or to cause to be delivered to the Trustee a Cash Flow Certificate (as defined in Appendix H) to the effect that, giving effect to such redemption, 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 along with Program Expenses, if any.

Notice of Redemption. In the case of redemption of the Series 2009D Bonds, notice of the call for any such redemption identifying the Series 2009D Bonds, or portions of fully registered Series 2009D Bonds, to be redeemed will be given by mailing a copy of the redemption notice by first class, registered or certified mail not less than 30 days nor more than 45 days prior to the date fixed for redemption to the Registered Owner of the Series 2009D Bonds to be redeemed at the address shown on the registration books of the Trustee. Failure to give such notice by mailing, or any defect thereof with respect to any Series 2009D Bonds, shall not affect the validity of any proceedings for the redemption of any other Series 2009D Bonds. All Series 2009D Bonds so called for redemption shall cease to bear interest on the specified redemption date, shall no longer be protected by the Indenture and shall not be deemed to be outstanding under the provisions of the Indenture, provided funds for their redemption are on deposit at the place of payment at that time.

Redemption Payments. Prior to the date fixed for redemption, there must be on deposit with the Trustee sufficient funds to pay the Redemption Price of the Series 2009D Bonds called, together with accrued interest on the Series 2009D Bonds to the redemption date.

Book-Entry-Only System

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2009D Bonds. The Series 2009D 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 Series 2009D Bond will be issued for each maturity of the Series 2009D Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's 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 and www.dtc.org.

3. Purchases of the Series 2009D Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009D Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2009D Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2009D Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial

Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2009D Bonds, except in the event that use of the book-entry system for the Series 2009D Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2009D 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 Series 2009D 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 Series 2009D Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009D 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.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2009D Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2009D Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2009D Bond documents. For example, Beneficial Owners of Series 2009D Bonds may wish to ascertain that the nominee holding the Series 2009D Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Series 2009D Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2009D 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 Series 2009D Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. The principal and interest payments on the Series 2009D 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 Trustee, 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 (nor its nominee), Trustee, or Bond Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. The payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Bank or Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Series 2009D Bonds at any time by giving reasonable notice to the Bond Bank or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Series 2009D Bond certificates are required to be printed and delivered.

10. 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, the Series 2009D Bond certificates will be printed and delivered to DTC.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE BOND BANK BELIEVES TO BE RELIABLE, BUT THE BOND BANK TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

Revision of Book-Entry-Only System

In the event that either (i) the Bond Bank receives notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities as a clearing agency for the Series 2009D Bonds or (ii) the Bond Bank elects to discontinue its use of DTC as a clearing agency for the Series 2009D Bonds, then the Bond Bank and the Trustee will do or perform or cause to be done or performed all acts or things, not adverse to the rights of the holders of the Series 2009D Bonds, as are necessary or appropriate to discontinue use of DTC as a clearing agency for the Series 2009D Bonds and to transfer the ownership of each of the Series 2009D Bonds to such person or persons, including any other clearing agency, as the holder of such Series 2009D Bonds may direct in accordance with the Indenture. Any expenses of such a discontinuation and transfer, including any expenses of printing new certificates to evidence the Series 2009D Bonds, will be paid by the Bond Bank.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009D BONDS

The Series 2009D Bonds will be issued under and secured by the Indenture. The principal of, redemption premium, if any, and interest on any and all of the Series 2009D Bonds, together with any Refunding Bonds that may be authorized and issued by the Bond Bank under the Indenture on a parity with the Series 2009D Bonds (collectively, the “Bonds”), are payable from those revenues and funds of the Bond Bank which, together with the Series 2009 Qualified Obligations and all other qualified obligations pledged under the Indenture (collectively, the “Qualified Obligations”), are pledged pursuant to the Indenture for the benefit of the owners of the Bonds equally, ratably and without priority.

Neither the faith, credit nor taxing power of the State of Indiana (the “State”) or any political subdivision thereof including the Qualified Entity (as defined in Appendix H), is pledged to the payment of the principal of, redemption premium, if any, and interest on any of the Bonds. The 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 Qualified Entity. The Bond Bank has no taxing power and has only those powers and sources of revenue set forth in the Act. The Bonds are issued and secured separately from any other obligations issued by the Bond Bank. The sources of payment of and security for the Bonds are more fully described below.

Under the Indenture, the Bonds are secured by a pledge to the Trustee of the Qualified Obligations and all principal and interest payments made or required to be made on the Qualified Obligations (the “Qualified Obligation Payments”), as described therein. In addition, the Indenture pledges to the payment of the 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 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 Series 2009D Bonds under the Indenture and the Qualified Obligations and the 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. The Qualified Obligation Payments with respect to the Series 2009 Qualified Obligations have been structured as of the date of issuance of the Series 2009D Bonds to be sufficient along with earnings thereon, and other money in the Funds and Accounts under the Indenture and the earnings thereon, to pay the principal of and interest on the Series 2009D Bonds when due.

Provisions for Payment of the Series 2009 Qualified Obligations

The payment of principal of and interest on the Series 2009 Qualified Obligations is derived by the Qualified Entity from lease payments received under the Lease (as defined in Appendix B attached hereto), which payments are payable from net revenues of Clark Memorial Hospital (the "Hospital")[*] and, to the extent such net revenues of the Hospital are insufficient, ad valorem taxes required by law to be levied by Clark County, Indiana (the "County"), upon all the taxable property within the County. ***TO THE EXTENT POSSIBLE IT IS THE INTENT OF ALL PARTIES TO THE LEASE THAT LEASE RENTALS BE PAID ENTIRELY FROM NET REVENUES OF THE HOSPITAL.***

[*] Net Revenues of the Hospital are defined as total operating revenues of the Hospital plus investment income, less total operating expenses, net of depreciation and amortization expenses.

The Series 2009 Qualified Obligations have been issued pursuant to an indenture approved by the governing body of the Qualified Entity (the "Authorizing Instrument"). The sources of payment on the Series 2009 Qualified Obligations, including the procedures for property assessment, tax levy and collection are further described below in Appendix B attached hereto.

See Appendix B for additional information concerning the Series 2009 Qualified Obligations. See Appendix C for additional information concerning the Hospital. See Appendices D and E for additional information concerning the County, and County Debt and Taxation.

Enforcement of the Qualified Obligations

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

Further, the Qualified Entity, whose Qualified Obligations are subject to the Code, has agreed under the purchase agreement for the Qualified Obligations to report to the Bond Bank on its compliance with certain covenants which the Qualified Entity has made regarding various actions and conditions necessary to preserve the tax exempt status of interest paid on the Qualified Obligations. See the caption "TAX MATTERS." The Bond Bank has also determined to consult with the Qualified Entity, as necessary from time to time, with regard to the action needed to be taken by the Qualified Entity to preserve the exclusion of the interest on the Series 2009D Bonds from the gross income of the holders of the Series 2009D Bonds for federal income tax purposes.

The Bond Bank will monitor the compliance and consult regularly with the Qualified Entity with respect to its requirements under the Qualified Obligations, including the making of Qualified Obligation Payments to the Bond Bank.

Additional Bonds

Additional bonds of the Bond Bank may be issued on a parity with the Series 2009D Bonds pursuant to the Indenture only for the purpose of refunding (in whole or in part) Bonds issued by the Bond Bank pursuant to the Indenture.

Debt Service Reserve Fund

The Act authorizes and the Indenture requires the Board of Directors of the Bond Bank to establish and maintain the Debt Service Reserve Fund in which there is to be deposited or transferred:

(i) Moneys available to the Bond Bank from proceeds of the sale of the Series 2009D Bonds;

(ii) All money required to be transferred to the Debt Service Reserve Fund for the replenishment thereof from another Fund or Account under the Indenture;

(iii) All money appropriated by the State for replenishment of the Debt Service Reserve Fund; and

(iv) Any other available money, funds or a Credit Facility that the Bond Bank may decide to deposit in the Debt Service Reserve Fund.

Under the Indenture, the Debt Service Reserve Fund is required to contain an amount equal the maximum annual debt service on the Bonds.

Except as provided in the Indenture, moneys in the Debt Service Reserve Fund will be held and applied to the payment of the principal of and interest on the Series 2009D Bonds in cases where sufficient funds are not available in other Funds and Accounts for such payments.

State Appropriations Mechanism

The Act provides, subject to the prior review of the State Budget Committee and the approval of the State Budget Director (which review and approval have been conducted and received, respectively, with respect to the Series 2009D Bonds), that the State General Assembly may annually appropriate to the Bond Bank for deposit in the Debt Service Reserve Fund any sum, required by the Act to be certified by the Chairman of the Board of Directors of the Bond Bank to the State General Assembly prior to December 1 of any year, as may be necessary to restore the Debt Service Reserve Fund to the amount then required to be on deposit in the Debt Service Reserve Fund to the Reserve Requirement. The Indenture further requires such certification to be made by the Chairman to the State General Assembly on or before August 1 of any fiscal year of the Bond Bank ("Fiscal Year") in which the amount in the Debt Service Reserve Fund is projected to be less than the Reserve Requirement. However, nothing in these provisions or any other provision of the Act creates a debt or liability of the State to make any payments or appropriations to or for the use of the Bond Bank. There can be no representation or assurance (i) that a certificate from the Chairman of the Board of Directors of the Bond Bank, stating the amount of a deficiency in the Debt Service Reserve Fund, would be taken up for any or for early consideration by the State General Assembly, or (ii) that upon consideration of any such certificate, the State General Assembly would determine to appropriate funds to reduce or eliminate such deficiency, or (iii) that in the event the State General Assembly determined to make such an appropriation, the amounts thus appropriated would be forthcoming as of any particular date. The Bond Bank has previously issued and has outstanding, as of October 1, 2009, an aggregate principal amount of approximately $501,215,000 in separate program obligations secured by debt service reserve funds, which are also eligible for annual appropriations from the General Assembly.

In accordance with the Constitution of the State, the State General Assembly meets for a maximum period of 61 legislative days in every odd-numbered year in order to establish a budget and to make appropriations. The State General Assembly also meets for a maximum period of 30 legislative days in intervening years in order to make supplemental appropriations. Because the State General Assembly meets for only a portion of each year, there can be no representation or assurance that the State General Assembly could, if it elected to do so, take timely action upon a certificate from the Chairman of the Board of Directors of the Bond Bank in order to provide funds to avoid a default in the payment of principal of or interest on the Bonds.

AGREEMENT WITH THE STATE

Under the Act, the State has pledged to and agreed with the owners of the bonds or notes of the Bond Bank, including the Series 2009D Bonds, not to limit or restrict the rights vested in the Bond Bank by the Act to fulfill the terms of any agreements made with the owners of such bonds or notes or in any way impair the rights or remedies of such owners until the bonds and notes, together with interest thereon, and interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such owners are fully met, paid and discharged.

GENERAL RISKS TO OWNERS OF THE SERIES 2009D BONDS

Purchasers of the Series 2009D Bonds are advised of certain risk factors with respect to the payment of the Series 2009D Bonds. This discussion is not intended to be all-inclusive, and other risks may also be present.

Sources of Payments for the Bonds

The ability of the Bond Bank to pay principal of, and interest on, the Series 2009D Bonds depends primarily upon the receipt by the Bond Bank of payments pursuant to the Series 2009 Qualified Obligations, including interest at the rates provided therein, together with earnings on the amounts in the Funds and Accounts sufficient to make such payments. Except for the Debt Service Reserve Fund, there is no source of funds which is required to makeup for any deficiencies in the event of one or more defaults by the Qualified Entity in such payments on the Series 2009 Qualified Obligations. There can be no representation or assurance that the Qualified Entity will receive sufficient lease rental revenues, or otherwise have sufficient funds available to make its required payments on the Series 2009 Qualified Obligations. The receipt of such revenues by the Qualified Entity is subject to, among other things, future economic conditions, actions by creditors, and other conditions which are variable and not certain of prediction. For a description of procedures for providing for the payment of the Series 2009 Qualified Obligations, see the captions "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009D BONDS - Provisions for Payment of the Series 2009 Qualified Obligations" and in Appendix B, "SERIES 2009 Qualified

OBLIGATIONS AND THE QUALIFIED ENTITY – Sources for Payment and Security for the Series 2009 Qualified Obligations." Also in Appendix B see information under the caption "SERIES 2009 Qualified OBLIGATIONS AND THE QUALIFIED ENTITY - Risk Factors."

The State General Assembly may determine to appropriate funds to the extent of any deficiency in the Debt Service Reserve Fund (see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009D BONDS - State Appropriations Mechanism"). However, the State General Assembly is not and cannot be obligated to appropriate any such funds. Moreover, the State General Assembly meets for only a portion of each year commencing in January and ending not later than April 30, unless extended by a special session called by the Governor, and there can be no representation or assurance (i) that a certificate from the Chairman of the Board of Directors of the Bond Bank, stating the amount of a deficiency in the Debt Service Reserve Fund, would be taken up for any or for early consideration by the State General Assembly, or (ii) that upon consideration of any such certificate, the State General Assembly would determine to appropriate funds to reduce or eliminate such deficiency, or (iii) that in the event the State General Assembly determined to make such an appropriation, the amounts thus appropriated would be forthcoming as of any particular date. In no event can or will the Series 2009D Bonds be deemed to be a debt or obligation of the State. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009D BONDS - State Appropriations Mechanism."

Tax Exemption

The Bond Bank has covenanted under the Indenture to take all actions and not to fail to take any actions required to assure the continuing exclusion of interest on the Series 2009D Bonds from gross income for federal income tax purposes. Failure by the Bond Bank to comply with such covenants could cause the interest on the Series 2009D Bonds to be taxable retroactive to the date of issuance. Also, in connection with the original purchase of the Series 2009 Qualified Obligations, the Bond Bank will receive an opinion of counsel by a nationally recognized firm experienced in matters relating to municipal law and matters relating to the exclusion of interest payable on obligations of states and their instrumentalities and political subdivisions from gross income under federal tax law, acceptable to the Bond Bank and the Trustee (an "Opinion of Bond Counsel"), for the Qualified Entity to the effect that, conditioned upon continuing compliance by a Qualified Entity with certain covenants made in connection with the issuance of such Series 2009 Qualified Obligations, the interest on the Series 2009 Qualified Obligations is excluded from the gross income of the holder thereof for federal income tax purposes under existing statutes, decisions, regulations and rulings. However, the interest on such Series 2009 Qualified Obligations could become taxable in the event that the Qualified Entity fails to comply with certain of such covenants, including without limitation the covenant to rebate or cause to be rebated, if necessary, to the United States government all arbitrage earnings with respect to its Series 2009 Qualified Obligations under certain circumstances and the covenant to take all actions and to refrain from such actions as may be necessary to prevent the Series 2009 Qualified Obligations from being deemed to be "private activity bonds" under the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2009D Bonds and any applicable regulations promulgated thereunder (the "Code"). Such an event could in turn adversely affect the exempt status of the interest on all of the Series 2009D Bonds retroactive to the date of issuance. See the caption "TAX MATTERS." The Bond Bank is not aware of any circumstances that would cause the interest on the Series 2009 Qualified Obligations to be includable in gross income for federal income tax purposes under the Code, but has not undertaken any investigation in connection with this Official Statement.

Limited Remedies

The remedies available to the Trustee, to the Bond Bank or to the owners of the Bonds upon the occurrence of an Event of Default under the Indenture or under the terms of any of the Qualified Obligations 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 and the Qualified Obligations may not be readily available or may be limited.

PARTICULAR RISKS ASSOCIATED WITH THE HOSPITAL

The Series 2009D Bonds will be payable by the Bond Bank solely from amounts payable under the Qualified Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009D BONDS." The ability of the Qualified Entity to realize revenues in amounts sufficient to pay debt service on the Series 2009D Bonds when due is dependent upon the Hospital's and the County's ability to make lease rental payments under the Lease. **TO THE EXTENT POSSIBLE IT IS THE INTENT OF ALL PARTIES TO THE LEASE THAT LEASE RENTALS BE PAID ENTIRELY FROM THE NET REVENUES OF THE HOSPITAL**. See APPENDIX B for additional information concerning the Lease.

The ability of the Hospital to realize revenues in amounts sufficient to pay lease rentals under the Lease is affected by and subject to conditions which may change in the future to an extent and with effects that cannot be determined at this time. No representation or assurance is given or can be made that revenues will be realized by the Hospital in amounts sufficient to pay lease rentals when due under the Lease and other obligations of the Hospital. None of the provisions of the Indenture or the Lease provide any assurance that the lease rentals under the Lease and other obligations of the Hospital will be paid as and when due if the Hospital becomes unable to pay its debts as they come due or by the Hospital otherwise becomes insolvent.

In the event the Hospital is unable to pay lease rentals under the Lease, the County is obligated to pay such lease rentals from ad valorem property taxes to be levied and collected on all taxable property located in the County. See APPENDICES D and E for additional information relating to the levy and collection of property taxes by the County.

The receipt of future revenues by the Hospital is subject to, among other factors, federal and state laws, regulations and policies affecting the health care industry and the policies and practices of major managed care providers, private insurers and other third-party payors and private purchasers of health care services. The effect on the Hospital of recently enacted laws and regulations and recently adopted policies, and of future changes in federal and state laws, regulations and policies, and private policies, cannot be determined at this time. Loss of established managed care contracts of the Hospital could also adversely affect its future revenues.

Future economic conditions, which may include an inability to control expenses in periods of inflation, and other conditions, including demand for health care services, the availability and affordability of insurance, including without limitation, malpractice and casualty insurance, availability of nursing and other professional personnel, the capability of management of the Hospital, the receipt of grants and contributions, referring physicians' and self-referred patients' confidence in the Hospital, economic and demographic developments in the United States, the State of Indiana and the service area of the members of the Hospital, and competition from other health care institutions in the service areas, together with changes in rates, costs, third-party payments and governmental laws, regulations and policies, may adversely affect revenues and expenses and, consequently, the ability of the Hospital to pay lease rentals under the Lease and other obligations of the Hospital.

Outstanding and Additional Debt

With a portion of the proceeds of the Series 2009 Qualified Obligations, the Hospital intends to refund certain bonds in a total outstanding aggregate principal amount of $24,505,000, consisting of $15,005,000 Variable Rate Demand Health Care Facilities Revenue Bonds, Series 2001 and $9,500,000 Variable Rate Demand Health Care Facilities Revenue Bonds, Series 2004A. In addition, the Hospital intends to redeem the outstanding $2,770,000 Variable Rate Demand Health Care Facilities Revenue Bonds, Series 2004B, upon the issuance of the Series 2009 Qualified Obligations, from funds on hand. Nothing in the Lease prohibits the Hospital from entering into additional lease obligations.

Federal Laws and Regulations

Medicare and Medicaid Programs; General

Medicare and Medicaid are the commonly used names for hospital reimbursement or payment programs governed by certain provisions of the federal Social Security Act. Medicare is an exclusively federal program and Medicaid is jointly funded by federal and state government. Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older or disabled, or qualify for the End Stage Renal Disease Program. Medicaid is designed to pay providers for care given to the medically indigent, is funded by federal and state appropriations, and is administered by the individual states. Hospital benefits are available under each participating state's Medicaid program, within prescribed limits, to persons meeting certain minimum income or other eligibility requirements including children, the aged, the blind and/or the disabled.

Health care providers have been and will be affected significantly by changes in the last several years in federal health care laws and regulations, particularly those pertaining to Medicare and Medicaid. The purpose of much of the recent statutory and regulatory activity has been to reduce the rate of increase in health care costs, particularly costs paid under the Medicare and Medicaid programs. Diverse and complex mechanisms to limit the amount of money paid to health care providers under both the Medicare and Medicaid programs have been enacted, and have caused severe reductions in reimbursement from the Medicare program. Specifically, the Balanced Budget Act of 1997 (the "BBA") which was signed into law on August 5, 1997, was intended to decrease significantly reimbursement or payment to health care providers. Congress has also affected reimbursement levels to providers in the Medicare and Medicaid and State Children's Health Insurance Program Balanced Budget Refinement Act of 1999 ("BBRA") and the Benefits Improvement and Protection Act of 2000 ("BIPA"). The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "MMA"), commonly known as Medicare Part D, was signed into law on December 8, 2003. The MMA, among other things described below, generally increased reimbursement levels. The Deficit Reduction Act of 2005 was signed into law on February 8, 2006, which, among other things, is expected to reduce federal entitlements through 2015, impacting both Medicare and Medicaid. The following is a summary of the Medicare and Medicaid programs and certain risk factors related thereto. The Tax Relief and Health Care Act of 2006 ("TRHCA") continues focus on quality of care.

President George W. Bush presented his Fiscal Year 2009 Budget (the "FY 2009 Budget") to Congress on February 4, 2008. To achieve a plan to eliminate the federal budget deficit by 2012, the President proposed approximately $182.7 billion in cuts to Medicare over five years in the FY 2009 Budget. Most of the reduction in Medicare spending would result from decreases in reimbursement rates for inpatient and outpatient hospital patients, with a majority in cuts over five years ($124 billion) reducing payments to acute care hospitals. Significant cuts to the Medicaid program were also contained in the proposed FY 2009 Budget. However, FY 2009 Budget was passed without any reductions to Medicare or Medicaid. Any future reductions in the level of Medicare and Medicaid spending or a reduction in the rate of increase of Medicare and Medicaid spending would have an adverse impact on the revenues of the Obligated Group derived from the Medicare and Medicaid programs.

Medicare General

Approximately 37% of the gross patient service revenues of the Hospital for the fiscal year ended December 31, 2008, were derived from Medicare. Medicare pays acute care hospitals for most services provided to inpatients under a payment system known as the "Prospective Payment System" or "PPS" pursuant to which hospitals are paid for services based on predetermined rates. Separate PPS payments are made for inpatient operating costs and inpatient capital costs. Such payments are not based upon a hospital's actual costs of providing service.

Inpatient Operating Costs

Acute care hospitals that participate in Medicare are paid on the basis of PPS, on a per-discharge basis at fixed rates based on the Diagnosis Related Group ("DRG") to which each Medicare patient is assigned. The DRG is determined by the diagnoses, procedures and other factors for each particular Medicare inpatient stay. The amount to be paid for each DRG is established prospectively by the Centers for Medicare and Medicaid Services ("CMS") (formerly, The Health Care Financing Administration), an agency of the United States Department of Health and Human Services ("HHS"), and is not, with certain exceptions, related to a hospital's actual costs or variations in service or length of stay.

The BBA also has affected DRG reimbursement by reducing it to, in effect, a per diem rate for a select group of DRGs when the patient is transferred to almost any post acute care setting prior to the geometric mean length of stay for the appropriate DRG. Affected by this rule are transfers to post acute care settings such as rehabilitation, skilled nursing facilities, psychiatric services and home health. This rule, which now applies to 30 DRGs (as opposed to 10, the number of DRGs affected prior to October 1, 2003), could adversely affect the Medicare reimbursement of the Hospital because hospitals transferring patients who are classified under one of the designated DRGs to a post-acute setting prior to the geometric mean length of stay for that DRG will receive less than the full DRG rate for those patients.

Beginning October 1, 2007, CMS implemented the Medicare Severity-Diagnosis Related Group ("MS-DRG") system to improve recognition of severity of illness and resource consumption. As part of its 2009 work plan, the OIG will examine coding trends and patterns under the MS-DRG system and determine whether any specific MS-DRGs are vulnerable to potential upcoding.

For certain Medicare beneficiaries who have unusually long or costly hospital stays ("outliers"), CMS will provide additional payments above those specified for the DRG. To determine whether a case qualifies for outlier payments, hospital-specific cost-to-charge ratios are applied to the total covered charges for the case. Operating and capital costs for the case are calculated separately by applying separate operating and capital cost-to-charge ratios and combining these costs to compare them with a defined fixed-loss outlier threshold for the specific DRG.

While PPS payments are adjusted annually using an inflation index, based on the change in a "market basket" of hospital costs of providing health care services, there is no assurance that future updates in the PPS payments will keep pace with the increases in the cost of providing hospital services. If a hospital incurs costs in treating Medicare inpatients which exceed the DRG level of reimbursement plus any outlier payments, the hospital will experience a loss from such services. Other third-party payers have begun implementing their own limitations on reimbursement payable to hospitals to avoid "cost-shifting," that is, the practice of offsetting losses from Medicare patients by increasing charges to other payors.

Inpatient Capital Costs

Medicare payments for inpatient capital costs (e.g., depreciation, interest, taxes and similar expenses for plant and equipment), are based upon a PPS system similar to the inpatient operating cost PPS. A separate per-case standardized amount is paid for capital costs, adjusted to take into account certain hospital characteristics and weighted by DRG. Such capital costs are reimbursed exclusively on the basis of a standard federal rate (based upon average national costs of capital), subject to certain adjustments specific to the hospital.

Hospitals may request additional Medicare capital payment if they incur unanticipated capital expenditures in excess of $5 Million because of extra ordinary circumstances beyond their control. As part of the 2009 Work Plan, the OIG will review these payments to determine whether the additional capital payments were made according to Federal requirements.

There can be no assurance that the prospective payment for capital costs will be sufficient to cover the actual capital-related costs of the Hospital allocable to Medicare patient stays or to provide adequate flexibility in meeting the future capital needs of the Hospital.

Costs of Direct Medical Education

Medicare pays for costs associated with both direct and indirect medical education (including the salaries of residents and teachers and other overhead costs directly attributable to approved medical education programs for training residents, nurses and allied health professionals). Payment for direct medical education ("DME") reimburses hospitals for the direct costs of their medical education programs, including faculty and resident salaries and other costs incurred directly in support of the teaching programs. However, prior legislation capped the number of residents for which DME reimbursement would be available to the number of residents that were included in the hospital's cost report ending December 31, 1996. Different rules apply to new residency programs, but the DME amounts payable for new programs are also limited based on certain other factors. Further, there is a debate over whether the training of residents at off-site facilities will impact the payment made to hospitals. The Hospital may be negatively impacted if payment for such off-site training of residents is decreased. There can be no assurance that payments to the Hospital for providing medical education will be adequate to cover the costs attributable to medical education programs.

Other Medicare Service Payments.

Medicare payment for skilled nursing services, psychiatric services, inpatient rehabilitation services, general outpatient services, hospice and home health services are based on regulatory formulas or pre-determined rates. There is no guarantee that these rates, as they may change from time to time, will be adequate to cover actual cost of providing these services to Medicare patients. In addition, there is no assurance that obligated group members will be fully remembered for all services which each bills through consolidated billings.

Cost of Outpatient Services

The BBA provided authority for CMS to implement PPS for hospital outpatient services, certain Part B services furnished to hospital inpatients who have no Part A coverage, and partial hospitalization services furnished by community mental health centers ("Outpatient PPS"). All services paid under the new Outpatient PPS are classified into groups called Ambulatory Payment Classifications or "APCs." Services in each APC are similar clinically and in terms of the resources they require. A payment rate is established for each APC which is based on national median hospital costs (including operating and capital costs) adjusted for variations in hospital labor costs across geographic areas. Depending on the services provided, hospitals may be paid for more than one APC for an encounter. There can be no assurance that payments under Outpatient PPS will be sufficient to cover the actual costs of providing such services.

Physician Payments

Physicians may elect to "participate" or enroll in the Medicare program as a provider. Medicare Part B provides reimbursement for certain physician services, including employed and provider-based physicians, based on a national payment schedule referred to as the Medicare Physician Fee ("MPFS"). Reimbursement for certain physician services is based on a Medicare fee schedule based on a "resource-based relative value scale" ("RBRVS"). The RBRVS fee schedule establishes payment amounts for all physician services, including services provided by hospital employed physicians (other than anesthesiologists) and is subject to annual updates. There can be no assurance that the payments for physician services will be sufficient to cover the actual costs of providing such services.

Provider-Based Designation

CMS regulations describe the criteria and procedures for determining whether a facility or organization is "provider-based" and thereby treated as part of another Medicare provider, rather than as a freestanding entity. The current regulations impose significantly greater requirements for obtaining provider-based status than was the case under previous regulations, and may lead to reclassification of facilities or departments of the Hospital currently classified as "provider-based." Reclassification of any of the provider-based facilities or departments of the Hospital could reduce reimbursement under the Medicare program. In addition, in the event that a facility or department that bills for outpatient services as a provider-based entity is found to be out of compliance with the current provider-based regulations, the Hospital could be liable for Medicare overpayments.

Medicare Conditions of Participation

Hospitals must comply with standards called "Conditions of Participation" in order to be eligible for Medicare and Medicaid reimbursement. CMS is responsible for ensuring that hospitals meet these regulatory Conditions of Participation. Under the Medicare rules, hospitals accredited by the Healthcare Facilities Accreditation Program ("HFAP") are deemed to meet the Conditions of Participation. However, CMS may request that the state agency responsible for approving hospitals on behalf of CMS, conduct a "sample validation survey" of a hospital to determine whether it is complying with the Conditions of Participation. Failure to maintain HFAP accreditation or other noncompliance with the Conditions of Participation could have a material adverse effect on the continued participation in the Medicare and Medicaid programs, and ultimately, the financial condition and results of operations of the Hospital.

Medicare Payment for Preventable Medical Errors.

The DRA required the Secretary of HHS to select at least two conditions that are: (1) high cost, high volume, or both; (2) identified through ICD-9-CM coding as a complicating condition or major complicating condition that, when present as a secondary diagnosis at discharge, results in payment at a higher MS-DRG; and (3) reasonably preventable through application of evidence-based guidelines. Such conditions are referred to as "hospital-acquired conditions." The DRA further required hospitals to begin reporting on claims for discharges, beginning October 1, 2007, whether the selected conditions were present on admission. In its 2008 Inpatient Prospective Payment System Final Rule, CMS selected eight conditions in furtherance of this mandate. These included seven conditions identified by the National Quality Forum as "never events." In the 2009 Inpatient Prospective Payment System Final Rule, CMS finalized several more conditions, within three categories. All of the conditions will have payment implications when acquired during an inpatient stay beginning with discharges on or after October 1, 2008.

Medicare Audits and Withholds

Hospitals participating in Medicare and Medicaid are subject to audits and retroactive audit adjustments with respect to reimbursement claimed under those programs. Although management of the Corporation believes recorded valuation allowances are adequate for the purpose, any such future adjustments could be material. Both Medicare and Medicaid regulations also provide for withholding payments in certain circumstances. Any such withholding with respect to the Hospital could have a material adverse effect on the financial condition and results of operations of the Hospital. In addition, contracts between hospitals and third-party payers often have contractual audit, setoff and withhold language that may cause substantial, retroactive adjustments. Such contractual adjustments also could have a material adverse effect on the financial condition and results of operations of the Hospital. Management of the Hospital is not aware of any situation in which a Medicare or other payment is being, or may in the future be, withheld that would materially and adversely affect the financial condition or results of operations of the Hospital.

Under both Medicare and Medicaid programs, certain health care providers, including hospitals, are required to report certain financial information on a periodic basis, and with respect to certain types of classifications of information, penalties are imposed for inaccurate reports. As these requirements are numerous, technical and complex, there can be no assurance that the Hospital will avoid incurring such penalties in the future. These penalties may be material and adverse and could include criminal or civil liability for making false claims and/or exclusion from participation in the federal healthcare programs. Under certain circumstances, payments made may be determined to have been made as a consequence of improper claims subject to the federal False Claims Act or other federal statutes, subjecting the provider to civil, administrative, or criminal sanctions. The United States Department of Justice has initiated a number of national investigations, including in the State of Indiana, involving proceedings under the federal False Claims Act relating to alleged improper billing practices by hospitals. These actions have resulted in substantial settlement amounts being paid in certain cases.

In section 306 of the MMA, Congress directed HHS to conduct a 3-year demonstration program using Recovery Audit Contractors (“RACs”) to detect and correct improper payments in the Medicare fee for service program. The RAC demonstration program was designed to determine whether the use of RACs will be a cost-effective means of adding resources to ensure correct payments are being made to providers and suppliers and, therefore, protect the Medicare Trust Fund. The demonstration program operated initially in New York, Florida, and California, and was expanded to Massachusetts and South Carolina, and ended on March 27, 2008. In June 2008, CMS released an evaluation report of the entire 3-year RAC demonstration. This report presents an evaluation of the Medicare RAC demonstration from its inception in 2005 through March 27, 2008. Section 302 of the TRHCA makes the RAC Program permanent and requires the Secretary of HHS to expand the program to all 50 states by no later than 2010. As implemented by CMS, RACs are required to identify both overpayments and underpayments, and are paid on a contingency fee basis.

Management of the Hospital does not anticipate that Medicare audits or cost report settlements for the Medicare program will materially adversely affect the financial condition or results of operations of the Hospital, taken as a whole, nor does it believe that any Member of the Hospital has improperly submitted claims; however, in light of the complexity of the regulations relating to the Medicare program, and the threat of ongoing investigations as described above, there can be no assurance that significant difficulties will not develop in the future.

Medicare Advantage

Medicare Advantage plans (formerly known as Medicare+Choice Plans prior to the MMA) are alternate insurance products offered by private companies that engage in direct managed care risk contracting with the Medicare program. Under the Medicare Advantage program these private companies agree to accept a fixed, per-beneficiary payment from the Medicare program to cover all care that the beneficiary may require. In recent years, many private managed care companies discontinued their Medicare+Choice plans. The result has been that the beneficiaries who were covered by the now-discontinued Medicare+Choice have been shifted back into the Medicare fee-for-service program or into a Medicare cost plan.

Future legislation or regulations may be created, to encourage increased participation in the Medicare Advantage program. The effect of such future legislation/regulation is unknown but could materially and adversely affect the Hospital.

Medicaid

Medicaid is the joint federal/state program, created under the Social Security Act, by which hospitals receive reimbursement for services provided to eligible infants, children, adolescents and indigent adults. Approximately 5% of the gross patient service revenues of the Hospital for the fiscal year ended December 31, 2008 were derived from Medicaid.

Payments made to health care providers under the Medicaid program are subject to change as a result of federal or state legislative and administrative actions, including changes in the methods for calculating payments, the amount of payments that will be made for covered services and the types of services that will be covered under the program. Such changes have occurred in the past and may be expected to occur in the future, particularly in response to federal and state budgetary constraints.

Indiana Medicaid Program

Since a portion of the Medicaid program's costs in Indiana are paid by the State, the absolute level of Medicaid revenues paid to the Hospital, as well as the timeliness of their receipt, may be affected by the financial condition of and budgetary factors facing the State. The actions the State could take to reduce Medicaid expenditures to accommodate any budgetary shortfalls include, but are not limited to, changes in the method of payment to hospitals, changes in eligibility requirements for Medicaid recipients and delays of payments due to hospitals. Any such action taken by the State could have a material adverse effect upon the Hospital's operations and financial results.

Since November 4, 1994, the Indiana Medicaid program has made payments to hospitals using a DRG system that bases payments on patient discharges. Previously, the Indiana Medicaid program reimbursed hospitals for inpatient services on the basis of the hospital's reasonable costs, as determined under Medicare cost reimbursement principles, and limited such reimbursement by allowing increases in the per discharge target rates based upon certain fiscal year inflationary adjustment percentages.

Effective March 1, 1994, the Indiana Medicaid Program adopted a rule establishing an outpatient payment system that reimburses hospitals based upon established fee schedule allowances and rates for surgery groups. Previously, outpatient reimbursement was made on a prospective reimbursement methodology providing a predetermined percentage based upon an aggregate "cost-to-charge" ratio, with no year-end costs settlement. Consequently, no assurance can be given that Medicaid payments received or to be received by the Hospital will be sufficient to cover costs for inpatient and outpatient services, debt service obligations or other expenses otherwise eligible for reimbursement.

Like most states, Indiana has implemented managed care programs to serve the Medicaid population as a cost saving strategy for the State. Initiatives currently in place are intended to expand participation in the State sponsored managed care programs. For example, in 2007 a Healthy Indiana Bill (House Bill 1678) was enacted. Effective January 1, 2008, the legislation helps provide insurance to uninsured Indiana citizens through the Healthy Indiana Plan. The measure is funded through an increase in cigarette taxes and includes several new initiatives, such as a health care plan for low-income residents, funding for small businesses to offer health benefits, childhood immunizations and smoking cessation programs. Increased participation may impact hospital reimbursements through the Medicaid programs.

Disproportionate Share Payments

The federal Medicaid law permits states to include a "disproportionate share" adjustment in payments to hospitals in order to compensate those hospitals that serve a disproportionate share of indigent patients. Approximately 3.3% of the gross patient revenues of the Hospital for fiscal year 2008, are represented by gross disproportionate share payments. There is no guarantee that, in the future, the Hospital will continue to receive distributions at this level.

Federal Regulatory and Contractual Matters

Recent Legislation

The MMA, in addition to adding outpatient prescription drug coverage, makes significant changes to the Medicare program affecting hospitals, and provides certain economic benefits to hospitals over the next 10 years. Among other things, the MMA's hospital-related provisions (i) increase payments to rural providers; (ii) ensure that inpatient PPS payment updates remain at the full market basket, provided hospitals participate in a voluntary CMS-sponsored hospital reporting initiative; (iii) impose an 18-month moratorium on the Stark Law "whole hospital" exception for physician owners of designated "specialty" hospitals (discussed below); (iv) increase home health payments; (v) establish a competitive acquisition program for durable medical equipment beginning in

2007; and (vi) freeze payment rates for durable medical equipment for the three federal fiscal years from September 30, 2004 through September 30, 2006.

While it is believed that the MMA will provide a measure of financial relief to hospitals, it is impossible to predict the effect that the MMA will have on the Hospital, especially given the MMA's length, complexity and long phase-in period, as well as the potential for future amendment and alteration of the benefits provided by the MMA.

In addition, the current trend of federal Medicare legislation and regulation favors the replacement of cost-based, provider-specific reimbursement with prospectively determined national payment rates. The net effect of this trend could be lower revenues that would have a material adverse effect on the future financial condition and results of operations of the Hospital.

On February 8, 2006, the President signed the Deficit Reduction Act of 2005 ("DRA"). The DRA is expected to generate $39 billion in federal entitlement reductions over the 2006 to 2010 period and $99 billion over the 2006 to 2015 period. The DRA includes net reductions of $4.8 billion over the next five (5) years and $26.1 billion over the next ten (10) years to Medicaid. Many of the policy changes in the DRA would shift costs to beneficiaries and have the effect of limiting health care coverage and access to services for low-income beneficiaries. The Medicaid reductions in direct spending include the following five major categories: prescription drugs; asset transfer changes for long-term care eligibility; fraud, waste and abuse; cost-sharing and benefit flexibility; and state financing. The DRA also contains provisions involving quality reporting and a reduction in Medicare payments to hospitals that do not report quality-related data, and adjustments and payment methodology for imaging services, ambulatory surgical center services, physician services and therapy services. The DRA also contains provisions encouraging states to enact false claims acts. Under the DRA, if a state has in effect a law relating to false or fraudulent claims that meet the requirements of the DRA, the Federal medical assistance percentage with respect to any amounts recovered under a state action brought under such state false claims law shall be decreased by ten (10) percentage points, thereby entitling the state to retain more of the amounts recovered. This provision may increase state investigations related to Medicaid fraud and abuse.

Anti-Fraud and Abuse Laws

The federal Anti-Kickback Statute (the "Anti-Kickback Law") makes it a felony to knowingly and willfully offer, pay, solicit or receive remuneration, directly or indirectly, in order to induce business that is reimbursable under any federal health care program. The statute has been interpreted to cover any arrangement where one purpose of the remuneration was to obtain or pay money for the referral of services or to induce further referrals. Violation of the Anti-Kickback Law may result in imprisonment for up to five years and/or fines of up to $25,000 for each act. In addition, the Office of Inspector General ("OIG") of HHS has the authority to impose civil assessments and fines and to exclude hospitals engaged in prohibited activities from the Medicare, Medicaid, TRICARE (a health care program providing benefits to dependents of members of the uniformed services), and other federal health care programs for not less than five years. In addition to certain statutory exceptions to the Anti-Kickback Law, the OIG has promulgated a number of regulatory "safe harbors" under the Anti-Kickback Law designed to protect certain payment and business practices. A party may seek an advisory opinion to determine whether an actual or proposed arrangement meets a particular safe harbor; however the failure of a party to seek an advisory opinion may not be introduced into evidence to prove that the party intended to violate the provisions of the statute. Failure to comply with a statutory exception or regulatory safe harbor does not mean that an arrangement is unlawful but may increase the likelihood of challenge.

The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") created a new program operated jointly by HHS and the United States Attorney General to coordinate federal, state and local law enforcement with respect to fraud and abuse including the AntiKickback Law. HIPAA also provides for minimum periods of exclusion from a federal health care program for fraud related to federal health care programs, provides for intermediate sanctions and expands the scope of civil monetary penalties. The BBA expanded the authority of OIG to exclude persons from federal health care programs, increased certain civil and monetary penalties for violations of the Anti-Kickback Law and added a new monetary penalty for persons who contract with a provider that the person knows or should know is excluded from the federal health care programs. Finally, actions which violate the Anti-Kickback Law or similar laws may also involve liability under the federal civil False Claims Act which prohibits the knowing presentation of a false, fictitious or fraudulent claim for payment to the United States. Actions under the civil False Claims Act may be brought by the United States Attorney General or as a qui tam action brought by a private individual in the name of the government.

The management of the Hospital believes that the Hospital is in compliance with the Anti-Kickback Law. However, because of the breadth of those laws and the narrowness of the safe harbor regulations, there can be no assurance that regulatory authorities will not take a contrary position or that the Hospital will not be found to have violated the Anti-Kickback Law.

Stark Law

Another federal law (known as the "Stark Law") prohibits, subject to limited exceptions, a physician who has a financial relationship, or whose immediate family has a financial relationship, with entities (including hospitals) providing "designated health services" from referring Medicare patients to such entities for the furnishing of such designated health services. Stark Law designated health services include physical therapy services, occupational therapy services, radiology or other diagnostic services (including MRIs, CT scans and ultrasound procedures), durable medical equipment, radiation therapy services, parenteral and enteral nutrients, equipment and supplies, prosthetics, orthotics and prosthetic devices, home health services, outpatient prescription drugs, inpatient and outpatient hospital services and clinical laboratory services. The Stark Law also prohibits the entity receiving the referral from filing a claim or billing for the services arising out of the prohibited referral. The prohibition applies regardless of the reasons for the financial relationship and the referral; that is, unlike the federal Anti-Kickback Law, no finding of intent to violate the Stark Law is required. Sanctions for violation of the Stark Law include denial of payment for the services provided in violation of the prohibition, refunds of amounts collected in violation, a civil penalty of up to $15,000 for each service arising out of the prohibited referral, exclusion from the federal healthcare programs, and a civil penalty of up to $100,000 against parties that enter into a scheme to circumvent the Stark Law's prohibition. Under an emerging legal theory, knowing violations of the Stark Law may also serve as the basis for liability under the False Claims Act. The types of financial arrangements between a physician and an entity that trigger the self-referral prohibitions of the Stark Law are broad, and include ownership and investment interests and compensation arrangements.

The MMA contained an 18-month moratorium on physician self-referrals under Medicare/Medicaid to certain new "specialty hospitals." Prior to the MMA, referrals to specialty hospitals were exempt from the Stark Law's prohibitions under that law's exception for referrals to "whole hospitals," defined to include hospitals engaged in the care of patients with a cardiac or an orthopedic condition, patients receiving a surgical procedure or other specialized categories of patients designated by the Secretary of HHS. The moratorium did not apply to "specialty hospitals" determined by the Secretary to be "in operation" or "under development" as of November 18, 2003. The moratorium contained in the MMA expired on June 8, 2005. However, CMS delayed certification of new specialty hospitals through January 2006, effectively extending the moratorium, while CMS considered changes to Medicare to address what it perceived as differences between community hospitals and specialty hospitals.

On August 8, 2006, the United States Department of Health and Human Services issued a final report to the Congress pursuant to Section 5006(a)(1) of the DRA recommending a strategic and implementation plan to address issues related to physician investments in specialty hospitals ("Final Report"). Although the Final Report does not recommend prohibiting physician investment in specialty hospitals, it notes the following recommendations: (i) reform payment rates for inpatient hospital services through DRG refinements; (ii) reform payment rates for ambulatory surgery centers; (iii) closer scrutiny of whether entities meet the definition of a hospital; and (iv) review of procedures for approval for participation in Medicare. In an August 8, 2006 press release from CMS, CMS notes that the plan in the Final Report "highlights the importance of moving forward with the major payment reforms to the hospital inpatient prospective and ambulatory surgical center payment systems that have been initiated by CMS. By eliminating the sometimes large difference between payments and costs for some types of hospital care, improper incentives can be eliminated for physicians and hospitals to invest in services simply because they are most profitable." It is unknown at this time what action, if any, Congress will take based upon the Final Report.

On September 5, 2007, CMS published phase III of the Stark Regulations. These regulations became effective on December 4, 2007. Phase III follows Phase I which became effective January 4, 2002 and Phase II which became effective on July 26, 2004. These regulations changed the requirements to meet certain Stark Law exceptions and added new exceptions to the Stark Law.

The 2009 Inpatient Prospective Payment System Final Rule ("IPPS Final Rule") published on August 18, 2008 further revised the Stark Law regulations, certain provisions of which became effective on

October 1, 2008. Although many of the provisions of the Stark Law regulations were revised, the provisions of the IPPS Final Rule that could have a significant impact on the Obligated Group include: (a) the definition of "entity" and the affect on services provided "under arrangements," (b) the "stand in the shoes physicians," (c) limitations placed on revenue-based or percentage payments for space and equipment, and (d) limitations on per click arrangements. The definition of an "entity" for Stark purposes now includes the person or entity that performs DHS services, as well as the person or entity that bills for DHS services. The change in definition has a delayed effective date of October 1, 2009. This change significantly affects the manner in which an "under arrangements" relationship may be structured and will require many of those relationships to be restructured or terminated. In addition, many revenue-based and percentage payments for space or equipment may no longer comply with space rental, equipment rental, fair market value, or indirect compensation exceptions. Further, many per-unit or per-click compensation methodologies for space and equipment rental charges will no longer comply with space rental, equipment rental, fair market value, or indirect compensation exceptions. The changes to percentage based and per-click compensation arrangements also have a delayed effective date of October 1, 2009.

Although management of the Hospital believes that the arrangements of the Hospital with physicians should not be found to violate the Stark Law, as currently interpreted, there can be no assurance that regulatory authorities will not take a contrary position or that the Hospital will not be found to have violated the Stark Law. Sanctions under the Stark Law, including exclusion from the Medicare and Medicaid programs, could have a material adverse effect on the financial condition and results of operations of the Hospital.

False Claim Laws

There are principally three federal statutes addressing the issue of "false claims." First, the Civil False Claims Act imposes civil liability (including substantial monetary penalties and damages) on any person or corporation that (1) knowingly presents or causes to be presented a false or fraudulent claim for payment to the United States government; (2) knowingly makes, uses, or causes to be made or used a false record or statement to obtain payment; or (3) engages in a conspiracy to defraud the federal government by getting a false or fraudulent claim allowed or paid. Specific intent to defraud the federal government is not required to act with knowledge. This statute authorizes private persons to file qui tam ("Qui Tam") actions on behalf of the United States. Qui Tam actions have been and, in the future, could be brought against the Hospital's facilities.

In addition to the Civil False Claims Act, the Civil Monetary Penalties Law authorizes the imposition of substantial civil money penalties against an entity that engages in activities including, but not limited to, (1) knowingly presenting or causing to be presented, a claim for services not provided as claimed or which is otherwise false or fraudulent in any way; (2) knowingly giving or causing to be given false or misleading information reasonably expected to influence the decision to discharge a patient; (3) offering or giving remuneration to any beneficiary of a federal health care program likely to influence the receipt of reimbursable items or services; (4) arranging for reimbursable services with an entity which is excluded from participation from a federal health care program; (5) knowingly or willfully soliciting or receiving remuneration for a referral of a federal health care program beneficiary; or (6) using a payment intended for a federal health care program beneficiary for another use. The Secretary of HHS, acting through the OIG, also has both mandatory and permissive authority to exclude individuals and entities from participation in federal health care programs pursuant to this statute.

On September 12, 2007, Senator Charles Grassley introduced Senate Bill 2041, "The False Claims Correction Act of 2007." Hearings on the bill were held before the Senate Judiciary Committee on February 27, 2008 and the Bill was reported out of the Committee with bipartisan support on April 3, 2008. The legislation seeks to amend the Civil False Claims Act in light of recent case rulings that its sponsors believe have led to a narrowed interpretation of the existing Civil False Claims Act. Senate Bill 2041, if enacted as is, would greatly expand potential liability under the Civil False Claims Act and could effectively eliminate several longstanding defenses intended to protect against speculative lawsuits. In particular, Senate Bill 2041, among other changes, eliminates the presentment requirement as a defense to a false claim, eliminates the "public disclosure bar" (which currently prohibits a qui tam relator from bringing a complaint that is based on information already available to the public) as a jurisdictional defense to qui tam suits, extends the statute of limitations to ten years in all cases, and generally expands liability for false claims. A House companion bill, HB 4854, largely tracks SB 2041. The effect of such legislation, if enacted, cannot be determined at this time.

Finally, it is a criminal federal health care fraud offense to: (1) knowingly and willfully execute or attempt to execute any scheme to defraud any healthcare benefit program; or (2) to obtain, by means of false or fraudulent pretenses, representations or promises any money or property owned or controlled by any healthcare benefit program. Penalties for a violation of this federal law include fines and/or imprisonment, and a forfeiture of any property derived from proceeds traceable to the offense.

Physician Recruitment

The Internal Revenue Service ("IRS") and OIG have issued various pronouncements that could limit physician recruiting and retention arrangements. In IRS Revenue Ruling 97-21, the IRS ruled that tax-exempt hospitals that provide recruiting and retention incentives to physicians risk loss of tax-exempt status unless the incentives are necessary to remedy a community need and, accordingly, provide a community benefit; improvement of a charitable hospital's financial condition does not necessarily constitute such a purpose. The OIG has taken the position that any arrangement between a federal healthcare program-certified facility and a physician that is intended to encourage the physician to refer patients may violate the federal Anti-Kickback Law unless a regulatory exception applies. Physician recruiting and retention arrangements may also implicate the Stark Law. While the OIG has promulgated a practitioner recruitment safe harbor to the Anti-Kickback Statute, it is limited to recruitment in areas that are health professional shortage areas ("HPSAs"). The Stark Law exception for practitioner recruitment is not limited to HPSAs, rather it applies to the recruitment of physicians who are relocating their practices to the geographic area served by the hospital, if certain requirements are met. The Stark Law also contains an exception pertaining to retention arrangements that allows hospitals, in limited circumstances, to pay incentives to retain a physician in underserved areas.

Management of the Hospital believes that the physician recruitment programs of the Hospital are in material compliance with these laws and policies, but no assurance can be given that future laws, regulations or policies will not have a material adverse impact on the ability of the Hospital to recruit and retain physicians.

Emergency Medical Treatment and Labor Act

The federal Emergency Medical Treatment and Labor Act ("EMTALA") imposes certain requirements on hospitals and facilities with emergency departments. Generally, EMTALA requires that hospitals provide "appropriate medical screening" to patients who come to the emergency department to determine if an emergency medical condition exists. The hospital must stabilize the patient, and the patient cannot be transferred unless stabilization has occurred. On September 5, 2003, CMS issued rules clarifying hospital obligations under EMTALA. These rules expand the definition of hospital emergency department to include any department or facility of the hospital, regardless of whether it is located on or off the main hospital campus, that (i) is licensed by the state in which it is located under applicable state law as an emergency room or emergency department; (ii) is held out to the public as a place that provides care on an emergency medical or urgent care basis or (iii) provides at least one-third of all of its outpatient visits for the examination and treatment of emergency medical conditions. The new rules also clarify the physician "on-call" requirements, now allowing hospitals the discretion to develop their on-call lists in a way that best meets the needs of their communities. Furthermore, the rules permit hospital departments that are off-campus to provide the most effective way for caring for emergency patients without requiring that the patient be moved to the main campus.

In addition, emergency room services provided to screen and stabilize a Medicare beneficiary furnished after January 1, 2004, must be evaluated for Medicare's "reasonable and necessary" requirements on the basis of information available to the treating physician or practitioner at the time the services were ordered.

On August 1, 2006, CMS released a rule finalizing two revisions to current EMTALA regulations, one relating to who can certify false labor and the other requiring that all Medicare-participating hospitals with specialized capabilities, including Specialty Hospitals, must accept appropriate transfers of unstable individuals, regardless of whether the hospital with specialized capabilities has an emergency department.

The IPPS Final Rule also contained some modifications to EMTALA obligations. Under the IPPS Final Rule, if an individual with an unstable emergency medical condition presents to a participating hospital and is admitted, the admitting hospital has satisfied its EMTALA obligation. If the patient is subsequently transferred to a hospital with capabilities for specialized care, that hospital does not have an EMTALA obligation to accept the individual. CMS invites ongoing public comment on whether this policy results in unintended consequences, such as refusals by hospitals with specialized capabilities to accept the transfer inpatients whose emergency medical condition remains unstabilized. CMS also finalized requirements that hospitals must meet to participate in a community call plan to share on-call responsibilities and comply with EMTALA.

Failure to comply with EMTALA may result in a hospital's exclusion from the Medicare and/or Medicaid programs, as well as civil monetary penalties. As such, failure of a Member of the Hospital to meet its responsibilities under EMTALA could adversely affect the financial condition of the Hospital.

On October 1, 2008, the OIG published its proposed Work Plan for 2009. The Plan describes new and ongoing programs and activities the OIG has identified as critical to its mission. A previous OIG review raised concerns about CMS' EMTALA oversight, specifically regarding long delays to investigate complaints and inadequate feedback provided to hospitals on alleged violations. The OIG will identify any variation among regions in the number of EMTALA complaints and cases referred to States, examine CMS' methods for tracking complaints and cases, and determine whether required peer reviews have been conducted before CMS makes a determination about whether to terminate a noncompliant provider from the Medicare Program.

Management of the Hospital believes its policies and procedures are in material compliance with EMTALA. There have been no inquiries about possible violations of EMTALA and no claims of violations have been initiated against the Hospital. Any sanctions imposed as a result of an EMTALA violation could have a material adverse effect on the future operations or financial condition of the Hospital.

State Laws and Regulations

States are increasingly regulating the delivery of health care services in response to the federal government's failure to adopt comprehensive health care reform measures. Much of this increased regulation has centered on the managed care industry. State legislatures have cited their right and obligation to regulate and to oversee health care insurance and have enacted sweeping measures that aim to protect consumers and, in some cases, providers.

Due to this increased state oversight, the Hospital could be subject to a variety of Indiana health care laws and regulations affecting both managed care organizations and health care providers. In addition, the Hospital could be subject to state laws and regulations prohibiting, restricting or otherwise governing preferred provider organizations, third-party administrators, physician-hospital organizations, independent practice associations or other intermediaries; fee-splitting; the "corporate practice of medicine;" selective contracting ("any willing provider" laws and "freedom of choice" laws); coinsurance and deductible amounts; insurance agency and brokerage; quality assurance, utilization review, and credentialing activities; provider and patient grievances; mandated benefits; rate increases; and many other areas.

In the event that the Hospital chooses to engage in transactions subject to such laws, or are considered by a state in which they operate to be engaging in such transactions, the Hospital may be required to comply with these laws or to seek the appropriate license or other authorization from that state. Such requirements may impose operational, financial, and legal burdens, costs and risks upon the Hospital.

Joint Ventures

The OIG has expressed its concern in various advisory bulletins that many types of joint venture arrangements involving hospitals may implicate the Anti-Kickback Law, since the parties to joint ventures are typically in a position to refer patients of federal health care programs. In its 1989 Special Fraud Alert, the OIG raised concern about certain physician joint ventures where the intent is not to raise investment capital to start a business but rather to "lock up a stream of referrals from the physician investors and compensate these investors indirectly for these referrals." The OIG listed various features of suspect joint ventures, but noted that its list was not exhaustive. These features include: (i) whether investors are chosen because they are in a position to make referrals; (ii) whether physicians with more potential referrals are given larger investment interests; (iii) whether referrals are tracked and referral sources shared with investing physicians; (iv) whether the overall structure is a "shell" (i.e., one of the parties is an ongoing entity already engaged in a particular line of business); and (v) whether investors are required to invest a disproportionately small amount or are paid extraordinary returns in comparison with their risk.

In April 2003, the OIG issued a Special Advisory Bulletin indicating that "contractual joint ventures" (where a provider expands into a new line of business by contracting with an entity that already provides the items or services) may violate the Anti-Kickback Law and expressing skepticism that existing statutory or regulatory safe-harbors would protect suspect contractual joint ventures.

In addition, under the federal tax laws governing Section 501(c)(3) organizations, a tax-exempt hospital's participation in a joint venture with for-profit entities must further the hospital's exempt purposes and the joint venture arrangement must permit the hospital to act exclusively in the furtherance of its exempt purposes, with only incidental benefit to any for-profit partners. If the joint venture does not satisfy these criteria, the hospital's tax-exemption may be revoked, the hospital's income from the joint venture may be subject to tax, or the parties may be subject to some other sanction.

Finally, many hospital joint ventures with physicians may also implicate the federal Stark Law.

Any evaluation of compliance with the Anti-Kickback Statute or tax laws governing Section 501(c)(3) organizations depends on the totality of the facts and circumstances, while the Stark Law requires strict compliance with an exception if the prohibition is triggered. While management of the Obligated Group believes that the joint venture arrangements to which the Obligated Group is a party are in material compliance with the Anti-Kickback Statute, OIG pronouncements, the tax laws governing Section 501(c)(3) organizations, and the Stark Law, any determination that an Obligated Group Member is not in compliance could have a material adverse effect on the future financial condition of the Obligated Group.

The Hospital has entered into or is in the process of entering into several joint ventures with physicians. The ownership and operation of certain of these joint ventures may not meet safe harbors under the Anti-Kickback Law. Management of the Hospital has proceeded or is proceeding with the transactions related to the joint ventures on the assumption, after consultation with its legal counsel, that each of the transactions related to the joint ventures is in compliance with the Stark Law, and is otherwise generally in compliance with the Anti-Kickback Law. However, there can be no assurance that regulatory authorities will not take a contrary position or that such transactions will not be found to have violated the Stark Law and/or the Anti-Kickback Law. Any such determination could have a material adverse effect on the financial condition of the Hospital.

HIPAA Administrative Simplification

Providers of health care and operators of health plans are significantly affected by certain health information requirements contained in the "administrative simplification" provisions of HIPAA. Pursuant to HIPAA, most covered entities, including the Hospital, were required to make significant changes to hardware, software and operations. The Hospital has implemented these changes, believes that such implementation has been successful and believes that reimbursement of claims will not be materially disrupted. Disruptions in reimbursement could have a material adverse effect on the financial condition of the Hospital.

On December 28, 2000, HHS published the final privacy rules (the "Privacy Rule") to implement other requirements of the "administrative simplification" section of HIPAA. The Privacy Rule explicitly covers health care providers, health plans, and certain clearinghouses of health care information (i.e., a "covered entity"). The Privacy Rule provides the first comprehensive federal protection for the privacy of health information. It covers all medical records and other identifiable health information used, maintained or disclosed by a covered entity whether communicated electronically, on paper or orally. Management of the Hospital believes that it is in material compliance with the Privacy Rule.

Finally, HHS has published regulations establishing standards concerning the security of health care data that is transmitted electronically (the "Security Standards"). The final version of the Security Standards was published February 20, 2003. The Security Standards require covered entities such as the Hospital Members to undertake a wide range of activities designed to enhance security of electronic information. These measures include implementing administrative, physical and technical safeguards to protect electronic health information and ensuring the confidentiality, integrity and availability of electronic health information. Most covered entities were required to comply with the Security Standards by April 20, 2005. Management of the Hospital believes that it is in material compliance with the Security Standards.

Red Flag Rules

On May 1, 2009, new regulations titled The Identity Theft Red Flags and Address Discrepancies Under the Fair and Accurate Credit Transactions Act of 2003 ("Red Flag Regulations") will require financial institutions and creditors (including the Hospital) to implement and maintain policies and procedures appropriate to protect against, detect and respond to identity theft. Generally, the Red Flag Regulations require the board of directors of a healthcare provider to develop and implement a program to protect and monitor patient information for identity theft. The Federal Trade Commission ("FTC") is the primary federal agency charged with enforcing the Red Flag Regulations against creditors, including healthcare providers. The Red Flag Regulations requires the Hospital to implement a program to prevent, detect and respond to patterns, practices and specific activities that indicate the possible existence of identity theft, referred to within the regulations and "Red Flags." The program will protect theft based on its own operations and circumstances; however, the program must contain reasonable policies and procedures to: (i) identify relevant Red Flags for covered accounts and incorporate those Red Flags into the program; (ii) detect Red Flags that have been incorporated into the program; (iii) respond appropriately to any Red Flags that are detected to prevent and mitigate against identity theft; and (iv) ensure that the program is updated periodically, to ensure ongoing reasonable prevention, detection and response to identity theft.

The FTC is authorized to bring enforcement actions in federal court for violation and could enact penalties of up to $25,000 for each independent violation of the rule. States are authorized to bring actions on behalf of their residents and may recover up to $1,000 for each violation and attorney's fees. Management of the Hospital believes its policies and procedures will be in material compliance with the Red Flag Regulations by the compliance deadline. Any sanctions imposed as a result of a Red Flag Regulation violation could have a material adverse effect on the financial condition of the Hospital.

Market Dynamics

In providing health care services, each Member of the Hospital competes with a number of other providers in its service area, including for-profit and nonprofit providers of acute health care services. See APPENDIX C for a description of the principal competitors of the Hospital in its service area.

In addition, other affiliations among health care providers in the service areas of the Hospital may be either in a formative phase or under negotiation. Competition could also result from certain health care providers that may be able to offer lower priced services to the population served by the Hospital. These services could be substituted for some of the revenue generating services currently offered by the Hospital. The services that could serve as substitutes for hospital treatment include skilled, specialized and residential nursing facilities, home care, drug and alcohol abuse programs, ambulatory surgical centers, expanded preventive medicine and outpatient treatment, freestanding independent diagnostic testing facilities, increasingly sophisticated physician group practices and specialty hospitals, such as cardiac care hospitals and children's hospitals. Certain of such forms of healthcare delivery are designed to offer comparable services at lower prices, and the federal government and private third-party payors may increase their efforts to encourage the development and use of such programs. In addition, future changes in state and federal law may have the effect of increasing competition in the healthcare industry. The effect on the Hospital of any such affiliations or entry into the market by alternative providers of health care services, if completed, cannot be determined at this time, but the management of the Hospital believes that the Hospital has positioned itself to effectively provide community-based health care throughout the areas served by the Hospital.

Licensing, Accreditations, Investigations and Audits

On a regular basis, health care facilities, including those of the Hospital are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. These include, but are not limited to, requirements relating to Medicare and Medicaid participation and payment, state licensing agencies, private payers, the HFAP and other accrediting bodies. Renewal and continuance of certain of these licenses, certifications and accreditation are based on inspections, surveys, audits, investigations or other reviews, some of which may require or include affirmative action or response by the Hospital. These activities generally are conducted in the normal course of business of health care facilities. Nevertheless, an adverse result could result in a loss or reduction in the scope of licensure, certification or accreditation of the Hospital, or could reduce the payment received or require repayment of amounts previously remitted.

Each Member of the Hospital is subject to periodic review by the HFAP, and the various federal, state and local agencies created by the National Health Planning and Resources Development Act of 1974. From time to time, accrediting bodies may review their accreditations of Hospital and recommend certain actions or impose conditions on an existing accreditation. Management currently anticipates no difficulty renewing or continuing currently held licenses, certifications or accreditations. Nevertheless, actions in any of these areas could result in the loss of utilization or revenues, or the ability of the Hospital to operate all or a portion of their facilities, and, consequently, could adversely affect the ability of the Hospital to make principal, interest and premium, if any, payments with respect to the Bonds. Management does not expect any such review to require actions or impose conditions that could not be satisfied or to adversely affect the continuing accreditation of any Member of the Hospital. No assurance can be given as to the effect on future operations of existing laws, regulations and standards for certification or accreditation or of any future changes in such laws, regulations and standards.

Future Legislation

Legislation is periodically introduced in the U.S. Congress and the Indiana General Assembly that could result in limitations on hospital revenues, reimbursement, costs or charges or that could require an increase in the quantity of indigent care required to maintain charitable status. The effect of any such proposals, if enacted, cannot be determined at this time.

Legislative bodies have considered legislation concerning the charity care standards that nonprofit, charitable hospitals must meet to maintain their federal income tax-exempt status under the Code and legislation mandating that nonprofit, charitable hospitals have an open-door policy toward Medicare and Medicaid patients as well as offer, in a non-discriminatory manner, qualified charity care and community benefits. Excise tax penalties on nonprofit, charitable hospitals that violate these charity care and community benefit requirements could be imposed or their tax-exempt status under the Code could be revoked. The scope and effect of legislation, if any, that may be enacted at the federal or state levels with respect to charity care of nonprofit hospitals cannot be predicted. Any such legislation or similar legislation, if enacted, could have the effect of subjecting a portion of the income of a Member of the Hospital to federal or state income taxes or to other tax penalties and adversely affect the ability of the Hospital individually and of the Hospital, taken as a whole, to generate net revenues sufficient to meet its obligations and to pay the debt service on the Bonds and its other obligations.

Malpractice Lawsuits and Malpractice Insurance

The ability of, and the cost to, the Hospital to insure or otherwise protect themselves against malpractice claims may adversely affect their future results of operations or financial condition.

The ability of health care providers to obtain malpractice insurance in Indiana, like most of the rest of the United States, has significantly deteriorated as rates for such insurance have increased, commercial providers have reduced their participation in, or withdrawn entirely from, the medical malpractice insurance realm, and PHICO, a Pennsylvania private malpractice insurer that had written such medical malpractice policies nationally, was declared insolvent. In addition, the events of September 11, 2001 and the attendant decline in financial markets and their impact on insurance companies' assets had an adverse impact on the medical malpractice insurance market. The ability of the Hospital to insure or otherwise protect themselves against malpractice claims remains in question and the cost of such protection will likely continue to rise, which may adversely affect the financial condition and results of operations of the Hospital.

Many hospitals and health care providers are having difficulty renewing or obtaining commercial insurance, including insurance against malpractice and general liability claims, at reasonable cost. The insurers are providing lower amounts of coverage, requiring greater deductibles and charging larger premiums. Policies issued may not be renewed or renewable. While management of the Hospital considers the Hospital's insurance coverage to be adequate, no assurance can be given that such coverage will be available for purchase in the same amounts and on the same terms in the future.

Antitrust

Enforcement of the antitrust laws against health care providers is becoming more common, and antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, third-party contracting, physician relations, and joint venture, merger, affiliation and acquisition activities. In some respects, the application of the federal and state antitrust laws to health care is still evolving, and enforcement activity by federal and state agencies appears to be increasing. In particular, the Federal Trade Commission ("FTC") has publicly acknowledged increasing enforcement action in the area of physician joint contracting. Likewise, increased enforcement action exists relating to a retrospective review of completed hospital mergers. Violation of the antitrust laws could subject a hospital to criminal and civil enforcement by federal and state agencies, as well as treble damage liability by private litigants. At various times, a Member of the Hospital may be subject to an investigation by a governmental agency charged with the enforcement of the antitrust laws, or may be subject to administrative or judicial action by a federal or state agency or a private party. The most common areas of potential liability are joint activities among providers with respect to payer contracting, medical staff credentialing, and use of a hospital's local market power for entry into related health care businesses. From time to time, a Member of the Hospital may be involved in joint contracting activity with other hospitals or providers. The precise degree to which this or similar joint contracting activities may expose the Hospital to antitrust risk from governmental or private sources is dependent on specific facts which may change from time to time. A U.S. Supreme Court decision now allows physicians who are subject to adverse peer review proceedings to file federal antitrust actions against hospitals. Hospitals regularly have disputes regarding credentialing and peer review, and therefore may be subject to liability in this area. In addition, hospitals occasionally indemnify medical staff members who are involved in such credentialing or peer review activities, and may also be liable with respect to such indemnity. Recent court decisions have also established private causes of action against hospitals which use their local market power to promote ancillary health care business in which they have an interest. Such activities may result in monetary liability for the participating hospitals under certain circumstances where a competitor suffers business damage. Government or private parties are entitled to challenge joint ventures that may injure competition. Liability in any of these or other antitrust areas of liability may be substantial, depending on the facts and circumstances of each case, and may have a material adverse impact on the Hospital.

Health Care Professionals and Other Employees

Employee/Labor Relations and Collective Bargaining. The ability of the Hospital Members to employ and retain qualified employees, and their ability to maintain good relations with such employees and the unions they may be represented by, affect the quality of services to patients and the financial condition of the Hospital Members.

Wage and Hour Class Actions and Litigation. Federal law and many states impose standards related to worker classification, eligibility and payment for overtime, liability for providing rest periods and similar requirements. Large employers with complex workforces, such as hospitals, are susceptible to actual and alleged violations of these standards. In recent years there has been a proliferation of lawsuits over these "wage and hour" issues, often in the form of large, sometimes multi-state, class actions. For large employers such as hospitals and health systems, such class actions can involve multi-million dollar claims, judgments and/or settlements. A major class action decided or settled adversely to any Hospital Member could have a material adverse impact on its financial condition and result of operations.

Staffing Shortages. In recent years, the health care industry has suffered from a scarcity of nursing personnel, respiratory therapists, radiation technicians, pharmacists and other trained health care technicians. A significant factor underlying this trend includes a decrease in the number of persons entering such professions. This is expected to intensify in the future, aggravating the general shortage and increasing the likelihood of hospital-specific shortages. Competition for employees, coupled with increased recruiting and retention costs, will increase hospital operating costs, possibly significantly, and growth may be constrained. This trend could have a material adverse impact on the financial conditions and results of operations of hospitals.

Professional Liability Claims and General Liability Insurance. In recent years, the number of professional and general liability suits and the dollar amounts of damage recoveries have increased in health care nationwide, resulting in substantial increases in malpractice insurance premiums, higher deductibles and generally less coverage. Professional liability and other actions alleging wrongful conduct and seeking punitive damages are often filed against health care providers. Insurance does not provide coverage for judgments for punitive damages.

Litigation also arises from the corporate and business activities of hospitals, from a hospital's status as an employer or as a result of medical staff or provider network peer review or the denial of medical staff or provider network privileges. As with professional liability, certain of these risks may not be covered by insurance. For example, some antitrust claims or business disputes are not covered by insurance and may, in whole or in part, become a direct liability of an Hospital Member if determined or settled adversely.

There is no assurance that hospitals will be able to maintain coverage amounts currently in place in the future, that the coverage will be sufficient to cover malpractice judgments rendered against a hospital or that such coverage will be available at a reasonable cost in the future.

Investments

During certain fiscal years, investment income has constituted a significant portion of the net income of the Hospital. In other years, the Hospital has experienced losses on its investments. No assurance can be given that the investments of the Hospital will produce positive returns or that losses on investments will not occur in the future.

To the extent investment returns are lower than anticipated or losses on investments occur, the Hospital may also be required to make additional deposits in connection with pension fund liabilities.

Environmental Laws and Regulations

Health care providers are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations which address, among other things, hospital operations, facilities and properties owned or operated by hospitals. Among the types of regulatory requirements faced by hospitals are (a) air and water quality control requirements, (b) waste management requirements, (c) specific regulatory requirements applicable to asbestos, polychlorinated biphenyls and radioactive substances, (d) requirements for providing notice to employees and members of the public about hazardous materials handled by or located at the hospital, and (e) requirements for training employees in the proper handling and management of hazardous materials and wastes.

In its role as an owner and operator of properties or facilities, each Member of the Hospital may be subject to liability for investigating and remedying any hazardous substances that may be present on or have migrated off of its property or facilities. Typical hospital operations include, but are not limited to, in various combinations, the handling, use, storage, transportation, disposal and discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. As such, hospital operations are particularly susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations. Such risks may result from damage to individuals, property or the environment and include an interruption of operations, an increase in operating costs, legal liability, damages, injunctions or fines and investigations, administrative proceedings, penalties or other governmental agency actions. The Hospital expects to continue to encounter such risks in the future, and exposure to such risks could materially adversely affect the future financial condition or results of operations of the individual Hospital and of the Hospital, taken as a whole.

Management of the Hospital is not aware of any pending or threatened claim, investigation or enforcement action regarding such environmental issues involving any Member of the Hospital which, if determined adversely, would have a material adverse effect on the future financial condition or results of operations of the Hospital, taken as a whole.

The Trustee may decline to enforce the Indenture if the Trustee has not been indemnified to its satisfaction, in accordance with the Indenture, for all liabilities it may incur as a consequence thereof. Such liabilities may include, but are not limited to, costs associated with complying with environmental laws and regulations.

Increased Enforcement Affecting Clinical Research

In addition to increasing enforcement of laws governing payment and reimbursement, the federal government has also stepped up enforcement of laws and regulations governing the conduct of clinical trials at hospitals. DHHS elevated and strengthened its Office of Human Research Protection, one of the agencies with responsibilities for monitoring federally-funded research. In addition, the National Institutes of Health significantly increased the number of facility inspections that these agencies perform. The Food and Drug Administration ("FDA") also has authority over the conduct of clinical trials performed in hospitals when these trials are conducted on behalf of sponsors seeking FDA approval to market the drug or device that is the subject of the research, The FDA's inspection of facilities increased significantly in recent years. These agencies' enforcement powers range from substantial fines and penalties to exclusions of researchers and suspension or termination of entire research programs. Management of the Hospital believes that clinical research being conducted by the Hospital is in substantial compliance with material applicable requirements.

Technological Changes

Medical research and resulting discoveries have grown exponentially in the last decade. These new discoveries may add greatly to the cost of the Hospital providing services with no or little offsetting increase in federal reimbursement and may also render obsolete certain of the health services of the Hospital. New drugs and devices may increase hospitals' expense because, for the most part, the costs of new drugs and devices are not typically accounted for in the DRG payment received by hospitals for inpatient care. The PPS system imposed on outpatient services does permit a direct pass-through of certain new technologies defined by the government.

The rate of discovery of new drugs and devices has grown dramatically for several reasons. First, as medical discovery grows, it generates new avenues of research and discovery. Second, pharmaceutical and medical device companies are devoting increasing amounts of money to research and development spurred in part by reforms in the regulation of product approval for sale and distribution, The 1990s witnessed significant reforms at the FDA, the agency that regulates the introduction of new drugs and devices to the market. In 1992, Congress passed the Prescription Drug User Fee Act that levied fees on industry to support a substantial upgrade and reorganization of the agency for the purpose of dramatically decreasing the time required to secure approval for new drugs and devices. This Act was renewed and new FDA reforms were enacted by the Food and Drug Administration Modernization Act of 1997. The result of these pieces of legislation has been to cut in half the median time required for new drug approval. Other effects include decrease in the types of devices regulated, reform of the biologics approval process and decrease in clinical development times.

Once these drugs secure market approval, they are often included on hospitals' formularies (the list of drugs maintained by the hospitals for patient care). These may add significant operating expense with no immediate reimbursement through government payers for inpatient services.

A second potential effect is that discoveries could render obsolete the way that services are currently rendered, thereby either increasing expense or reducing revenues. However, any such effect cannot be predicted.

Enforcement of Remedies; Risks of Bankruptcy

The obligations of the Hospital under the Qualified Obligations are general obligations of the Hospital and are not secured by any liens on real estate, equipment or other assets of the current Hospital or any future Hospital. Enforcement of the remedies under the Indenture may be limited or delayed in the event of application of federal bankruptcy laws or other laws affecting creditors' rights and may be substantially delayed and subject to judicial discretion in the event of litigation or the required use of statutory remedial procedures.

If a Member of the Hospital were to file a petition for relief under the United States Bankruptcy Code, the order for relief entered in response to the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against such Member of the Hospital and any interest it has in property. The commencement of a case under the Bankruptcy Code could greatly affect the rights of the non-filing Hospital, including, but not limited to, allowing the use of cash and cash equivalents pledged to the Hospital, impairing the claims of the Hospital, and potentially discharging unpaid obligations of the filing Member of the Hospital.

If a bankruptcy court so ordered, such property of the Hospital, including its accounts receivable and proceeds thereof, could be used, at least temporarily, for the benefit of the bankruptcy estate of such Member of the Hospital despite the claims of its creditors.

In a case under the Bankruptcy Code, a Member of the Hospital could file a plan of reorganization. The plan provides for the comprehensive treatment of all claims against such Member of the Hospital, and could result in the modification of rights of any class of claims or interests, secured or unsecured. Other than as provided in the confirmed plan, all claims and interests are discharged and extinguished.

A plan may be confirmed if each class of claims and interests has accepted the plan or if at least one class of impaired claims that is entitled to vote has accepted the plan and the bankruptcy court finds, among other things, that the plan is fair and equitable, does not discriminate unfairly with respect to any non-accepting class of claims, provides creditors with more than would be received if the estate was liquidated, is proposed in good faith, and that the debtor's performance under the plan is feasible. A class of claims accepts a plan if, of the creditors that vote, more than one-half of the number of claims in the class and at least two-thirds in amount of claims are voted in favor of the plan. Approval by classes of interests requires a vote in favor of the plan by two-thirds in amount. If these levels of votes are attained, those voting against the plan or not voting at all are nonetheless bound by the terms thereof.

A Member of the Hospital could also file a case under the Bankruptcy Code to liquidate its assets. In a liquidation, secured claims are paid according to the value of the secured interest, unsecured claims are paid in order of priority, and the costs of administering the estate are paid from the funds of the estate.

Alternative or Integrated Delivery System Development

Many hospitals and health systems, including the Hospital, are pursuing strategies with physicians in order to offer an integrated package of health care services, including physician and hospital services, to patients, health care insurers, and managed care providers. These integration strategies may take many forms, including management service organizations ("MSO"), which may provide physicians or physician groups with a combination of financial and managed care contracting services, office and equipment, office personnel and management information systems. Integration objectives may also be achieved via physician-hospital organizations ("PHOs"), which are typically jointly owned or controlled by a hospital and physician group for the purpose of managed care contracting, implementation and monitoring. Other integration structures include hospital based clinics or medical practice foundations, which may purchase and operate physician practices as well as provide all administrative services to physicians. Many of these integration strategies are capital intensive and may create certain business and legal liabilities for the related hospital or health system.

Often the start-up capitalization for such developments, as well as operational deficits, may be funded by the sponsoring hospital or health system. Depending on the size and organizational characteristics of a particular development, these capital requirements may be substantial. In some cases, the sponsoring hospital or health system may be asked to provide a financial guarantee for the debt of a related entity which is carrying out an integrated delivery strategy. In certain of these structures, the sponsoring hospital or health system may have an ongoing financial commitment to support operating deficits, which may be substantial on an annual or aggregate basis.

These types of integrated delivery developments are generally designed to conform to existing trends in the delivery of medicine, to implement anticipated aspects of health care reform, to increase physician availability to the community and/or enhance the managed care capability of the affiliated hospital and physicians. However, these goals may not be achieved, and, if the development is not functionally successful, it may produce materially adverse results that are counterproductive to some or all of the above-stated goals.

All such integrated delivery developments carry with them the potential for legal or regulatory risks in varying degrees. Such developments may call into question compliance with the Medicare anti-referral laws, relevant antitrust laws, and federal or state tax exemption. Such risks will turn on the facts specific to the implementation, operation or future modification of any integrated delivery system. MSOs which operate at a deficit over an extended period of time may raise significant risks of investigation or challenge regarding tax exemption or compliance with the Medicare anti-referral laws. In addition, depending on the type of development, a wide range of governmental billing and other issues may arise, including questions of the authorization of the entity to bill for or on behalf of the physicians involved. Other related legal and regulatory risks may arise, including employment, pension and benefits, and corporate practice of medicine, particularly in the current atmosphere of frequent and often unpredictable changes in federal and state legal requirements regarding health care and medical practice. The potential impact of any such regulatory or legal risks on the Hospital cannot be predicted with certainty. There can be no assurance that such issues and risks will not lead to material adverse consequences in the future.

Managed Care

Each Member of the Hospital contracts with several third party payers. In many markets, including Indiana, managed care plans, primarily health insuring corporations ("HICs"), also known as health maintenance organizations ("HMOs"), preferred provider organizations ("PPOs"), point of service arrangements ("POS") and self-insured employer plans covered by ERISA and administered by a third party ("ASOs") have largely replaced indemnity insurance as the prime source of nongovernmental payment for provider services. Such "managed care" plans generally use discounts, direction mechanisms, risk-transfer mechanisms and other economic and non-economic incentives to reduce or limit the cost and utilization of health care services. In these markets, hospital inpatient utilization and hospital inpatient revenues per admission have declined as managed care plans penetrate regional markets. In addition, Medicare and Medicaid have instituted managed care contracting programs in certain states, including Indiana, as discussed above.

Under a PPO arrangement, there generally are financial incentives for subscribers to use only those hospitals or providers which contract with the PPO. Under most HIC/HMO plans, private payers limit coverage to those services provided by selected hospitals. With this contracting authority, private payers, including health plans and HICs/HMOs, may direct patients away from nonselected hospitals by denying coverage for services provided by them and providing coverage but with significant financial obligations on the part of the patients.

Most PPOs and HICs/HMOs currently pay hospitals on a discounted fee-for-service basis or on a discounted fixed rate per day of care. Many health care providers do not have complete information about their actual costs of providing specific types of care, particularly since each patient presents a different mix of services and length of stay. Consequently, the discounts offered to HICs/HMOs and PPOs may result in payment at less than actual cost and the volume of patients directed to a hospital may vary significantly from projections. Changes in utilization of certain services may be dramatic and unexpected.

Under a POS arrangement, there are financial incentives for subscribers to use a closed panel of hospitals or providers, but subscribers also are able to use hospitals or providers that do not contract with the network. Use of such non-contracting hospitals or providers requires an increased financial contribution from the subscribers, typically in the form of an increased coinsurance or deductible. If the popularity of POS plans increases, more patients may have more freedom to determine where they will obtain their health care and it will become increasingly difficult for health care providers to maintain and/or increase market share by contracting with managed care plans, networks, and other similar entities.

The Hospital has entered into contractual arrangements with PPO, HIC/HMO, ASO and traditional insurers pursuant to which the particular hospital agrees to perform certain health care services for eligible participants at discounted rates. Revenues received under such contracts are expected to be sufficient to cover the variable cost of the services provided.

Some HICs/HMOs mandate a "capitation" payment method under which hospitals are paid a predetermined periodic rate for each enrollee in the HIC/HMO who is "assigned" to, or otherwise directed to receive care at, a particular hospital. In a capitation payment system, the hospital assumes an insurance risk for the cost and scope of care given to such enrollees. In some cases, the capitated payment covers total patient care provided, including physician charges. HMOs/HICs also sometimes use other forms of risk-transfer, such as basing payment on a percentage of the subscriber's premium. If payment under an HMO/HIC contract is insufficient to meet the hospital's costs of care, the financial condition of the hospital could erode rapidly and significantly. Often, contracts are enforceable for a stated term, regardless of hospital losses. Further, HMO/HIC contracts are statutorily required to contain a requirement that the hospital care for enrollees for a certain period of time regardless of whether the HMO/HIC has funds to make payment to the hospital. Moreover, statutory requirements also prohibit providers from "balance billing" subscribers, even in the circumstance of an insolvency of an HMO/HIC. Contractual requirements sometimes extend balance billing restrictions and continuity of care obligations to PPOs and ASOs.

Increasingly, physician practice groups and independent practice associations have become a part of the process of negotiating payment rates to hospitals. This involvement has taken many forms, but typically increases the competition for limited payment resources from HMOs/HICs, PPOs and other third party payors. Also, it is reasonable to expect that as payors and employers attempt to limit the amount they will pay for health care, that consumers will be responsible for a larger share of their health care expenses. This could lead to the widespread development of a health care market where patients (and not payors) make the determination as to where to obtain care.

In regions where managed care is becoming prevalent, hospitals must be capable of attracting and maintaining managed care business, often on a regional basis. To do so, regional coverage and aggressive pricing may be required. However, it is also essential that contracting hospitals be able to provide the contracted services without significant operating losses, which may require innovative cost containment efforts. There is no assurance that the Hospital will maintain managed care contracts or obtain other similar contracts in the future. Failure to obtain or maintain contracts could have the effect of materially reducing the market share patient base and gross revenues of the Hospital. Conversely, participation may maintain or increase the patient base, but could result in materially lower net income to the Hospital if they are unable to promptly and adequately contain their costs.

There can be no assurance that managed care contracts entered into by the Hospital with managed care payors will be renewed by such payors upon expiration thereof or will not be terminated prior to expiration thereof. Termination, or expiration without renewal, of managed care contracts could have a material adverse effect on the future financial condition or results of operations of individual Hospital and of the Hospital, taken as a whole.

As a consequence of such factors, the effect of managed care on the future financial condition of the Hospital is difficult to predict and may be materially adverse.

Charity Care, Underinsured and Uninsured Patients

Recently, focus has increased on the provision of charity care by nonprofit health care institutions and their pricing policies and billing and collection practices involving the underinsured and uninsured. This increased focus has resulted in congressional hearings, governmental inquiries (including by the IRS) and private class action litigation against more than 100 nonprofit health care institutions nationwide, generally alleging the overcharging of underinsured and uninsured patients. Although the Hospital is not a party to the class action litigation, management of the Hospital cannot predict the impact that these or related developments may have on the Hospital or the health care industry generally.

Bond Ratings

There is no assurance that the ratings assigned to the Series 2009D Bonds at the time of issuance will not be lowered or withdrawn at any time, the effect of which could be to adversely affect the market price for and marketability of such Series 2009D Bonds.

Additional Risk Factors

The following factors, among others, may also adversely affect the operation of health care organizations, including the Hospital, to an extent that cannot be determined at this time:

- Increased efforts by insurers and governmental agencies to limit the cost of hospital services (including, without limitation, the implementation of a system of prospective review of hospital rate changes and negotiating discounted rates), to reduce the number of hospital beds and to reduce utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety, and outpatient care.

- Cost increases without corresponding increases in revenue could result from, among other factors: increases in the salaries, wages, and fringe benefits of hospital and clinic employees; increases in costs associated with advances in medical technology or with inflation; or future legislation which would prevent or limit the ability of the Hospital to increase revenues.

- Any termination or alteration of existing agreements between a Member of the Hospital and individual physicians and physician groups who render services to the patients of a Member of the Hospital or any termination or alteration of referral patterns by individual physicians and physician groups who render services to the patients of a Member of the Hospital with whom the Hospital does not have contractual arrangements.

- Future contract negotiations between public and private insurers, employers and participating hospitals, including the hospitals of the Hospital, and other efforts by these insurers and employers to limit hospitalization costs and coverage could adversely affect the level of reimbursement to the Hospital.

- The State currently does not have a program for the regulation or review of the rates charged for hospital services furnished to private-paying patients. If any such program were established, it may have an adverse effect on the revenues of the Hospital.

- An inflationary economy and difficulty in increasing room charges and other fees charged while at the same time maintaining the amount or quality of health services may affect the operating margins of the Hospital.

- The cost and effect of any future unionization of employees of the Hospital.

- The possible inability to obtain future governmental approvals to undertake projects necessary to remain competitive both as to rates and charges as well as quality and scope of care could adversely affect the operations of the Hospital.

- Imposition of wage and price controls for the health care industry, such as those that were imposed and adversely affected health care facilities in the early 1970s.

- Limitations on the availability of and increased compensation necessary to secure and retain nursing, technical or other professional personnel.

- Changes in law or revenue rulings governing the nonprofit or tax-exempt status of charitable corporations such as the Hospital, such that nonprofit corporations, as a condition of maintaining their tax-exempt status, are required to provide increased indigent care at reduced rates or without charge or discontinue services previously provided.

- Efforts by taxing authorities to impose or increase taxes related to the property and operations of nonprofit organizations or to cause nonprofit organizations to increase the amount of services provided to indigents to avoid the imposition or increase of such taxes.

- Proposals to eliminate the tax-exempt status of interest on bonds issued to finance health facilities, or to limit the use of such tax-exempt bonds, have been made in the past, and may be made again in the future. The adoption of such proposals would increase the cost to the Hospital of financing future capital needs.

- Increased unemployment or other adverse economic conditions which could increase the proportion of patients who are unable to pay fully for the cost of their care. In addition, increased unemployment caused by a general downturn in the economy of the service areas of the Hospital or by the closing of operations of one or more major employers in such service areas may result in a significant change in the demographics of such service areas, such as a reduction in the population.

In the future, other events may adversely affect the operations of the Hospital, as well as other health care facilities, in a manner and to an extent that cannot be determined at this time.

PLAN OF FINANCING

The Bond Bank will use a portion of the proceeds of the Series 2009D Bonds to purchase the Series 2009 Qualified Obligations identified in Appendix B of this Official Statement. The Qualified Entity issuing the Series 2009 Qualified Obligations has represented to the Bond Bank that the Qualified Entity will use the proceeds received by it in the sale of the Series 2009 Qualified Obligations to the Bond Bank to pay for a portion of the costs of the acquisition of an electronic medical records system, make certain other capital expenditures and to refund outstanding obligations of the Qualified Entity all as identified in its Authorizing Instrument.

APPLICATION OF PROCEEDS OF THE SERIES 2009D BONDS

Set forth below is a summary of the *estimated* sources and uses of the proceeds of the Series 2009D Bonds, which will be deposited in accordance with the Indenture:

Sources:

Principal amount	$52,000,000
Net original issue premium	376,306
Total	$52,376,306

Uses:

Deposit to General Account to Acquire the Series 2009 Qualified Obligations	$47,515,868
Deposit to Bond Issuance Expense Account	285,000
Underwriters' discount	374,400
Deposit to Debt Service Reserve Fund	4,201,038
Total	$52,376,306

THE INDIANA BOND BANK

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

Under separate trust indentures and other instruments authorized under the Act, the Bond Bank has previously issued and has outstanding as of October 1, 2009, an aggregate principal amount of approximately $2,523,202,740 in separate program obligations not secured by the Indenture, approximately $501,215,000 of which obligations are secured by debt service reserve funds eligible for annual appropriation by the State General Assembly. Additionally, as of the date of this Official Statement, the Bond Bank is considering undertaking other types of financing 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 financing, if any, will be secured separately from the Series 2009D Bonds and will not constitute Bonds under the Indenture or for purposes of this Official Statement.

The Act

Pursuant to the Act, the purpose of the Bond Bank is to assist "qualified entities", defined in the Act to include, in part, political subdivisions, as defined in Indiana Code 36-1-2-13, state educational institutions, as defined in Indiana Code 20-12-0.5-1(b), leasing bodies, as defined in Indiana Code 5-1-1-1(a), any commissions, authorities or authorized bodies of any qualified entity, and any organizations, associations or trusts with members, participants or beneficiaries that are all individually qualified entities. The Bond Bank provides such assistance through programs of among other things, purchasing the bonds, notes or evidences of indebtedness of such qualified entities. Under the Act, qualified entities include entities such as cities, towns, counties, school corporations, library corporations, special taxing districts, state educational institutions, charter schools and nonprofit corporations and associations which lease facilities or equipment to such entities. The Series 2009 Qualified Entity is a "qualified entity" within the meaning of the Act.

Powers Under the Act

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

1. Make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the Bond Bank or pertaining to: (i) a loan to or a lease or an agreement with a qualified entity; (ii) a purchase,

acquisition or a sale of qualified obligations or other investments; or (iii) the performance of its duties and execution of its powers under the Act;

2. Purchase, acquire or hold qualified obligations or other investments for the Bond Bank's own account or for a qualified entity at such prices and in a manner as the Bond Bank

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

3. Fix and establish terms and provisions upon which a purchase or loan will be made by the Bond Bank;

4. Prescribe the form of application or procedure required of a qualified entity for a purchase or loan and enter into agreements with qualified entities with respect to each purchase or loan;

5. Render and charge for services to a qualified entity in connection with a public or private sale of any qualified obligation, including advisory and other services;

6. Charge a qualified entity for costs and services in review or consideration of a proposed purchase, regardless of whether a qualified obligation is purchased, and fix, revise from time to time, charge and collect other Program Expenses properly attributable to qualified entities;

7. To the extent permitted by the indenture or other agreements with the owners of bonds or notes of the Bond Bank, consent to modification of the rate of interest, time and payment of installments of principal or interest, security or any other term of a bond, note, contract or agreement of any kind to which the Bond Bank is a party;

8. Appoint and employ general or special counsel, accountants, financial advisors or experts, and all such other or different officers, agents and employees as it requires;

9. In connection with the purchase of any qualified obligations, consider the need, desirability or eligibility of the qualified obligation to be purchased, the ability of the qualified entity to secure financing from other sources, the costs of such financing and the particular public improvement or purpose to be financed or refinanced with the proceeds of the qualified obligation to be purchased by the Bond Bank;

10. Temporarily invest moneys available until used for making purchases, in accordance with the indenture or any other instrument authorizing the issuance of bonds or notes; and

11. Issue bonds or notes of the Bond Bank in accordance with the Act bearing fixed or variable rates of interest in aggregate principal amounts considered necessary by the Bond Bank to provide funds for any purposes under the Act; provided, that the total amount of bonds or notes of the Bond Bank outstanding at any one time may not exceed any aggregate limit imposed by the Act, currently fixed at $1,000,000,000. Such aggregate limit of $1,000,000,000 does not apply to: (i) bonds or notes issued to fund or refund bonds or notes of the Bond Bank; (ii) bonds or notes issued for the purpose of purchasing an agreement executed by a qualified entity under Indiana Code 21-1-5; (iii) bonds, notes or other obligations not secured by a reserve fund under Indiana Code 5-1.5-5; (iv) bonds, notes, or other obligations if funds and investments, and the anticipated earned interest on those funds and investments, are irrevocably set aside in amounts sufficient to pay the principal, interest, and premium on the bonds, notes, or obligations at their respective maturities or on the date or dates fixed for redemption; and (v) obligations of certain types of qualified entities that have separate limits.

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

1. Lend money other than to a qualified entity;

2. Purchase a security other than a qualified obligation to which a qualified entity is a party as issuer, borrower or lessee, or make investments other than as permitted by the Act;

3. Deal in securities within the meaning of or subject to any securities law, securities exchange law or securities dealers law of the United States, the State or any other state or jurisdiction, domestic or foreign, except as authorized by the Act;

4. Emit bills of credit or accept deposits of money for time or demand deposit, administer trusts or engage in any form or manner, or in the conduct of, any private or commercial banking business or act as a savings bank, savings association or any other kind of financial institution; or

5. Engage in any form of private or commercial banking business.

Organization and Membership of the Bond Bank

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

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

Directors

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

Richard Mourdock, Chairman; term expires February 10, 2011. Residence, Darmstadt, Indiana. Indiana Treasurer of the State, February 10, 2007 to present; President, R.E. Mourdock and Associates, LLC, 2001 to present; Executive, Koester Companies, 1984-2000; Senior Geologist, Standard Oil Company, 1979-1984, Geologist, Amax Coal Company, 1974-1979.

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

Jennifer M. Alvey, Public Finance Director of the State, August 6, 2007 to present. Residence: Greenwood, Indiana. Indiana Finance Authority, Chief Operating Officer and General Counsel, 2006 to 2007; Ice Miller LLP, attorney, municipal finance section, 2003 to 2006; Indiana University, various accounting and treasury-related positions, 1995 to 2003; Certified Public Accountant (inactive); licensed to practice law in the States of Indiana and Illinois and before the District of Columbia Appeals Court.

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

William S. Konyha, Director; term expires July 1, 2012. Residence: Wabash, Indiana. President & CEO, Economic Development Group of Wabash County, Inc., 2006 to present; Chairman, Indiana Main Street Council; Advisory Counsel, Office of Community and Rural Affairs; Governance Committee Member, Indiana Economic Development Association; Advisory Board, Ivy Tech State Community College.

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

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

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

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

REVENUES, FUNDS AND ACCOUNTS

The Indenture creates certain Funds and Accounts identified in more detail below. Pursuant to the Indenture, the Trustee will deposit the net proceeds of the Series 2009D Bonds, together with other moneys into these Funds and Accounts as described below. Appendix G sets forth a summary of certain provisions of the Indenture.

Creation of Funds and Accounts

The Indenture establishes the following Funds and Accounts to be held by the Trustee:

1. General Fund - comprised of the following:
   (a) General Account
   (b) Bond Issuance Expense Account
   (c) Redemption Account

2. Debt Service Reserve Fund

3. Rebate Fund

Deposit of Net Proceeds of the Series 2009D Bonds, Revenues and Other Receipts

On the date of delivery of the Series 2009D Bonds, the Trustee will deposit the proceeds from the sale of the Series 2009D Bonds as follows:

(a) Into the Bond Issuance Expense Account of the General Fund, the amount of $285,000.00 in order to pay the Costs of Issuance (other than the underwriters' discount retained by the Underwriters); and

(b) Into the Debt Service Reserve Fund, the amount of $4,201,037.50 to fund the Reserve Requirement; and

(c) Into the General Account of the General Fund, the sum of $47,515,868.05, which will be used to purchase the Series 2009 Qualified Obligations.

The Trustee will deposit all Revenues and all other receipts (except the proceeds of the Series 2009D Bonds, and moneys received by the Bond Bank from the sale or redemption prior to maturity of the Series 2009

Qualified Obligations) into the General Account of the General Fund and will deposit any moneys received from the sale or redemption prior to maturity of the Series 2009 Qualified Obligations into the Redemption Account of the General Fund. Thereafter, the Trustee will deposit the proceeds of any Refunding Bonds as provided under the Supplemental Indenture authorizing the issuance of such Refunding Bonds.

OPERATION OF FUNDS AND ACCOUNTS

General Fund

General Account. The Trustee will deposit in the General Account of the General Fund all moneys required to be deposited therein pursuant to the Indenture. The Trustee will invest such funds in accordance with the Indenture and will make the following payments from the General Account on the specific dates, and if there are not sufficient funds to make all the payments required, with the following order of priority:

(a) On the date of initial delivery of the Series 2009D Bonds and upon the submission of requisitions of the Bond Bank signed by an Authorized Officer, stating that all of the requirements with respect to such financing set forth in the Indenture have been or will be complied with, an amount sufficient to purchase the Series 2009 Qualified Obligations;

(b) On or before 10:00 A.M. in the city in which the Trustee is located, on the business day next preceding each Interest Payment Date, to the Trustee such amount as shall be necessary to pay the principal and interest coming due on the Bonds on such Interest Payment Date;

(c) As soon as funds become available, and only to the extent necessary, to the Debt Service Reserve Fund, sufficient amounts to assure that the Reserve Requirement is met;

(d) At such times as shall be necessary, amounts to pay the Program Expenses, but only to the extent contemplated in the most recent Cash Flow Certificate;

(e) On or before thirty (30) days after each anniversary of the issuance of the Series 2009D Bonds, any amount necessary to comply with any Rebate Fund requirements; and

(f) After making such deposits and disbursements and after the Trustee will make a determination of the amounts reasonably expected to be received in the form of Qualified Obligation Payments under the Indenture in the succeeding twelve months, to any other fund or account maintained by the Bond Bank, regardless of whether such fund or account is subject to the lien of the Indenture, all moneys in the General Fund which, together with such expected receipts for the succeeding twelve months are in excess of the amounts needed to pay principal of and interest on the Bonds within the immediately succeeding twelve-month period. No moneys shall be so transferred unless the Bond Bank provides the Trustee with a Cash Flow Certificate to the effect that after such transfer, 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 along with Program Expenses, if any.

Bond Issuance Expense Account. The Trustee will disburse the amounts held in the Bond Issuance Expense Account upon receipt of invoices or requisitions certified by the Executive Director of the Bond Bank to pay the Costs of Issuance of the Bonds or to reimburse the Bond Bank for amounts previously advanced for such costs. On May 24, 2010, any amounts remaining in the Bond Issuance Expense Account will be transferred to the General Account, at which time the Bond Issuance Expense Account may, at the direction of the Bond Bank, be closed.

Redemption Account. (a) The Trustee will deposit in the Redemption Account all moneys received upon the sale or redemption prior to maturity of the Qualified Obligations and will disburse the funds in the Redemption Account as follows:

(1) On the fifteenth day of each month, to the General Account amounts of moneys equal to the amount of principal which would have been payable during the following month if such Qualified Obligation had not been sold or redeemed prior to maturity.

(2) On the second business day next preceding each Interest Payment Date if moneys in the General Account are not sufficient to make the payments of principal and interest required to be made on such date, the Trustee shall transfer to the General Account moneys in the Redemption Account not already committed to the redemption of Bonds for which notice of redemption has been given.

(3) After making provisions for the required transfers to the General Account as described in subparagraphs (1) and (2) above, (i) to redeem Bonds of such maturity or maturities as directed by an Authorized Officer of the Bond Bank, if such Bonds are then subject to redemption, (ii) to the extent there are any excess moneys in the Redemption Account, to the General Account, (iii) to purchase Bonds of such maturity or maturities as directed by an Authorized Officer at the most advantageous price obtainable with reasonable diligence, whether or not such Bonds are then subject to redemption, or (iv) to make investments of such moneys until the payment of Bonds at their maturity or maturities as directed by an Authorized Officer in accordance with the Indenture. Such purchase price may not, however, exceed the Redemption Price which would be payable on the next ensuing date on which the Bonds of the Series so purchased are redeemable according to their terms unless the Bond Bank provides the Trustee with a Cash Flow Certificate to the effect that the purchase at a price in excess of the Redemption Price will not result in Revenues, together with moneys expected to be held in the Funds and Accounts, being less than an amount equal to debt service on all Outstanding Bonds along with Program Expenses, if any. The Trustee will pay the interest accrued on the Bonds so purchased to the date of delivery thereof from the General Account and the balance of the purchase price from the Redemption Account, but no such purchase shall be made by the Trustee within the period of sixty (60) days next preceding an Interest Payment Date or a date on which such Bonds are subject to redemption under the provisions of the Indenture or the Supplemental Indenture authorizing the issuance of such Bonds. The Trustee will deliver the Bonds so purchased to the Trustee within five (5) days from the date of delivery to the Trustee.

(4) In the event that the Trustee is unable to purchase Bonds as described in clause (iii) of subparagraph (3) above, then, subject to restrictions on redemption set forth in the Indenture, the Trustee will call for redemption on the next redemption date such amount of Bonds of such maturity or maturities as directed by an Authorized Officer of the Bond Bank as will exhaust the Redemption Account as nearly as may be possible at the applicable Redemption Price. The Trustee will pay the interest accrued on any such redeemed Bonds to the date of redemption from the General Account and will pay the Redemption Price from the Redemption Account.

(b) The Trustee may, upon written direction from the Bond Bank, transfer any moneys in the Redemption Account to the General Account if the Bond Bank provides the Trustee with a Cash Flow Certificate to the effect that after such transfer and after any transfer from the General Account to the Bond Bank, Revenues, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds along with Program Expenses, if any.

Debt Service Reserve Fund

The Trustee will deposit in the Debt Service Reserve Fund all moneys required to be deposited therein pursuant to the Indenture, will invest such funds, and, except as provided in the Indenture, will disburse the funds held in the Debt Service Reserve Fund solely to the General Account for the payment of interest on and principal of the Bonds and only in the event that moneys in the General Account are insufficient to pay principal of and interest on the Bonds after all of the transfers thereto required to be made under the Indenture from the Redemption Account have been made. Amounts in the Debt Service Reserve Fund in excess of the Reserve Requirement will be transferred to the General Account or the Redemption Account, as directed by the Bond Bank.

The Bond Bank may cause to be deposited into the Debt Service Reserve Fund for the benefit of the holders of the Series 2009D Bonds a Debt Service Reserve Fund Credit Facility. If such deposit causes the Debt Service Reserve Fund to be equal to the Reserve Requirement, moneys in the Debt Service Reserve Fund in excess of that needed for the Debt Service Reserve Fund to be equal to the Reserve Requirement will be moved in accordance with the Indenture, subject to the satisfaction of any Debt Service Reserve Fund Reimbursement Obligations from such excess as described below. If a disbursement is made pursuant to a Debt Service Reserve Fund Credit Facility, the Bond Bank will be obligated (but solely from the appropriations, if any, made and available pursuant to the Indenture or if otherwise available from the Trust Estate) within twelve months from the date on which such disbursement was made, to cure such deficiency, either (i) to reinstate the maximum limits of such Debt Service Reserve Fund Credit Facility or (ii) to deposit cash into the Debt Service Reserve Fund, or a combination of such alternatives, so that the Debt Service Reserve Fund is equal to the Reserve Requirement. The Trustee will include in the total amount held in the Debt Service Reserve Fund an amount equal to the maximum principal amount which could be drawn by the Trustee under any such Debt Service Reserve Fund Credit Facility on deposit with the Trustee. Amounts required to be deposited in the Debt Service Reserve Fund will include any amount required to satisfy a Debt Service Reserve Fund Reimbursement Obligation for any Debt Service Reserve Fund Credit Facility. The Trustee is authorized to move the amounts to satisfy the Debt Service Reserve Fund Reimbursement Obligations to the provider of the Debt Service Reserve Fund Credit Facility.

Rebate Fund

The Trustee will establish and maintain, so long as any Bonds are outstanding and are subject to a requirement that arbitrage profits be rebated to the United States, a separate fund to be known as "Rebate Fund." The Trustee will make information regarding the Bonds and investments hereunder available to the Bond Bank and will make deposits in and disbursements from the Rebate Fund in accordance with the written instructions received from the Bond Bank and pursuant to the Indenture, will invest the Rebate Fund pursuant to written investment instructions received from the Bond Bank and will deposit income from such investments immediately upon receipt thereof in the Rebate Fund.

If a deposit to the Rebate Fund is required as a result of the computations made by the Bond Bank, the Trustee will upon receipt of written directions from the Bond Bank accept such payment for the benefit of the Bond Bank and make transfers of moneys from the General Account to the Rebate Fund to comply with such direction. If amounts in excess of that required to be rebated to the United States of America accumulate in the Rebate Fund, the Trustee will upon written direction from the Bond Bank transfer such amount to the General Account. Records of the determinations required by the Indenture and the investment instructions must be retained by the Trustee until six (6) years after the Bonds are no longer Outstanding.

Not later than sixty (60) days after the fifth anniversary date of the date of issuance of the Series 2009D Bonds, and every five (5) years thereafter, the Bond Bank will pay to the United States the amount required to be paid to the United States pursuant to the Code as of such payment date, and not later than sixty (60) days after the final retirement of the Bonds, the Bond Bank will pay to the United States the amount required to be paid to the United States pursuant to the Code as of such retirement date. Each payment required to be paid to the United States pursuant to the Indenture will be, together with a properly completed Internal Revenue Service Form 8038-T, filed with the Internal Revenue Service Center, Ogden, Utah 84201.

Amounts Remaining in Funds

Any amounts remaining in any Fund or Account after full payment of all of the Bonds outstanding under the Indenture, all required rebates and the fees, charges and expenses of the Trustee will be distributed to the Qualified Entity.

LITIGATION

Bond Bank

There is not now pending or, to the Bond Bank's knowledge, threatened any litigation: restraining or enjoining the issuance, sale, execution or delivery of the Series 2009D Bonds; seeking to prohibit any transactions contemplated by the Indenture; or in any way contesting or affecting the validity of the Series 2009D Bonds or the Series 2009 Qualified Obligations or any proceedings of the Bond Bank taken with respect to the issuance or sale of the Series 2009D Bonds, or the Pledges (as hereinafter defined under the caption "ENFORCEABILITY OF REMEDIES") or application of any moneys or security provided for payment of the Series 2009D Bonds or the Series 2009 Qualified Obligations. Neither the creation, organization or existence of the Bond Bank nor the title of any of the present directors or other officers of the Bond Bank to their respective offices is being contested.

The Qualified Entity, the County and the Hospital

There is not now pending or, to the knowledge of the Qualified Entity, threatened any litigation restraining or enjoining the entry into or execution of the Series 2009 Qualified Obligations or the Lease or prohibiting the Qualified Entity from delivering the Series 2009 Qualified Obligations to the Bond Bank or in any way contesting or affecting the validity of the Series 2009 Qualified Obligations or the Lease, any proceedings of the Qualified

Entity, the Hospital or the County taken with respect to the execution or delivery thereof or the pledge or application of any moneys or security provided for the payment of the Series 2009 Qualified Obligations.

TAX MATTERS

In the opinion of Hall, Render, Killian, Heath & Lyman, P.C., Indianapolis, Indiana, Bond Counsel, under existing law, interest on the Series 2009D Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2009D Bonds (the "Code"). The opinion of Hall, Render, Killian, Heath & Lyman, P.C., is based on certain certifications, covenants and representations of the Bond Bank and the Qualified Entity issuing the Series 2009 Qualified Obligations and is conditioned on continuing compliance therewith. In the opinion of Hall, Render, Killian, Heath & Lyman, P.C., Indianapolis, Indiana, Bond Counsel, under existing laws, interest on the Series 2009D Bonds is exempt from income taxation in the State of Indiana for all purposes except the State financial institutions tax. See Appendix F for the form of Bond Counsel opinion.

The Code imposes certain requirements which must be met subsequent to the issuance of the Series 2009D Bonds as a condition to the exclusion from gross income of interest on the Series 2009D Bonds for federal income tax purposes. Noncompliance with such requirements may cause interest on the Series 2009D Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue, regardless of the date on which noncompliance occurs. Should the Series 2009D Bonds bear interest that is not excluded from gross income for federal income tax purposes, the market value of the Series 2009D Bonds would be materially and adversely affected. The Tax Covenants include covenants that: (i) the Bond Bank and Qualified Entity will not take or fail to take any action with respect to the Series 2009D Bonds or the Series 2009 Qualified Obligations, if such action or omission would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Series 2009D Bonds or the Series 2009 Qualified Obligations under Section 103 of the Code, and the Bond Bank and Qualified Entity will not act in any other manner which would adversely affect such exclusion; (ii) the Bond Bank and Qualified Entity will not make any investment or do any other act or thing during the period that the Series 2009D Bonds or the Series 2009 Qualified Obligations are outstanding which would cause the Series 2009D Bonds or the Series 2009 Qualified Obligations to be "arbitrage bonds" within the meaning of Section 148 of the Code; and (iii) if required by the Code, the Bond Bank will rebate any necessary amounts to the United States of America. It is not an event of default under the Indenture or the Authorizing Instrument if interest on the Series 2009D Bonds or the Series 2009 Qualified Obligations, respectively, is not excluded from gross income for federal income tax purposes pursuant to any provision of the Code which is not in effect on the date of issuance of the Series 2009D Bonds.

The interest on the Series 2009D Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, and, pursuant to the American Recovery and Reinvestment Act, signed into law on February 17, 2009 ("ARRA"), is not taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

The Series 2009D Bonds are not "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

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

Although Bond Counsel will render an opinion that interest on the Series 2009D Bonds is excluded from gross income for federal income tax purposes and exempt from certain State income tax, the accrual or receipt of interest on the Series 2009D Bonds may otherwise affect an owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the owner's particular tax status and the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the Series 2009D Bonds should consult their own tax advisors with regard to other tax consequences of owning the Series 2009D Bonds.

The foregoing does not purport to be a comprehensive description of all of the tax consequences of owning the Series 2009D Bonds. Prospective purchasers of the Series 2009D Bonds should consult their own tax advisors with respect to the foregoing and other tax consequences of owning the Series 2009D Bonds.

ORIGINAL ISSUE DISCOUNT

The initial public offering prices of the Series 2009D Bonds maturing on February 1 in the years 2014 through 2015, inclusive, and 2018, and on August 1 in the years 2020, 2023 and 2029 (bearing the interest rate of 5.000%) (collectively, the "Discount Bonds"), are less than the respective principal amounts 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 front cover 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 February 1 and August 1 (with straight line interpolation between compounding dates). An owner who purchases a Discount Bond in the initial public offering at the Issue Price for such maturity will treat the accrued 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.

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 owner's 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.

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. Owners who do not purchase Discount Bonds in the initial offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

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 prices of the Series 2009D Bonds maturing on February 1 in the years 2010 through 2013, in the years 2016 through 2017, and in the year 2019, all inclusive, and on August 1 in the years 2010 through 2019, inclusive, and in the year 2029 (bearing the interest rate of 5.500%) (collectively, the "Premium Bonds"), are greater than the respective principal amounts payable at maturity. 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). The amount of amortizable Bond Premium will be computed on the basis of the taxpayer'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 Bond Premium will be allowed pursuant to Section 171(a)(2) of the Code, but amortization of Bond Premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining other tax consequences of owning the 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 the 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 Trustee or the holders of the Series 2009D Bonds upon a default under the Indenture, to the Trustee or the Bond Bank under the Series 2009 Qualified Obligations, the purchase agreements for the Series 2009 Qualified Obligations and the Authorizing Instrument, or to any party seeking to enforce the pledges securing the Series 2009D Bonds or the Series 2009 Qualified Obligations 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 (or which may be provided) in the Indenture, the purchase agreements for the Series 2009 Qualified Obligations, the Series 2009 Qualified Obligations and the Authorizing Instrument, 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 Qualified Entity 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 Qualified Obligation Payments pledged to owners of the Series 2009D Bonds under the Indenture or over the liens pledged to the owner of the Series 2009 Qualified Obligations under the Authorizing Instrument.

The various legal opinions to be delivered concurrently with the delivery of the Series 2009D Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and by public policy. These exceptions would encompass any exercise of the Federal, State or local police powers in a manner consistent with the public health and welfare. Enforceability of the Indenture, the purchase agreements for the Series 2009 Qualified Obligations, the Authorizing Instrument and the Pledges in a situation where such enforcement may adversely affect public health and welfare may be subject to these police powers.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization, issuance, sale and delivery of the Series 2009D Bonds are subject to the approval of Hall, Render, Killian, Heath & Lyman, P.C., Indianapolis, Indiana, Bond Counsel, whose approving legal opinion will be delivered with the Series 2009D Bonds, substantially in the form attached hereto as Appendix F. Certain legal matters will be passed on by Issuer's Counsel, Barnes & Thornburg LLP, Indianapolis, Indiana, and Baker & Daniels LLP, Indianapolis, Indiana, counsel for the Underwriters.

RATING

It is anticipated that S&P will assign the rating of "AA" to the Series 2009D Bonds. This rating reflects only the view of S&P and an explanation thereof may be obtained from S&P at 55 Water Street, New York, New York 10041. Such rating is not a recommendation to buy, sell or hold the Series 2009D Bonds. There is no assurance that such rating will remain in effect for any given period of time or that such rating will not be lowered or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. The Underwriters have undertaken no responsibility either to bring to the attention of the owners of the Series 2009D Bonds any proposed revision or withdrawal of the rating of the Series 2009D Bonds or to oppose any such proposed revision or withdrawal. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price or marketability of the Series 2009D Bonds.

UNDERWRITING

The Series 2009D Bonds are being purchased by the Underwriters set forth on the cover page of this Official Statement. The Underwriters have agreed to purchase the Series 2009D Bonds at an aggregate purchase price of $52,001,905.55, which represents the par amount of $52,000,000, plus net original issue premium of $376,305.55, less the underwriters' discount of $374,400.00, pursuant to a purchase contract entered into by and between the Bond Bank and the Underwriters. Such purchase contract provides that the Underwriters will purchase all of the Series 2009D Bonds if any are purchased.

The Underwriters have agreed to make a bona fide public offering of all of the Series 2009D Bonds at prices not in excess of the initial public offering prices set forth or reflected inside the cover page of this Official Statement. The Underwriters may sell the Series 2009D Bonds to certain dealers (including dealers depositing Series 2009D Bonds into investment trusts) and others at prices lower than the offering prices set forth inside the cover page hereof.

VERIFICATION OF MATHEMATICAL CALCULATIONS

The accuracy of certain mathematical computations showing that payments on the Series 2009 Qualified Obligations, together with other available revenues, have been structured to be sufficient to pay principal of and interest on the Series 2009D Bonds when due will be verified by London Witte Group LLC, independent certified public accountants. Such verifications shall be based upon certain information and assumptions supplied by the Bond Bank and the Underwriters.

SERIES 2009D BONDS AS LEGAL INVESTMENTS

Pursuant to the Act, all Indiana 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.

AVAILABILITY OF DOCUMENTS AND FINANCIAL INFORMATION

Separate audited financial reports of the State and the Bond Bank, respectively, (collectively, the "Financial Reports") are prepared annually and are presently available for the year ended June 30, 2008, and prior years. No financial reports related to the foregoing entities are prepared on an interim basis and there can be no assurance that there have not been material changes in the financial position of the foregoing entities since the date of the most recent available Financial Statements. Upon request and receipt of payment for reasonable copying, mailing and handling charges, the Bond Bank will make available copies of the most recent Financial Reports, any authorizing or governing instruments defining the rights of owners of the Series 2009D Bonds or the owners of the Qualified Obligations and available financial and statistical information regarding the Bond Bank and the Qualified Entities. Requests for documents and payments therefor should be directed and payable to the Indiana Bond Bank, 2980 Market Tower, 10 West Market Street, Indianapolis, Indiana 46204.

CONTINUING DISCLOSURE

Pursuant to disclosure requirements set forth in Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC"), and the terms of the Continuing Disclosure Undertaking Agreement (the "Undertaking"), among the State, the Bond Bank and the Trustee, the State will agree to provide or cause to be provided through the Trustee or the Bond Bank, as dissemination agent, the following annual financial information and operating data, as long as the State is an "obligated person" (within the meaning of the Rule) with respect to the Bonds (or until such time as the Bonds may be defeased or paid in full, all as more fully set forth in the Undertaking):

1. Audited Financial Statements. To the Municipal Securities Rulemaking Board (the "MSRB") in its capacity as the sole nationally recognized municipal securities information repository through its Electronic Municipal Market Access ("EMMA") system and to the Indiana state information depository, if any (the "State Depository'), when and if available, the audited financial statements of the State for each fiscal year of the State, beginning with the fiscal year ended June 30, 2010, together with the independent auditor's report and all notes thereto; if audited financial statements are not available within 220 days following the close of the fiscal year of the State, beginning with the fiscal year ended June 30, 2010, the Annual Information (as defined below) shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Information when they become available; and

2. Financial Information in this Official Statement. To the MSRB's EMMA system and to the State Depository, if any, within 220 days of the close of the fiscal year of the State, beginning with the fiscal year ended June 30, 2010, annual financial information, other than the audited or unaudited financial statements described above, including operating data of the type provided in Appendix A – "FINANCIAL AND ECONOMIC STATEMENT FOR THE STATE OF INDIANA "

(The information described in items 1 and 2 above is referred to as the "Annual Information.")

Pursuant to the terms of the Undertaking, the Bond Bank (and the State, but only to the extent the State shall have actual knowledge of such event) will also agree to provide to the MSRB and to the State Depository, if any, the following event notices, if material, and in a timely manner:

- principal and interest payment delinquencies;
- non-payment related defaults;
- unscheduled draws on debt service reserves reflecting financial difficulties;
- unscheduled draws on credit enhancements reflecting financial difficulties;
- substitution of credit or liquidity providers, or their failure to perform;
- adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- modifications to the rights of Bondholders;
- Bond calls (other than scheduled mandatory sinking fund redemptions for which notice is given in accordance with the Indenture and as described in the Final Official Statement);
- defeasances;
- release, substitution or sale of property securing repayment of the Series 2009D Bonds; and
- rating changes.

The State or the Bond Bank may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above.

Pursuant to a continuing disclosure agreement (the "Series 2009 Qualified Entity Continuing Disclosure Agreement"), while the Series 2009D Bonds are outstanding, each of the Hospital and the County has agreed to provide to the Bond Bank the preceding event notices with regard to the Series 2009 Qualified Obligations that it has issued, if material, and in a timely manner, and has agreed to provide the following information ((1) through (4) below collectively, the "Series 2009 Qualified Entity Annual Information"):

(1) To the MSRB's EMMA system and to the SID, when and if available, the audited financial statements of the Hospital for each fiscal year of the Hospital, beginning with the fiscal year ending December 31, 2009, together with the independent auditor's report and all notes thereto;

(2) To the MSRB's EMMA system, to the State Depository, if any, and to the Bond Bank, when and if available, the audited financial statements of the County as prepared and examined by the State Board of Accounts for each twelve (12) month period ending December 31, commencing with the year ending December 31, 2009, together with the opinion of such accountants and all notes thereto, within sixty (60) days of receipt of such statements from the State Board of Accounts;

(3) To the MSRB's EMMA system and to the SID, within 150 days of the close of each fiscal year of the Hospital for such fiscal year, other than the audited financial statements described in (1) above, financial and operating data (excluding any demographic

information or forecasts) of the general type as described in Appendix C of this Official Statement under the captions "DESCRIPTION OF THE HOSPITAL," "-Historical Utilization," "-Statement of Revenues and Expenses," "-Sources of Patient Revenue" and "-Historical and Pro Forma Debt Service Coverage" (only as to actual historical debt service coverage);

(4) To the MSRB's EMMA system and to the SID, within 180 days of the close of each fiscal year of the County, for such fiscal year, other than the audited financial statements described in (2) above, financial and operating data of the general type described in Appendix E under the Caption "COUNTY DEBT AND TAXATION" - Clark County Tax Rates," "-Net Assessed Valuation," "-Property Taxes Levied and Collected," and "-Largest Property Taxpayers."

(5) If any Series 2009 Qualified Entity Annual Information relating to the Series 2009 Qualified Entity (and the members of the Obligated Group) referred to in (1), (2), (3) or (4) above no longer can be provided because the operations to which they related have been materially changed or discontinued, a statement to that effect, provided by the Series 2009 Qualified Entity or the County to the MSRB's EMMA system and to the SID, along with any other 2009 Qualified Entity Annual Information required to be provided under the Series 2009 Qualified Entity Continuing Disclosure Agreement, shall satisfy the undertaking to be provided by such Series 2009 Qualified Entity Annual Information. To the extent available, the Series 2009 Qualified Entity and the County shall cause to be filed along with the other Series 2009 Qualified Entity Annual Information operating data similar to that which can no longer be provided; and

The MSRB's EMMA system is accessible at http://emma.msrb.org/default.aspx..

Failure to Disclose

In a timely manner, the Trustee shall notify the MSRB's EMMA system and the State Depository, if any, of any failure on the part of the State, the Hospital or the County to provide the Annual Information or the Series 2009 Qualified Entity Annual Information. If any information relating to the State, the Hospital or the County can no longer be provided because the operations to which they related have been materially changed or discontinued, a statement to that effect, provided by the State, the Hospital or the County to the MSRB's EMMA system and to the State Depository, if any, along with the Annual Information or the Series 2009 Qualified Entity Annual Information required as specified above and containing such information as is still available, will satisfy the State's, the Hospital's or the County's undertaking to provide the Annual Information or the Series 2009 Qualified Entity Annual Information. To the extent available, the State, the Hospital or the County will cause to be filed along with the Annual Information or the Series 2009 Qualified Entity Annual Information, operating data similar to that which can no longer be provided.

Accounting Principles

The accounting principles pursuant to which the financial statements of the State will be prepared will be generally accepted accounting principles, as in effect from time to time or those mandated by State law from time to time.

Remedies

The Undertaking is solely for the benefit of the holders and beneficial owners of the Bonds and creates no new contractual or other rights for the SEC, any underwriters (other than the Underwriters), brokers, dealers, municipal securities dealers, potential customers, or other obligated persons or any other third party. The sole remedy against the State for any failure to carry out any provision of the Undertaking shall be for specific performance of the State's disclosure obligations under the Undertaking. Failure on the part of the State to honor its covenants thereunder shall not constitute a breach or default of the Bonds, the Indenture or any other agreement to which the State or the Bond Bank is a party. This remedy may be exercised by any holder or beneficial owner of the Bonds who may seek specific performance by court order to cause the State to comply with its disclosure obligations under the Undertaking.

Modification of Undertaking

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

The Annual Information for the fiscal year during which any such amendment or modification occurs that contains the amended or modified Annual Information will explain, in narrative form, the reasons for such amendment or waiver and the impact of the change in the type of Annual Information being provided.

Copies of the Undertaking are available from the Bond Bank upon request.

Modification of Series 2009 Qualified Entity Continuing Disclosure Agreement

The Hospital or the County may, from time to time, amend any provision of the Series 2009 Qualified Entity Continuing Disclosure Agreement without the consent of the holders or the beneficial owners of the Series 2009D Bonds if either: (a) (i) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Hospital or the County, or type of business conducted, (ii) the Series 2009 Qualified Entity Continuing Disclosure Agreement, as so amended, would have complied with the requirements of the Rule on the date of the Series 2009 Qualified Entity Continuing Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (iii) such amendment does not materially impair the interest of the holders or beneficial owners of the Series 2009D Bonds, as determined either by (A) any person selected by the Series 2009 Qualified Entity that is unaffiliated with the Hospital, the County, the Bond Bank or the State (such as the Trustee) or (B) an approving vote of the holders of the requisite percentage of outstanding Series 2009D Bonds as required under the Indenture at the time of such amendment; or (b) such amendment is otherwise permitted by the Rule.

Compliance with Previous Undertakings

In the previous five years, none of the Bond Bank, the State, the County or the Hospital have failed to comply in any material respects with any previous undertakings in a written contract or agreement that any of them entered into pursuant to subsection (b)(5) of the Rule.

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 Series 2009D Bonds, the security for the payment of the Series 2009D Bonds and the rights of the owners thereof. During the period of the offering, copies of drafts of such documents may be examined at the offices of Piper Jaffray & Co. Following delivery of the Series 2009D Bonds, 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 Series 2009D 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 among the Bond Bank, the Qualified Entity, the County, the Hospital, the Trustee or the Underwriters and the purchasers or owners of any Series 2009D Bonds. The delivery of this Official Statement has been duly authorized by the Board of Directors of the Bond Bank.

INDIANA BOND BANK

By: /s/ Richard Mourdock
Richard Mourdock, Chairman, Ex Officio

APPENDIX A

FINANCIAL AND ECONOMIC STATEMENT
FOR
STATE OF INDIANA

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APPENDIX A
FINANCIAL AND ECONOMIC STATEMENT
FOR
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INTRODUCTION

This Financial and Economic Statement (this "Appendix A") for the State of Indiana (the "State") includes a description of the State's economic and fiscal condition, the results of operations for the past two fiscal years and revenue and expenditure projections through the end of the biennium ending June 30, 2011. The information is compiled on behalf of the State by the State Budget Agency (the "Budget Agency")and the Indiana Finance Authority and includes information and data taken from the Budget Agency's unaudited reports. It also includes information obtained from other sources the State believes to be reliable.

Additional information may be obtained by contacting the Public Finance Director of the State of Indiana, One North Capitol Avenue, Suite 900, Indianapolis, Indiana 46204; Telephone (317) 233-4332. This Appendix A should be read in its entirety, together with any supplements.

STRUCTURE OF STATE GOVERNMENT

Division of Powers

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

Executive Department

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

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

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

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

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

The Auditor of State maintains the State's centralized financial accounting system for all State agencies. Responsibilities include accounting for State funds, overseeing and disbursing tax distributions to local governments, paying the State's bills and paying the State's employees. The Auditor of State is required by statute to prepare and publish annual statements of State funds, outlining receipts and disbursements of each State department and agency. The Auditor of State is the administrator of the Deferred Compensation Plan, the secretary of the State Board of Finance and a member of the Board for Depositories.

The Attorney General is the chief legal officer of the State and is required to represent the State in lawsuits in which the State is a party. The Attorney General, upon request, gives legal opinions to the Governor, members of the General Assembly and officers of the State. In addition, the Attorney General investigates and prosecutes certain consumer complaints and Medicaid fraud.

The Superintendent of Public Instruction chairs the State Board of Education and directs the Department of Education.

Legislative Department

The legislative authority of the State is vested in the General Assembly, which is comprised of the House of Representatives and the Senate. The House of Representatives consists of 100 members who are elected for two-year terms beginning in November of each even-numbered calendar year. The Senate consists of 50 members who are elected for four-year terms, with one-half of the Senate elected biennially. The Speaker presides over the House of Representatives. The members of the House of Representatives select the Speaker from among the ranks of the House.

By law, the term of each General Assembly extends for two years, beginning in November of each even-numbered calendar year. The first regular session of every General Assembly occurs in the following odd-numbered year, convening not later than the second Monday in January and adjourning not later than April 29. The second regular session occurs in the following year, convening not later than the second Monday in January and adjourning not later than March 14.

Special sessions of the General Assembly may be convened by the Governor at any time. A special session of the General Assembly may not exceed 30 session days during a 40-calendar-day period. The Governor cannot limit the subject of any special session or its scope.

Judicial Department

The judicial power of the State is vested in a Supreme Court, a Court of Appeals, Circuit Courts and such other courts as the General Assembly may establish.

The Judicial Nominating Commission (comprised of the Chief Justice or his designee, three attorneys elected by the attorneys of Indiana and three non-attorney citizens appointed by the Governor) evaluates the qualifications of potential candidates for vacant seats on the Supreme Court and Court of Appeals. When a vacancy occurs in either court, the Judicial Nominating Commission submits the names of three nominees and the Governor selects one of the three.

The initial term of each newly appointed justice and judge is two years, after which the justice or judge is subject to a "yes" or "no" referendum at the time of the next general election. For justices of the Supreme Court, the entire State electorate votes on the question of approval or rejection. For Court of Appeals judges, the referendum is by district. Those justices and judges receiving an affirmative vote serve a ten-year term, after which they are again subject to referendum.

FISCAL POLICIES

Fiscal Years

The State's fiscal year is the twelve-month period beginning on July 1 of each calendar year and ending on June 30 of the succeeding calendar year (a "Fiscal Year").

Accounting System

The State maintains a central accounting system that processes all payments for State agencies and institutions, except State colleges and universities. The Auditor of State is responsible for the pre-audit of all payments, the issuance of all warrants and the maintenance of the accounting system.

Budgetary control is integrated into the accounting system. Legislative appropriations are entered into the system as an overall spending limit by account for each agency within each fund, but appropriations are not available for expenditure until allotted by the Budget Agency. Allotments authorize an agency to spend a portion of its appropriation. The Budget Agency makes quarterly allotments. Capital is allotted as projects are approved by the State Budget Committee.

The accounting system is maintained using the cash basis of accounting. At year-end, accruals are recognized as necessary to convert from the cash basis of accounting. Government-wide financial statements are recognized as full accrual basis of accounting and fund statements are recognized as modified accrual basis of accounting in accordance with generally accepted accounting principles for government financial reporting purposes.

Fund Structure

Funds are used to record the financial activities of State government. There are three major fund types: Governmental, Proprietary and Fiduciary.

Governmental Funds. Governmental Funds are used to account for the State's general governmental activities and use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when susceptible to accrual (that is, when it is "measurable and available"). Expenditures are recorded when the related fund liability is incurred, except that (i) unmatured interest on general long-term debt is recognized when due and (ii) certain compensated absences and related liabilities and claims and judgments are recognized when the obligations are expected to be liquidated. Governmental Funds include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.

General Fund. The General Fund is maintained to account for resources obtained and used for those services traditionally provided by State government that are not required to be accounted for in another fund.

Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

Special Revenue Funds include the Motor Vehicle Highway Fund, which receives revenue from gasoline taxes and motor vehicle registrations and operator licensing fees, and distributes that revenue among the State and its counties, cities and towns to be used for the construction, reconstruction, improvement, maintenance and policing of highways and secondary roads.

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

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

Proprietary Funds. Proprietary Funds are used to account for a government's business-type activities. They use the accrual basis of accounting. There are two types of Proprietary Funds: Enterprise Funds and Internal Service Funds.

Enterprise Funds. Enterprise Funds are used to account for provision of services to customers outside the government. Examples are the State Lottery Commission and Inns and Concessions.

Internal Service Funds. Internal Service Funds are used to account for provision of services to other funds, departments or agencies of the government.

Fiduciary Funds. Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and cannot be used to support government programs. They use the accrual basis of accounting. Indiana has three types of Fiduciary Funds: Pension Trust Funds, Private-purpose Trust Funds and Agency Funds.

Pension Trust Funds. Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans or other employee benefit plans. Examples are the State Police Pension Fund and the Employees' Deferred Compensation Fund.

Private-purpose Trust Funds. Private-purpose Trust Funds are used to report any trust arrangement not properly reported in a pension trust fund or an investment trust fund under which principal and income benefit individuals, private organizations or other governments. Examples are the Student Loan Program Fund and the Abandoned Property Fund.

Agency Funds. Agency Funds are used to account for situations where the government's role is purely custodial, such as the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. Examples are the Child Support Fund and the Local Distributions Fund.

Budget Process

State Budget Agency. The Budget Agency is responsible for preparing the State budget. After the budget is enacted by the General Assembly, the Budget Agency has extensive statutory authority to administer it. The chief executive officer of the Budget Agency is the State Budget Director, who is appointed by the Governor. The Governor also appoints two Deputy Budget Directors; by law, the deputies must be of different political parties.

State Budget Committee. The Budget Committee consists of the State Budget Director and four State legislators. The Budget Committee oversees the preparation of the budget and administration of capital budgets after enactment. The legislative members of the Budget Committee consist of two members of the Senate, appointed by the President pro tempore of the Senate, and two members of the House of Representatives, appointed by the Speaker of the House of Representatives. One of the two appointees from each chamber must be nominated by the minority floor leader. Four alternate members of the Budget Committee must be legislators selected in the same manner as regular members. An alternate member participates and has the same privileges as a regular member, except that an alternate member votes only if the regular member from the alternate member's respective chamber and political party is not present. The legislators serve as liaisons between the executive and legislative departments and provide fiscal information to their respective caucuses.

Budget Development. The State operates under a two-year budget; the legislature enacts one act containing two annual budgets. On or before the first day of September in each even-numbered year, all State agencies, including State-supported higher education institutions and public employee and teacher pension fund trustees, submit budget requests to the Budget Agency. The Budget Agency then conducts an internal review of each request. In the fall of each even-numbered year, the Budget Committee begins hearings on budget requests. After presentations by the agencies and the Budget Agency, the Budget Committee makes budget recommendations to the Governor.

Revenue Projections. Revenue projections are prepared by the State's Technical Forecast Committee. Historically, the Economic Forecast Committee was responsible for forecasting independent variables that were employed by the Technical Forecast Committee in deriving the State's revenue projections. Starting with the December 2008 forecast, Global Insight, Inc. provides the forecasted independent variables. Global Insight, Inc. was chosen following a thorough evaluation of submitted proposals based on forecasting capabilities and detailed knowledge of the State, national, and international economies.

The Technical Forecast Committee is responsible for developing econometric models used to derive the State's revenue projections and for monitoring changes in State and federal laws that may have an impact on State revenue. Each regular member of the Budget Committee appoints a member of the Technical Forecast Committee. Members of the Budget Committee appoint one additional member from a higher education institution for a total of six members. Members of the Technical Forecast Committee are individuals with expertise in public finance.

Budget Report. The budget report and budget bill are prepared by the Budget Committee with the Budget Agency's assistance. The budget report and bill are based upon the recommendations and estimates prepared by the Budget Agency and the information obtained through hearings and other inquiries. If the Budget Agency and a majority of the members of the Budget Committee differ upon any item, matter or amount to be included in the budget report and bill, the recommendation of the Budget Agency is included in the bill.

Before the second Monday of January in the year immediately after their preparation, the Budget Committee submits the budget report and bill to the Governor. The Governor then delivers the budget bill to the Budget Committee members appointed by the Speaker of the House of Representatives for introduction in the House. Although there is no law that requires a budget bill to originate in the House, by tradition, the House passes a budget bill first and sends it to the Senate for consideration.

The budget report includes (a) a statement of policy, (b) a general summary, (c) detailed data on actual receipts and expenditures for the previous budget period, (d) a description of the State capital improvement program, (e) the requests for appropriations by State agencies and (f) the Budget Agency's recommended appropriations.

Appropriations. Within 45 days following the adjournment of each regular session of the General Assembly or within 60 days following a special session of the General Assembly, the Budget Agency is required to prepare a list of all appropriations made for the budget period beginning on July 1 following such session, or for such other period as may be provided in the appropriation. The State Budget Director is required to prepare a written review and analysis of the fiscal status and affairs of the State as affected by the appropriations. The report is forwarded to the Governor, the Auditor of State and each member of the General Assembly.

On or before the first day of June of each calendar year, the Budget Agency is required to prepare a list of all appropriations made for expenditure or encumbrance for the ensuing Fiscal Year. The Auditor of State then establishes the necessary accounts based upon the list.

Intra-Agency Transfers. The Budget Agency is responsible for administering the State budget after it is enacted. The Budget Agency may, with the approval of the Governor and the State Budget Director, transfer, assign or reassign all or any part of any appropriation made to any agency for a specific use or purpose to another use or purpose, except any appropriation made to the Indiana State Teachers' Retirement Fund. The Budget Agency may take such action only if the transfer, assignment or reassignment is to meet a use or purpose that an agency is required or authorized by law to perform. The agency whose appropriation is involved must approve the transfer, assignment or reassignment.

Contingency Appropriations. The General Assembly may also make "contingency appropriations" to the Budget Agency, which are general and unrelated to any specific State agency. In the absence of other directions imposed by the General Assembly, contingency appropriations must be for the general use of any agency of the State and must be for its contingency purposes or needs, as the Budget Agency in each situation determines. The Budget Agency fixes the amount of each transfer and orders the transfer from such appropriations to the agency. The Budget Agency may make and order allocations and transfers to, and authorized expenditures by, the various State agencies to achieve the purposes of such agencies or to meet the following: (a) necessary expenditures for the preservation of public health and for the protection of persons and property that were not foreseen when appropriations were last made; (b) repair of damage to, or replacement of, any building or equipment owned by the

State which has been so damaged as to materially affect the public safety or utility thereof, or which has so deteriorated as to become unusable if such deterioration was not foreseen when appropriations were last made; (c) emergencies resulting from an increase in costs or any other factor or event that was not foreseen when appropriations were last made; or (d) supplement an exhausted fund or account of any State agency, whatsoever the cause of such exhaustion, if it is found necessary to accomplish the orderly administration of the agency or the accomplishment of an existing specific State project.

These provisions may not change, impair or destroy any fund previously created nor affect the administration of any contingency appropriations previously or subsequently made for specific purposes.

State Board of Finance

The State Board of Finance (the "Finance Board") consists of the Governor, the Treasurer of State and the Auditor of State. The Finance Board elects from its membership a president, who, by tradition, is the Governor. The Auditor of State is the secretary of the Finance Board. The Finance Board is responsible for supervising the fiscal affairs of the State and has advisory supervision of the safekeeping of all funds coming into the State treasury and all other funds belonging to the State coming into the possession of any State agency or officer. The Finance Board may transfer money between funds, except trust funds, and the Finance Board may transfer money between appropriations for any State board, department, commission, office or benevolent or penal institution.

The Finance Board has statutory authority to negotiate loans on behalf of the State for the purpose of meeting "casual deficits" in State revenue. A loan may not be for a period longer than four years after the end of the Fiscal Year in which it is made. If sufficient revenue is not being received by the General Fund to repay the loan when due, the Finance Board may levy a tax on all taxable property in the State sufficient to pay the amount of the indebtedness. The Finance Board has never negotiated a loan to meet a deficit in State revenue.

Office of Management and Budget

In 2005, legislation was enacted that established the Office of Management and Budget ("OMB"), to direct the fiscal management and budget policy of the State.

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

The Division of Government Efficiency and Financial Planning of the OMB conducts operational and procedural audits of State government, performs financial planning, designs and implements efficiency projects, and carries out such other responsibilities as may be designated by the Director.

Cash Management and Investments

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

Audits

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

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

2008 Financial Report

The Indiana Comprehensive Annual Financial Report For Fiscal Year Ended June 30, 2008 (the "2008 Financial Report"), contains certain financial information about the State, including the financial statements of the State as of and for the Fiscal Year ended June 30, 2008 as set forth therein. The 2008 Financial Report was previously provided to each then nationally recognized municipal securities information repository (each then nationally recognized municipal securities information repository, a "NRMSIR"), and is included in this Appendix A by reference.

A copy of the 2008 Financial Report may be obtained from any NRMSIR and, for Fiscal Years ending June 30, 2009 and thereafter, the CAFR will be available from the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") System. In addition, the 2008 Financial Report may be found at: http://www.in.gov/auditor/.

The 2008 Financial Report speaks only as of its date. The inclusion of the 2008 Financial Report in this Appendix A does not imply that there has been no change in the information therein since the date thereof.

STATE BUDGET PROFILE AND FINANCIAL RESULTS OF OPERATIONS

The Governor's Property Tax Reform Legislation, P.L. 146-2008

In 2008, the General Assembly enacted significant property tax legislation. The plan included both short-term relief and long-term reform. Short-term relief, $620 million of additional State homestead credits in calendar year 2008, was funded through the revenues generated from the 1% increase, from 6% to 7%, in the state sales and use tax which was effective April 1, 2008. The long-term reform is based on the State assumption of costs historically funded through property taxes levied by local units of government. These expenses include but are not limited to the school general fund, five child welfare levies, certain police and fire pension benefit payments, juvenile incarceration costs, and certain levies for state purposes. Funding for these expenditures are provided by the increase in sales tax, the retention and redirection of funds deposited and formerly used for state property tax replacement and homestead credits, and gaming revenue from the taxation of slot machines operated at two licensed horse racing facilities.

Other elements of the reform plan include caps on the amount property owners must pay. Any impact on local budgets resulting from the caps will be borne by the local unit of government. The State has no obligation to compensate local units of government for any lost property tax revenue as a result of the caps.

P.L. 146-2008 increased the state Earned Income Tax Credit rate from 6% to 9%. In addition, the renter's deduction was increased from $2,500 to $3,000.

Operating Revenue

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

The combined State receipts in the General Fund are referred to as "State Operating Revenue" or "Operating Revenue." Operating Revenue is defined as the General Fund and other revenue forecasted by the Technical Forecast Committee. Total Operating Revenue together with "DSH revenue" transferred to the General Fund, plus transfers from other funds when necessary and available, are used in the determination of the State's unappropriated balance reflected on the General Fund Unappropriated Reserve Statement. "DSH" is an acronym for "Disproportionate Share for Hospitals (federal funds)," and DSH revenue constitutes additional Medicaid reimbursements provided to the State for hospitals that serve disproportionately large numbers of poor people.

General Fund Revenue Sources

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

Sales and Use Taxes. As part of the property tax reform legislation enacted in P.L. 146-2008, the sales and use tax rate was increased from 6.0% to 7.0%, effective April 1, 2008. This tax is imposed on the sale and rental of tangible personal property and the sale of certain services, including the furnishing of public utility services and the rental or furnishing of public accommodations such as hotel and motel room rentals. In general, the complementary 7.0% use tax is imposed upon the storage, use or consumption of tangible personal property in the State. Some of the major exemptions from the sales and use taxes are sales of certain property to be used in manufacturing, research and development equipment after July 1, 2007, agricultural production, public transportation or governmental functions, sales for resale, food sold in grocery stores and prescription drugs.

Corporate Income Taxes. As part of tax restructuring legislation passed in 2002, the General Assembly repealed the gross income tax and the supplemental corporate net income tax and increased the corporate adjusted gross income tax rate to 8.5% of apportioned Indiana adjusted gross income (AGI). These changes were effective January 1, 2003.

Corporate Adjusted Gross Income Tax. The corporate adjusted gross income tax is applicable to corporations doing business in the State. AGI is federal taxable income with certain additions and subtractions. Certain international banking facilities and insurance companies, S corporations, limited liability companies, partnerships and tax-exempt organizations (to the extent their income is exempt for federal tax purposes) are not subject to the corporate adjusted gross income tax. Corporate adjusted gross income tax collections are allocated to the General Fund.

Financial Institution Tax. This tax is applicable to a financial institution for the privilege of exercising its franchise or the corporate privilege of transacting the business of a financial institution in Indiana. It applies to any business which is primarily engaged in extending credit, or engaged in leasing. The tax base is a taxpayer's apportioned adjusted gross income with statutory deductions and additions. Insurance companies, international banking facilities, federally chartered credit unions, and S corporations are exempt. The tax rate is 8.5%. Local units of government are guaranteed revenue based on the former Financial Institution Taxes in 1989. Any remaining revenue collected is deposited in the state General Fund.

Utilities Receipts Tax. The utilities receipts tax is based on gross receipts from retail utility sales. It is imposed at a rate of 1.4% and was effective January 1, 2003. All revenue is deposited in the state General Fund. Utilities must also pay the corporate adjusted gross income tax. Effective July 1, 2007, a use tax was imposed on consumers of utilities if the Utilities Receipts Tax was not paid by the seller. The use tax is imposed at the rate of 1.4% on the gross purchase price of the utilities.

Individual Adjusted Gross Income Tax. Adjusted gross income (federal adjusted gross income modified by adding back certain federal adjustments and subtracting certain federal exemptions and deductions) of residents and non-residents with income derived from Indiana sources is taxed at 3.4%. All revenue derived from the collection of the adjusted gross income tax imposed on persons is credited to the General Fund.

Wagering Tax. The wagering tax is applied to the adjusted gross receipts of riverboat gambling operations in Indiana. Prior to Fiscal Year 2003, all wagering taxes earned by the State were deposited into the BIF. Legislation passed in 2002 changed the collection and distribution of wagering taxes and allowed riverboats to implement flexible scheduling, enabling patrons to gamble while a riverboat is docked. The legislation imposed a graduated wagering tax on riverboats that adopt flexible scheduling. As amended by P.L 233-2007, the graduated tax is set at 15% of the first $25 million of adjusted gross receipts in a fiscal year, 20% of receipts between $25 million and $50 million, 25% of receipts between $50 million and $75 million, 30% of receipts between $75 million and $150 million, 35% of receipts between $150 million and $600 million, and 40% of all adjusted gross receipts exceeding $600 million.

The legislation also changed the distribution of wagering taxes. The first $33 million of wagering taxes collected in the State's fiscal year must be set aside for revenue sharing among local units of government that do not have riverboats. Of the remaining revenue, 25% is distributed to the cities and counties with riverboat operations, and 75% is deposited in the General Fund. The legislation capped the amounts that may be distributed to the cities and towns with riverboat operations at the amounts distributed in Fiscal Year 2002. All revenue in excess of the capped amounts is deposited in the General Fund. The General Fund receives 37.5% of wagering tax from the Orange County Casino. The remaining wagering tax revenue from Orange County Casino is deposited in the local funds. From the revenue distributed to the General Fund, an amount is distributed annually to the BIF. The transfer amount is such that the total lottery and gaming revenue deposited in the BIF equals $250.0 million in a fiscal year. Interest revenue deposited in the fund does not count against the $250.0 million cap.

In 2007, the General Assembly enacted legislation authorizing the two existing licensed horse racing facilities in Indiana to install up to 2,000 slot machines on their premises. P.L. 233-2007 imposed a one-time license fee of $250 million per track and graduated wagering taxes in the amount of 25% of the first $100 million of adjusted gross receipts in a fiscal year, 30% of receipts between $100 million and $200 million, and 35% of receipts exceeding $200 million. The license fee receipts were deposited in the Property Tax Reduction Trust Fund to fund homestead credits for calendar years 2007 and 2008. Until December 31, 2008, wagering taxes from the two licensed horse racing facilities were deposited in the Property Tax Reduction Trust Fund. Any remaining funds in the Property Tax Reduction Trust Fund were transferred to the General Fund.

Other Operating Revenue. Other revenue ("Other Revenue") is derived from cigarette taxes, alcoholic beverage taxes, inheritance taxes, insurance taxes, interest earnings and miscellaneous revenue. In 2002, the General Assembly increased the cigarette tax by $0.40 per pack, to $0.555 per pack, and increased the tax on other tobacco products by 3 percentage points. In 2007, the cigarette tax was further increased by $0.44 per pack to $0.995 per pack effective July 1, 2007. In Fiscal Year 2009, Other Revenue deposited in the state General Fund amounted to $995.3 million, excluding $25.8 million in revenues from P.L. 146-2008.

Lottery and Gaming Revenue

By statute, certain revenue from the Hoosier Lottery, horse racing pari-mutuel wagering tax and charity gaming taxes and license fees (collectively, "Gaming Revenue") must be deposited in the BIF. In 2002, the General Assembly enacted annual distributions of wagering tax revenue to the BIF in the amount of $250 million per year less the annual amounts distributed to the BIF from Hoosier Lottery profits, charitable gaming taxes and license fees and pari-mutuel wagering taxes. Any revenue in excess of $250 million is to remain in the General Fund. For a description of wagering taxes, *see* "General Fund Revenue Sources—Wagering Tax."

Before Hoosier Lottery profits are transferred to the BIF, $60 million annually is used to fund pension liabilities—$30 million goes to the Teachers' Retirement Fund and $30 million goes to the local Police and Firefighter Pension Fund. All lottery and gaming revenue deposited to BIF is appropriated by the General Assembly, and the statute that governs deposits of that revenue also governs priority of distribution in the event that revenue falls short of appropriations. At present, the highest distribution priority (after pension account transfers) is to the State's counties for motor vehicle excise tax replacement, providing a substantial cut in the excise tax charged on motor vehicles; $236.2 million was appropriated for Fiscal Year 2009.

As shown below, Gaming Revenue totaling $989.0 million was collected by the State for Fiscal Year 2009. These numbers include revenue deposited in the state and local funds but does not include riverboat admissions tax revenue distributed in Fiscal Year 2009 to state and local units in the amount of $78.9 million and $200 million in slot machines license tax deposited in State Property Tax Reduction Trust Fund. The $795.9 million for Wagering Taxes includes $62.8 million in revenues from P.L. 146-2008.

Type of Tax	FY 2009
Wagering Taxes	$795.9
Lottery	$183.4
Charity Gaming	$6.3
Horse Racing	$3.4
Total	$989.0

Source: State Budget Agency

In 2007, the General Assembly enacted legislation authorizing the two existing horse race tracks in Indiana to install up to 2,000 slot machines on their premises. P.L 233-2007 imposed a license fee and directed wagering taxes to be deposited in the State Property Tax Reduction Trust Fund. This fund was established to provide additional property tax relief to property owners. As part of the property tax reform legislation in P.L. 146-2008, the State Property Tax Reduction Trust Fund was eliminated on December 31, 2008. Any remaining funds were, and future wagering taxes will be, deposited in the General Fund.

Revenue History

Annual percentage changes for each component of Operating Revenue is reflected in Table 1. The table also includes actual revenue for prior Fiscal Years as well as projected revenue for Fiscal Years 2010 and 2011.

Table 1
State Operating Revenue
(Millions of Dollars)

	FY 2005[1]	FY 2006[1]	FY 2007[1]	FY 2008[1]	FY 2009[1]	FY 2010[2]	FY 2011[2]
6% Sales Tax	4,960.4	5,226.3	5,379.1	5,686.0	6,153.2	6,131.7	6,438.4
Changes from Prior Year	5.10%	5.40%	2.90%	5.71%	8.22%	-0.35%	5.00%
Individual Income	4,213.2	4,322.4	4,615.6	4,837.5	4,313.8	4,289.3	4,547.2
Change from Prior Year	10.60%	2.60%	6.80%	4.80%	-10.80%	-0.60%	6.00%
Corporate Income	824.8	925.4	987.1	909.5	839.0	800.0	819.3
Change from Prior Year	27.90%	12.20%	6.70%	-7.90%	-7.80%	-4.60%	2.40%
Wagering Tax[3]	584.7	589.9	625.3	582.9	608.2	645.8	660.7
Change from Prior Year	-2.80%	0.90%	6.00%	-6.80%	4.34%	6.18%	2.31%
Other[4]	853.4	996.4	1,019.1	1,066.3	1,021.1	1,276.8	1,194.7
Change from Prior Year	1.00%	16.70%	2.30%	4.60%	-4.24%	25.04%	-6.43%
Total[5]	11,436.5	12,060.3	12,626.2	13,082.2	12,935.3	13,143.6	13,660.3
Change from Prior Year	7.70%	5.50%	4.70%	3.61%	-1.12%	1.61%	3.93%

(1) Actual, but unaudited, Operating Revenue. Fiscal Year 2006 figures are net of Tax Amnesty collections.

(2) Revenues are as projected by the Technical Forecast Committee on May 27, 2009. Revenues exclude Disproportionate Share Hospital (DSH), Quality Assessment Fee (QAF), and other miscellaneous revenues excluded from the forecast such as Marion County Juvenile Arrearage payments.

(3) See "General Fund Revenue Sources – Other Operating Revenue."

(4) P.L. 146-2008, the Governor's property tax reform legislation, included the following revenue changes in Fiscal Year 2009: an increase in sales tax from 6% to 7% effective April 1, 2008; individual income impacted by state-captured miscellaneous revenues and increase in renter's deduction; wagering tax from slots at the race tracks; and loss of reimbursement for juvenile incarceration costs. P.L. 146-2008 also included $151.6 million of sales tax revenues for Fiscal Year 2008. The net impact of these changes was $967.6 million in Fiscal Year 2009, and is projected to be $1,313.0 million in Fiscal Year 2010 and $1,270.5 million in Fiscal Year 2011.

(5) Excluding P.L. 146-2008, total revenues increased by 2.4% in Fiscal Year 2008, and then decreased by 7.4% in Fiscal Year 2009. Total revenues are projected to decrease by another 1.1% in Fiscal Year 2010, and then increase by 4.7% in Fiscal Year 2011. Excluding P.L. 146-2008, sales tax revenues increased by 2.9% in Fiscal Year 2008, and then decreased by 4.7% in Fiscal Year 2009. Sales tax revenues are projected to decrease by 0.3% in Fiscal Year 2010, and then increase by 5.0% in Fiscal Year 2011. Excluding P.L. 146-2008, wagering tax revenues decreased by 6.4% in Fiscal Year 2009. Wagering tax revenues are projected to decrease by 0.7% in Fiscal Year 2010, and then increase by 2.4% in Fiscal Year 2011. Excluding P.L. 146-2008, other revenues decreased by 7.6% in Fiscal Year 2009. Other revenues are projected to decrease by 5.1% in Fiscal Year 2010, and then increase by 0.7% in Fiscal Year 2011.

Source: State Budget Agency

Operating Expenditures

Actual expenditures may differ from estimated levels as a result of a number of factors, including unforeseen expenses and executive and legislative action. The State's five largest expenditure categories include local school aid, higher education, property tax relief, Medicaid and correction. Table 2 sets forth operating expenditures and estimates for all major expenditure categories for Fiscal Years 2005 through 2011.

Table 2
Expenditures
(Millions of Dollars)

	FY 2005[1]	FY 2006[1]	FY 2007[1]	FY 2008[1]	FY 2009[1]	FY 2010[2]	FY 2011[2]
Local School Aid[3]	4,447.5	4,517.0	4,628.8	4,795.6	5,673.1	7,447.9	7,577.0
Change from Prior Year	2.09%	1.56%	2.48%	3.60%	18.30%	31.28%	1.73%
Property Tax Relief[4]	2,142.5	2,169.5	2,211.6	2,346.4	1,660.0	110.0	40.0
Change from Prior Year	2.18%	1.26%	1.94%	6.10%	-29.25%	-93.37%	N/A
Higher Education[5]	1,523.5	1,568.7	1,589.8	1,704.8	1,756.3	1,726.0	1,755.5
Change from Prior Year	3.60%	2.97%	1.35%	7.23%	3.02%	-1.73%	1.71%
Medicaid[6]	1,393.4	1,455.1	1,514.6	1,583.2	1,321.8	1,239.7	1,597.5
Change from Prior Year	12.04%	4.43%	4.09%	4.53%	-16.51%	-6.21%	28.86%
Correction	620.9	584.0	589.2	615.7	634.8	678.8	693.1
Change from Prior Year	0.25%	-5.94%	0.89%	4.50%	3.10%	6.93%	2.11%
Other[7]	1,528.0	1,600.2	1,712.8	1,834.0	2,005.9	2,153.0	2,435.9
Change from Prior Year	-5.27%	4.73%	7.04%	7.08%	9.37%	7.33%	13.14%
Total	11,655.8	11,894.5	12,246.8	12,879.7	13,051.9	13,355.4	14,099.0
Change from Prior Year	2.25%	2.05%	2.96%	5.17%	1.34%	2.33%	5.57%

(1) Actual, but unaudited, expenditures.

(2) Estimated expenditures.

(3) Fiscal Year 2009 figures exclude $536.4 million of Education Stabilization Funds provided under the American Recovery and Reinvestment Act (ARRA). Inclusion of these funds would result in a total of $6,209.5 million, an increase of 29.48% over Fiscal Year 2008, primarily attributable to P.L. 146-2008. Fiscal Year 2010 figures exclude $73.6 million of Education Stabilization Funds provided under the ARRA.

(4) P.L. 146-2008, the Governor's property tax reform legislation, replaced Property Tax Replacement Credits with the State assuming 100% of the Tuition Support Levy and various other local levies previously borne by local government.

(5) Higher education figures exclude federal stimulus finds provided under the ARRA totaling approximately $213 million. The exact timing of the distribution of these funds is still being determined.

(6) Fiscal Year 2009 figures exclude $348.1 million of federal stimulus funds provided under the ARRA. Inclusion of these funds would result in a total of $1,669.9 million, an increase of 5.48% from Fiscal Year 2008. Fiscal Year 2010 figures exclude $549.2 million of federal stimulus funds provided under the ARRA. Inclusion of these funds would result in a total of $1,788.9 million, an increase of 7.13% over Fiscal Year 2009. Fiscal Year 2011 figures exclude $289.2 million of federal stimulus funds provided under ARRA. Inclusion of these funds would result in a total of $1,886.7 million, an increase of 5.47% over Fiscal Year 2010.

(7) P.L. 146-2008 also required the State to assume a number of local levies now included under "Other" , such as the Family and Children Levy, the Children with Special Health Care Needs Levy, the State Fair Levy, the State Forestry Levy, and Public Safety Pensions costs.

Source: State Budget Agency

Local School Aid. Funding for elementary and secondary education is the State's largest operating expense. Through December 31, 2008, local school aid was payable from both the General Fund and the Property Tax Replacement Fund ("PTR Fund"). With the enactment of P.L. 146-2008, the PTR Fund ceased to exist on December 31, 2008, and any remaining funds were transferred to the General Fund. Local school aid is payable from the General Fund only after December 31, 2008. See "State Budget Profile and Financial Results of Operations – The Governor's Property Tax Relief Legislation, P.L. 146-2008" for a summary of P.L. 146-2008.

Local school aid includes distributions for programs such as assessment and performance, as well as tuition support. The General Assembly established the State's calendar year 1972 funding level as the base for local school aid.

Prior to January 1, 2003, the State provided approximately 66% of school corporations' general fund budgets. As a result of the tax restructuring legislation enacted in 2002, the State provided approximately 85% of the school corporations' general fund budgets. As part of the property tax reform legislation enacted by P.L. 146-2008, the State assumed responsibility for the local share of tuition support and began providing 100% of the tuition support for school corporation general funds in January 2009. Also included in P.L. 146-2008 were Fiscal Year 2009 appropriations for new facilities appeals ($10 million), a preschool special education levy ($3 million), and circuit breaker replacement credits ($25 million), each of which were formerly paid by local property taxes.

Primarily due to the assumption of the local share of tuition support by the state, local school aid funding increased 18.3% for Fiscal Year 2009 on a statewide basis. These figures exclude $536.4 million of ARRA funds; including these funds would result in an increase of 29.5% for Fiscal Year 2009. General fund appropriations for Fiscal Year 2010 are $7,447.9 million, an increase of 31.3% over Fiscal Year 2009. These figures exclude $73.6 million of ARRA funds; including these funds would result in an increase of 21.1% over Fiscal Year 2009. Local school aid appropriations from the general fund for Fiscal Year 2011 are $7,577.0 million. *See* "Financial Results of Operations."

Property Tax Relief. Prior to 2009, spending for property tax relief primarily consisted of Property Tax Relief Credits ("PTR Credits") and the Homestead Credits. Prior to 2003, PTR Credits equaled 20% of property taxes charged excluding property taxes imposed for debt service or imposed in excess of the state's levy limitations. Homestead Credits equaled 10% of property taxes charged on homesteads excluding property taxes imposed for debt service or imposed in excess of the state's levy limitations. Appropriations for PTR Credits and Homestead Credits were made from the Property Tax Replacement Fund ("PTRF"). A special legislative session in 2002 resulted in PTR Credits being increased, subject to appropriation, to 60% of property taxes imposed by school corporations for general fund purposes and 20% of all other property taxes excluding property taxes imposed for debt service or imposed in excess of the State's levy limitations. Property taxes imposed on personal property were made ineligible to receive the 20% PTR Credits. During the same special legislative session, Homestead Credits were increased to 20%, subject to appropriation. These changes were effective January 1, 2003. Beginning with the Fiscal Years 2005-2007 biennium, the total amount of PTR Credits and Homestead Credits distributed in a fiscal year from the PTRF was limited to the amount distributed in Fiscal Year 2002 plus an amount equal to the increase in the state sales tax from 5.0% to 6.0% enacted during the 2002 special legislative session. HEA 1835-2007 established the Property Tax Reduction Trust Fund for the purpose of providing additional property tax relief payable solely from new revenues resulting from the operation of slot machines at horse racing tracks located within the state.

P.L. 146-2008 eliminated the appropriation for PTR Credits, replacing them with Homestead Credits and the State's assumption of 100% of the tuition support for school corporation general funds beginning in January 2009. P.L. 146-2008 provided for $690M in Homestead Credits during the Fiscal Years 2007-2009 biennium.

Higher Education. Through the General Fund, the State supports seven higher education institutions, Ball State University, Indiana University, Indiana State University, Ivy Tech Community College of Indiana, Purdue University, University of Southern Indiana and Vincennes University. Higher education expenditures for Fiscal Year 2009 were $1,756.3 million, an increase of 3.0% from Fiscal Year 2008. These figures exclude $44.3 million of ARRA funds. Higher education appropriations for Fiscal Year 2010 are $1,726.0 million, a decrease of 1.7%. These figures exclude $82.0 million of ARRA funds. General Fund appropriations for higher education for Fiscal Year 2011 are $1.755.5 million. This figure excludes $85.4 million of ARRA funds. Appropriations for higher education include university operating, university fee-replaced debt service, university line items, other higher education line items, university repair and rehabilitation, university capital projects, and state student aid. The General Assembly appropriated $40.0 million in Fiscal Year 2007 and $31.0 million in both Fiscal Year 2008 and Fiscal Year 2009 to reduce and eliminate by June 30, 2009 the repair and rehabilitation payment delay to State colleges and universities. Funds for all State Fiscal Years (2007, 2008, and 2009) have been paid in full to the Universities. *See* "Financial Results of Operations."

Since Fiscal Year 1976, the General Assembly has appropriated to each State university and college an amount equal to the annual debt service requirements due on qualified outstanding Student Fee and Building Facilities Fee Bonds and other amounts due with respect to debt service and debt reduction for interim financings (collectively, "Fee Replacement Appropriations"). The Fee Replacement Appropriations are not pledged as security for such bonds and other amounts. Under the State constitution, the General Assembly cannot bind subsequent

General Assemblies to continue the present Fee Replacement Appropriations policy; however, it is anticipated that the policy will continue for outstanding bonds and notes.

The aggregate principal amount of bonds and notes outstanding as of June 30, 2009, for each State university and college eligible for Fee Replacement Appropriations and the amount of Fee Replacement Expenditures or Appropriations for Fiscal Years 2009 and 2010 are shown below.

Table 3
Schedule of Fee Replacement Debt

	Amount of Debt Outstanding June 30, 2009	Fiscal Year 2009 Fee Replacement Expenditures	Fiscal Year 2010 Fee Replacement Appropriations
Ball State University	$109,700,000	$11,541,023	$11,543,674
Indiana University [1]	426,622,901	69,802,073	69,701,584
Indiana State University	63,312,938	9,134,603	8,231,452
Ivy Tech Community College	235,861,000	22,226,787	26,656,511
Purdue University[2]	317,216,102	22,667,959	34,209,413
University of Southern Indiana	100,598,664	9,301,641	11,920,469
Vincennes University	43,893,689	4,683,015	5,275,650
Total	$1,297,205,294	$149,357,101	$167,538,753

[1] Includes its regional campuses other than Indiana University-Purdue University at Fort Wayne.
[2] Includes its regional campuses other than Indiana University-Purdue University at Indianapolis.

Source: State Budget Agency

Medicaid. Medicaid is a state/federal shared fiscal responsibility with the state supporting 24.89% of the total program through a combination of State General Fund and dedicated funds over the biennium. Federal funding accounts for the remaining 75.11%. The federal share has increased during Fiscal Years 2009, 2010, and 2011 as a result of the ARRA. For Fiscal Year 2009, state General Fund Medicaid expenditures totaled $1,321.8 million. This figure excludes $348.1 million of ARRA funds resulting from the temporary increase in the federal reimbursement rate. In Fiscal Year 2010, state General Fund Medicaid appropriations total $1,239.7 million. This figure excludes $549.2 million of ARRA funds. Enrollment was estimated to be 861,452 at the end of Fiscal Year 2009 and expected to reach 936,886 by the end of Fiscal Year 2010 (these figures exclude the Children's Health Insurance Program and the Healthy Indiana Program). Indiana's base federal reimbursement rate will equal 64.26% for the first quarter of Fiscal Year 2010 and 65.93% for the remaining three quarters of Fiscal Year 2010. State General Fund Medicaid appropriations for Fiscal Year 2011 total $1,597.5 million. This figure excludes $289.2 million of ARRA funds..

Correction. Appropriations for the Department of Correction, payable almost entirely from the General Fund, include funds for incarceration, rehabilitation and parole programs. Correction expenditures for Fiscal Year 2009 were $634.8 million. Fiscal Year 2010 appropriations equal $678.8 million, an increase of 6.9% over Fiscal Year 2009 expenditures. General Fund appropriations for Fiscal Year 2011 total $693.1 million.

Correctional population is the most significant driver of Correction expenditures. Correctional population steadily increased from 21,540 in Fiscal Year 2001 to 27,351 in Fiscal Year 2009 and is projected to reach 28,489 by the end of Fiscal Year 2010.

Other. The balance of State expenditures is composed of spending for a combination of other purposes, the principal ones being the costs of institutional care and community programs for persons with mental illnesses and developmental disabilities, the State's administrative operations, the State's share of public assistance payments, the General Fund share of State Police costs, economic development programs and General Fund expenditures for capital improvements. Other categories estimated expenditures for Fiscal Year 2009 from the General Fund total $2,005.9 million, an increase of 9.4% over Fiscal Year 2008. This increase is attributable to a number of local levies assumed by the State under P.L. 146-2008, such as the Family and Children Levy, the Children with Special Health

Care Needs Levy, the State Fair Levy, the State Forestry Levy, and Public Safety Pension costs. For Fiscal Year 2010, other categories of General Fund expenditures are expected to be $2,153.0 million based on current projections. Again, the increase is attributable to a full year of the state assuming these local levies compared with Fiscal Year 2009 when the state was responsible for these levies for only six months.

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

The law directs the Budget Agency to compute a new State spending growth quotient before December 31 in each even-numbered year. The State spending growth quotient is equal to the lesser of the six-year average increase in Indiana non-farm personal income or 6%. The legislation allows the state spending cap to be increased or decreased to account for new or reduced taxes, fees, exemptions, deductions or credits adopted after June 30, 2002. The Budget Agency computed the spending growth quotient for Fiscal Years 2008 and 2009 to be 3.7% and 4.0%, respectively.

Fund Balances

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

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

Each year the State Budget Director determines calendar year Adjusted Personal Income ("API") for the State and its growth rate over the previous year. In general, moneys are deposited automatically into the Rainy Day Fund if the growth rate in API exceeds 2.0% and moneys are withdrawn automatically from the Rainy Day Fund if API declines by more than 2.0%. No automatic withdrawal from the Rainy Day Fund has occurred; however, the General Assembly has authorized money to be transferred from the Rainy Day Fund to the General Fund from time to time during periods of economic recession. In addition, the General Assembly has authorized money in the Rainy Day Fund to be used to make loans to local governments from time to time. *See* "Financial Results of Operations."

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

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

State Tuition Reserve. The Tuition Reserve was a cash flow device intended to assure that the State had sufficient cash to make local school aid payments on time. Prior to each June 1, the Budget Agency estimated and established the Tuition Reserve for the ensuing Fiscal Year. *See* Table 4 for Tuition Reserve Fund balances. P.L. 146-2008 formally created the State Tuition Reserve Fund to which the balance of the Tuition Reserve was transferred and can only be used to make local school aid payments. An additional $50 million was deposited in the Tuition Reserve Fund on June 30, 2008, two-and-a-half years before the legislative deadline of December 31, 2010.

The Budget Agency transferred $536.4 million from the General Fund to the State Tuition Reserve Fund on June 30, 2009, to support tuition support appropriations from the General Fund in Fiscal Year 2010 and Fiscal Year 2011.

Medicaid Reserve. In 1995, the General Assembly established the Medicaid Reserve and Contingency Account to provide a reserve to fund timely payments of Medicaid claims, obligations and liabilities. The Medicaid Reserve was designed to represent the estimated amount of obligations that were incurred, but remained unpaid, at the end of a Fiscal Year. *See* Table 4 for Medicaid Reserve Fund balances.

General Fund. The General Fund is the primary fund into which general purpose tax revenue, or Operating Revenue, is deposited or transferred. Prior to its repeal, the PTR Fund was often times combined with the General Fund to provide a more complete and accurate description of the State's Operating Revenue and discretionary spending, especially for local school aid and property tax relief.

With the enactment of P.L. 146-2008, the PTR Fund ceased to exist on December 31, 2008, and any remaining funds were transferred to the General Fund. See "Fiscal Policies - Fund Structure — Governmental Funds – Special Revenue Funds" and "State Budget Profile and Financial Results of Operations – The Governor's Property Tax Relief Legislation, P.L. 146-2008" for a summary of P.L. 146-2008.

Financial Results of Operations

The State closed Fiscal Year 2009 with combined balances of $1,419.4 million in the General Fund, which was 10.2% of that Fiscal Year's operating revenue. This combined balance includes a General Fund balance of $54.9 million, a Tuition Reserve balance of $941.7 million, and a Rainy Day Fund balance of $365.2 million. It also includes $57.6 million in the Medicaid Reserve.

Fiscal Year 2009 was highlighted by the State maintaining its level of reserves, attributable to spending restraint as well as the ARRA. The Governor approved the final repayment of $31.0 million to higher education in Fiscal Year 2009 to eliminate the payment delays utilized in the previous economic downturn. The Governor caused approximately $530 million of reversions to the General Fund, and deferred more than $300 million of potential reversions to assist with balancing the budget in Fiscal Year 2010.

Revenue Forecast for Fiscal Years 2009, 2010 and 2011

The Technical Forecast Committee (the "Forecast Committee") presented an updated forecast of State revenue for Fiscal Years 2009, 2010 and 2011 to the State Budget Committee on May 27, 2009. Fiscal Year 2009 revenue decreased by $962.9 million (or 7.4%) compared to Fiscal Year 2008 revenue when normailized for P.L. 146-2008. Excluding the impact of P.L. 146-2008, Fiscal Year 2010 State revenue is projected to decrease by $129.5 million (or 1.14%) from the revenue forecast for Fiscal Year 2009 . Fiscal Year 2011 State revenue is projected to increase by $559.2 million (or 4.7%) over 2010 revenues.

P.L. 146-2008 increased the sales tax from 6.0% to 7.0% effective April 1, 2008, as part of the property tax reform legislation. The increase generated $151.6 million in Fiscal Year 2008, and generated $879.0 million in Fiscal Year 2009. P.L. 146-2008 increased wagering tax collections for Fiscal Year 2009 to the General Fund by $62.8 million, caused by the elimination of the Property Tax Reduction Trust Fund on December 31, 2008. P.L. 146-2008 also increased "Other" collections for Fiscal Year 2009 by $25.8 million due to state captured miscellaneous revenues.

Combined Balance Statements

Table 4 sets forth the Budget Agency's unaudited end-of-year combined balance statements and estimates and projections, including revenue and other resources, expenditures and balances at the end of each Fiscal Year. For past Fiscal Years, the balances reflect actual revenue and other resources and expenses before adjustments to the modified accrual basis of accounting. As a result, the Budget Agency's "working" statements may differ from the results included in the 2008 Financial Report or the Auditor of State's comprehensive annual financial reports for other Fiscal Years. Forecasted revenue is developed by the Technical Forecast Committee, and actual revenue may be higher or lower than forecasted. Estimates of other resources and uses were developed by the Budget Agency taking into account historical resources and appropriations as well as other variables, including the budget for Fiscal Years 2010 and 2011.

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

	Actual FY2007	Actual FY2008	Actual FY2009	Estimated FY2010[1]	Estimated FY2011[1]
Resources:					
Working Balance on July 1	410.7	537.2	592.5	54.9	185.2
Current Year Resources:					
Forecast Revenue	12,626.2	13,082.2	12,935.3	13,143.6	13,660.3
Miscellaneous Revenue	-	35.9	21.8	12.0	-
DSH Revenue	65.1	65.2	60.1	67.0	67.0
Quality Assessment Fee	21.7	19.7	34.4	40.0	30.0
Rainy Day Fund Interest and Repayment of Loans	14.6	18.8	2.2	5.7	10.7
2007 Outside Acts	9.8	-	-	-	-
Transfer from Medicaid Reserve to General Fund	-	30.0	-	-	-
Transfer from Dedicated Fund Balances	1.2	-	-	-	-
2009 Outside Acts	-	-	-	-74.1	-51.6
ARRA General Purpose Stabilization Funds	-	-	-	147.0	36.0
ARRA Medicaid	-	-	-	549.2	289.2
ARRA Education Stabilization Funds	-	-	-	128.8	84.5
Transfer from General Fund to State Tuition Reserve	-	-	-	-73.6	-
Transfer from State Tuition Reserve to General Fund	-	-	-	305.0	305.0
Total Current Year Resources	12,738.6	13,251.8	13,053.8	14,250.6	14,431.1
Total Resources	13,149.3	13,789.0	13,646.3	14,305.5	14,616.3
Uses: Appropriations, Expenditures and Reversions:					
Appropriations					
Budgeted Appropriations	12,246.0	13,151.6	14,549.5	13,718.4	14,149.0
Adjustments to Appropriations[2]	-32.5	-0.6	27.7	23.2	23.2
Enrolled Acts 2006	69.6	-	-	-	-
Enrolled Acts 2008 (excluding P.L. 146-2008)	-	-	4.9	-	-
ARRA Medicaid	-	-	-	549.2	289.2
ARRA Education Stabilization Funds	-	-	-	128.8	84.5
Tuition Support Deficiency	56.1	-	-	-	-
Total Appropriations	12,339.2	13,151.0	14,582.1	14,419.6	14,545.9
Other Expenditures and Transfers					
Transfer from General Fund to Tuition Reserve	-	83.4	-	-	-
Local Option Income Tax Distributions	35.2	11.8	8.7	-	-
PTRC and Homestead Credit Adjustments	-25.9	-38.0	-23.5	90.0	-
Adjustment for Stadium/Convention Center Appropriation	-	-	-	-40.0	-42.0
Judgments and Settlements[3]	11.4	6.6	5.3	8.0	8.0
Total Appropriations and Expenditures	12,359.9	13,214.8	14,572.6	14,477.6	14,511.9

Payment Delays			-		
Higher Education Allotment	40.0	-	-	-	-
Tuition Support Distribution	160.1	-	-	-	-
Property Tax Replacement Credit	136.5	95.7	-105.5	-	-
Reversions[4]	-118.9	-132.8	-1,414.2	-363.0	-50.0
Total Net Uses	12,577.9	13,177.7	13,052.9	14,114.6	14,461.9
General Fund Reserve Balance at June 30	537.2	592.5	54.9	185.2	143.8
Reserved Balances					
Medicaid Reserve	87.6	57.6	57.6	57.6	57.6
Tuition Reserve	316.6	400.00	941.7	720.7	425.0
Rainy Day Fund[5]	344.3	363.0	365.2	370.9	381.6
Total Combined Balances	1,285.7	1,413.1	1,419.4	1,334.4	1,008.0
Payment Delay Liability	-285.5	-31.1	0.0	0.0	0.0
Combined Balance as a Percent of Operating Revenue	10.1%	10.7%	10.9%	9.4%	7.0%

*Totals may not add as a result of rounding.

(1) Revenues are those projected by the Technical Forecast Committee on May 27, 2009; appropriations are those authorized by the 2009 General Assembly for Fiscal Years 2010 and 2011.

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

(3) Represents the estimated cost to the State of judgments and other legal and equitable claims. No reserve fund is established for judgments or other legal or equitable claims against the State. Judgments and other such claims must be paid from appropriations or balances. *See* "LITIGATION."

(4) $55.3 million of reversions in Fiscal Year 2007 represent capital reversions, previously reported as reverting in Fiscal Year 2005.

(5) Net of outstanding loans to local governments. The loans are authorized by the General Assembly and are illiquid.

Source: State Budget Agency

Toll Road Lease

In 2006, the General Assembly enacted legislation authorizing the Indiana Finance Authority to lease the Indiana Toll Road to a private entity to operate for a term not to exceed 75 years. A lease agreement with ITR Concession Company LLC was signed in April 2006 and the transaction was closed on June 29, 2006. Shortly after the closing, the revenues from the lease, $3.8 billion (net of expenses and the bond repayments), were transferred to a trust fund and are being used to fund nearly 200 statewide transportation and economic growth projects throughout the State.

STATE INDEBTEDNESS

Constitutional Limitations on State Debt

Under Article X, Section 5 of the State constitution, the State may not incur indebtedness except to meet casual deficits in revenue; to pay interest on State debt; or to repel invasion, suppress insurrection or, if hostilities are threatened, to provide for the public defense. The State has no indebtedness outstanding under the State constitution. *See* "FISCAL POLICIES—State Board of Finance."

Other Debt, Obligations

Substantial indebtedness anticipated to be paid from State appropriations is outstanding, however, together with State university and college debt and what are described below as "contingent obligations." In addition, the commissions and authorities described below may issue additional debt or incur other obligations from time to time to finance additional facilities or projects or to refinance such facilities or projects. The type, amount and timing of such additional debt or other obligations are subject to a number of conditions that cannot be predicted at present. *See* "Obligations Payable from Possible State Appropriations—Authorized but Unissued Debt."

In 2005, the General Assembly enacted legislation establishing the Indiana Finance Authority, a body politic and corporate, separate from the State. The Indiana Finance Authority is required, after consulting with the Treasurer of State, the Indiana Bond Bank, the Budget Agency and the Indiana Commission for Higher Education, to establish and periodically update a State debt management plan.

Obligations Payable from Possible State Appropriations

The General Assembly has created certain financing entities, including the Indiana Finance Authority and the Indiana Bond Bank, each of which is a body politic and corporate, separate from the State. These financing entities have been granted the authority to issue revenue bonds and other obligations to finance various capital projects. Certain agencies of the State, including the Department of Administration, the Department of Transportation, the Department of Natural Resources and the Indianapolis Airport Authority (under an agreement with the State), have entered into use and occupancy agreements or lease agreements with the financing entities. Lease rentals due under the agreements are payable primarily from possible appropriations of State funds by the General Assembly. However, there is and can be under State law no requirement for the General Assembly to make any such appropriations for any facility in any Fiscal Year. No trustee or holder of any revenue bonds issued by any such financing entity may legally compel the General Assembly to make any such appropriations. Revenue bonds issued by any of the financing entities do not constitute a debt, liability, or pledge of the faith and credit of the State within the meaning of any constitutional provision or limitation. Such use and occupancy agreements, lease agreements and other obligations do not constitute indebtedness of the State within the meaning or application of any constitutional provision or limitation. Following is a description of the entities that have issued bonds and the projects that have been financed with the proceeds and which are subject to use and occupancy agreements or lease agreements.

Indiana Finance Authority. Before 2005, there had been numerous bodies corporate and politic of the State, with separate decision making and borrowing authority, that issued bonds and otherwise accessed the financial markets. On May 15, 2005, to provide economic efficiencies and management synergies and to enable the State to communicate, with a single voice, with the various participants in the financial markets, the Indiana Development Finance Authority, the State Office Building Commission, the Indiana Transportation Finance Authority, the Recreational Development Commission, the State Revolving Fund Programs, and the Indiana Brownfields Program were consolidated into the Indiana Finance Authority. Effective July 1, 2007, the Indiana Health and Educational Facility Financing Authority was also merged into the Indiana Finance Authority. As the successor entity, the Indiana Finance Authority has assumed responsibility for the financing of certain buildings, highways, aviation facilities and recreation facilities.

For a description of other powers and responsibilities of the Indiana Finance Authority, including its authority to issue other debt, *see* "Contingent Obligations" and Table 8.

Buildings. The Indiana Finance Authority is authorized (and its predecessor, the State Office Building Commission, had been authorized) to issue revenue bonds, payable from lease rentals under use and occupancy agreements with various State agencies, to finance or refinance the cost of acquiring, constructing or equipping buildings, structures, improvements or parking areas for the purpose of (a) housing the personnel or activities of State agencies or branches of State government; (b) providing parking for State employees or persons having business with State government; (c) providing buildings, structures or improvements for the custody, care, confinement or treatment of committed persons under the supervision of the State Department of Correction; (d) providing buildings, structures or improvements for the care, maintenance or treatment of persons with mental or addictive disorders; (e) providing buildings, structures or improvements for the care, maintenance or treatment of adults or children with mental illness, developmental disabilities, addictions or other medical or rehabilitative needs; or (f) providing the infrastructure of a State-wide wireless public safety communications system. Lease rentals under the use and occupancy agreements are payable primarily from possible State appropriations. *See* "Table 5—Schedule of Long Term Debt—Obligations Payable from Possible State Appropriations—State Buildings."

The Indiana Finance Authority has the authority to provide (and its predecessor, the State Office Building Commission, had provided) short-term, or construction, financing for authorized projects through the issuance of commercial paper payable from proceeds of its revenue bonds.

Highways. The Indiana Finance Authority is authorized (and its predecessor, the Indiana Transportation Finance Authority, had been authorized) to issue revenue bonds, payable from lease rentals under lease agreements with the Indiana Department of Transportation, to finance or refinance the cost of construction, acquisition, reconstruction, improvement or extension of the State's highways, bridges, streets, roads or other public ways. Lease rentals under the lease agreements are payable primarily from possible State appropriations. *See* "Table 5—Schedule of Long Term Debt—Obligations Payable from Possible State Appropriations—Highway Revenue Bonds."

In 2005, legislation was enacted that authorizes the Indiana Finance Authority to issue grant anticipation revenue bonds to finance highway projects eligible for federal highway revenues. However, none have been issued to date.

Aviation Facilities. The Indiana Finance Authority is authorized (and its predecessor, the Indiana Transportation Finance Authority, had been authorized) to issue revenue bonds, payable from the revenues pledged thereto, to finance or refinance improvements related to airports or aviation-related property or facilities.

Pursuant to this authority, the Indiana Transportation Finance Authority issued its revenue bonds to finance and refinance (a) improvements related to an airport and aviation-related property and facilities at the Indianapolis International Airport and (b) an aviation technology center at the Indianapolis International Airport. The bonds are payable from lease rentals under lease agreements with the Indianapolis Airport Authority. Lease rentals under the lease agreements are payable primarily from possible State appropriations. *See* "Table 5—Schedule of Long Term Debt—Obligations Payable from Possible State Appropriations—Aviation Facilities."

Recreation Facilities. The Indiana Finance Authority is authorized (and its predecessor, the Recreational Development Commission, had been authorized) to issue revenue bonds, payable from the revenues pledged thereto, to finance or refinance the costs of the acquisition, construction, renovation, improvement or equipping of facilities for the operation of public parks.

Pursuant to this authority, the Recreational Development Commission issued its revenue bonds to finance and refinance the costs of acquisition, construction, renovation, improvement and equipping of various lodging and other facilities for public parks in the State. The bonds are payable from lease rentals under use and occupancy agreements with the State's Department of Natural Resources. The lease rentals under the use and occupancy agreements are payable primarily from possible State appropriations. *See* "Table 5—Schedule of Long Term Debt—Obligations Payable from Possible State Appropriations—Recreational Facilities."

Bond Bank. The Indiana Bond Bank issued its revenue bonds, payable from possible State appropriations, to finance or refinance certain State interests or initiatives, including the State's Animal Disease and Diagnostic Laboratory ("ADDL") at Purdue University, West Lafayette, and the Columbus Learning Center ("CLC"), an educational facility to be used by a number of State post-secondary educational institutions to provide services in

South Central Indiana. *See* "Table 5—Schedule of Long Term Debt—Obligations Payable from Possible State Appropriations—Bond Bank" and "Table 8—Schedule of Long Term Debt—Contingent Obligations—Bond Bank." For a description of other powers and responsibilities of the Bond Bank, including its authority to issue other debt, *see* "Contingent Obligations—Indiana Bond Bank" and Table 8.

Schedule of Long Term Debt. Table 5 lists, by type of financing, long-term debt that is subject to possible State appropriations as of June 30, 2009. *See* "Authorized but Unissued Debt" and "Table 3 – Schedule of Fee Replacement Debt."

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

Type/Series	Original Par Amount	Ending Balance 6/30/2008	(Redeemed)/ Issued	Ending Balance 6/30/2009
STATE BUILDINGS				
Forensic & Health Sciences Lab				
Series 2006A	$62,900,000	$62,900,000	($2,030,000)	$60,870,000
Subtotal	$62,900,000	$62,900,000	($2,030,000)	$60,870,000
Government Center Parking Facilities				
Series 1990A	$26,669,824	$6,715,217	($390,217)	$6,325,000
Series 2003A	26,735,000	17,390,000	(3,070,000)	14,320,000
Subtotal	$53,404,824	$24,105,217	($3,460,217)	$20,645,000
Government Center North				
Series 1990B	$77,123,542	$20,830,199	($1,210,199)	$19,620,000
Series 2003B	73,205,000	56,540,000	(5,950,000)	50,590,000
Subtotal	$150,328,542	$77,370,199	($7,160,199)	$70,210,000
Government Center South				
Series 1990C	$18,063,800	$4,548,660	($263,660)	$4,285,000
Series 1990D	110,675,000	38,135,000	(8,600,000	29,535,000
Series 2000B	43,400,000	14,400,000	(14,400,000)	0
Series 2003C	7,835,000	5,935,000	(650,000)	5,285,000
Series 2008B	13,725,000		13,725,000	13,725,000
Subtotal	$193,698,800	$63,018,660	($10,188,660)	$52,830,000
Other Facilities				
Series 1995B	47,975,000	19,310,000	0	19,310,000
Series 1998A	93,020,000	61,895,000	(55,965,000)	5,930,000
Series 1999A	96,785,000	23,485,000	(18,995,000)	4,490,000
Series 2000A	44,800,000	32,600,000	(32,600,0000)	0
Series 2001A	66,600,000	56,500,000	(56,500,0000)	0
Series 2002A	128,110,000	51,015,000	(5,180,000)	45,835,000
Series 2003A	83,530,000	40,985,000	(3,205,000)	37,780,000
Series 2003B	31,930,000	29,530,000	(1,245,000)	28,285,000
Series 2003C	55,075,000	55,075,000	(2,795,000)	52,280,000
Series 2003D	20,475,000	18, 250,000	(2,605,000)	15,645,000
Series 2004A	46,180,000	46,060,000	(65,000)	45,995,000
Series 2004B	61,890,000	61,890,000	0	61,890,000
Series 2004C	33,950,000	33,950,000	0	33,950,000

Series 2004D	33,995,000	33,995,000	(1,105,000)	32,890,000
Series 2004E	57,005,000	57,005,000	(1,835,000)	55,170,000
Series 2008A	29,715,000	0	29,715,000	29,715,000
Series 2008C	53,035,000	0	53,035,000	53,035,000
Series 2009A	47,360,000	0	47,360,000	47,360,000
Series 2009B	13,825,000	0	13,825,000	13,825,000
Subtotal	$1,045,255,000	$623,770,000	($40,385,000)	$583,385,000
TOTAL STATE BUILDINGS	$1,505,587,166	$851,164,076	($63,224,076)	$787,940,000
HIGHWAY REVENUE BONDS				
Series 1990A	$72,498,391	$27,935,000	($1,465,000)	$26,470,000
Series 1992A	74,035,000	35,285,000	0	35,285,000
Series 1993A	193,531,298	93,286,298	(8,415,000)	84,871,298
Series 1998A	175,360,000	58,830,000	(12,405,000)	46,425,000
Series 2000	269,535,000	16,235,000	0	16,235,000
Series 2003A	433,155,000	115,010,000	(11,825,000)	103,185,000
Series 2004A	320,550,000	11,645,000	0	11,645,000
Series 2004B	147,345,000	147,345,000	0	147,345,000
Series 2004C	146,080,000	146,080,000	0	146,080,000
Series 2007A	642,300,000	642,300,000	(4,735,000)	637,565,000
TOTAL HIGHWAYS	$2,474,389,689	$1,293,951,298	($38,845,000)	$1,255,106,298
AVIATION FACILITIES				
Airport Facilities Bonds				
Series 2008A	127,655,000	127,655,000	0	127,655,000
Series 2008B	51,485,000	51,485,000	(14,030,000)	37,455,000
Subtotal	$179,140,000	$179,140,000	($14,030,000)	$165,110,000
Aviation Technology Bonds				
Series 2002	$10,095,000	$7,555,000	($620,000)	
Subtotal	$10,095,000	$7,555,000	($620,000)	$6,935,000
TOTAL AVIATION FACILITIES	$189,235,000	$186,695,000	($14,650,000	$172,045,000
RECREATIONAL FACILITIES				
Series 1997	$6,600,000	$4,270,000	($295,000)	$3,975,000
Series 2002	14,400,000	12,565,000	(905,000)	11,660,000
Series 2004	12,780,000	12,415,000	(630,000)	11,785,000
TOTAL RECREATIONAL FACILITIES	$33,780,000	$29,250,000	($1,830,000)	$27,420,000
BOND BANK				
Series 1998A (ADDL)	$10,830,000	$3,335,000	($900,000)	$2,435,000
TOTAL BOND BANK	$10,830,000	$3,335,000	($900,000)	$2,435,000
TOTAL ALL BONDS	**$4,213,821,855**	**$2,568,945,374**	**($119,449,076)**	**$2,244,946,297**

Source: Indiana Finance Authority (as of June 30, 2009). Excludes accreted value of capital appreciation bonds.

Scheduled Principal and Interest Payments. Table 6 lists principal and interest payments payable from possible State appropriations (not including debt that has been defeased) as of June 30, 2009. *See* “Authorized but Unissued Debt.”

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

Type/Series	FY 2010	FY2011	FY2012	FY2013	Thereafter
STATE BUILDINGS					
Forensic & Health Sciences Lab					
Series 2006A	$4,812,165	$4,811,065	$4,811,465	$4,808,265	$71,657,415
Subtotal	$4,812,165	$4,811,065	$4,811,465	$4,808,265	$71,657,415
Government Center Parking Facilities					
Series 1990A	$468,050	$468,050	$468,050	$468,050	$7,049,275
Series 2003A	3,676,763	3,672,863	3,668,863	1,214,563	3,630,744
Subtotal	$4,144,813	$4,140,913	$4,136,913	$1,682,613	$10,680,019
Government Center North					
Series 1990B	$1,451,880	$1,451,880	$1,451,880	$1,451,880	$21,866,640
Series 2003B	8,547,803	8,538,803	8,528,928	8,526,053	25,547,204
Subtotal	$9,999,683	$9,990,683	$9,980,808	$9,977,933	$47,413,844
Government Center South					
Series 1990C	$317,090	$317,090	$317,090	$317,090	$4,775,435
Series 1990D	10,920,515	10,893,980	10,867,423		0
Series 2003C	873,138	870,838	867,538	873,038	2,603,356
Series 2008B	737,719	686,250	686,250	14,068,125	0
Subtotal	$12,848,461	$12,768,158	$12,738,300	$15,258,253	$7,378,791
Other Facilities					
Series 1995B	$3,081,406	$3,067,719	$3,069,375	$3,068,750	$12,223,438
Series 1998A	6,076,225	0	0	0	0
Series 1999A	4,606,963	0	0	0	0
Series 2002A	7,591,828	7,591,813	7,576,794	7,569,488	32,206,688
Series 2003A	5,070,903	5,056,965	5,062,963	5,049,960	32,507,068
Series 2003B	2,553,310	2,546,925	2,545,245	2,543,436	30,311,179
Series 2003C	2,654,313	3,565,713	4,278,213	4,239,813	61,500,494
Series 2003D	1,120,038	1,046,238	1,033,638	1,021,038	18,377,581
Series 2004A	2,481,894	7,080,194	7,062,156	7,031,519	35,031,025
Series 2004B	3,249,225	3,249,225	3,249,225	3,249,225	75,615,600
Series 2004C	1,779,285	1,779,285	1,789,141	1,813,455	42,320,356
Series 2004D	2,660,963	2,662,425	2,657,188	2,657,188	39,537,820
Series 2004E	4,491,763	4,492,306	4,489,638	4,486,438	66,754,647
Series 2008A	1,932,551	3,289,838	3,208,788	3,688,238	27,346,944
Series 2008C	3,392,066	4,704,388	4,794,138	5,761,138	56,992,569
Series 2009A	1,873,664	3,512,375	8,593,100	1,799,600	46,278,550
Series 2009B	602,924	691,250	691,250	7,462,625	7,052,000
Subtotal	$55,219,318	$54,345,656	$60,100,849	$61,441,908	$584,055,957
TOTAL STATE BUILDINGS	$87,024,439	$86,056,473	$91,768,334	$93,168,970	$721,186,025

HIGHWAY REVENUE BONDS					
Series 1990A	$3,694,075	$3,880,388	$6,708,863	$6,716,288	$13,420,013
Series 1992A	2,399,380	6,364,810	6,351,320	6,343,280	25,253,440
Series 1993A	12,621,413	12,268,900	14,435,250	14,437,213	98,819,138
Series 1998A	14,145,244	1,896,950	1,896,950	1,896,950	49,792,375
Series 2000	901,575	901,575	901,575	2,894,428	15,679,990
Series 2003A	17,295,396	17,297,726	17,311,558	17,539,748	69,643,400
Series 2004A	603,315	603,315	603,315	603,315	15,163,675
Series 2004B	8,192,175	8,192,175	8,192,175	8,192,175	191,324,188
Series 2004C	9,111,863	9,188,988	16,581,113	13,289,613	177,458,419
Series 2007A	33,210,383	41,533,170	28,574,845	28,574,133	949,632,674
TOTAL HIGHWAYS	$102,174,818	$102,127,996	$101,556,963	$100,487,140	$1,606,187,310
AVIATION FACILITIES					
Airport Facilities Bonds					
Series 2008A	$6,382,750	$6,382,750	$14,689,750	$21,488,500	$119,011,375
Series 2008B	16,282,910	15,917,804	7,185,549	0	0
Subtotal	$22,665,660	$22,300,554	$21,875,299	$21,488,500	$119,011,375
Aviation Technology Bonds					
Series 2002	$950,033	$953,398	$954,769	$954,165	$4,772,593
Subtotal	$950,033	$953,398	$954,769	$954,165	$4,772,593
TOTAL AVIATION FACILITIES	$23,615,692	$23,253,951	$22,830,068	$22,442,665	$123,783,968
RECREATIONAL FACILITIES					
Series 1997	$520,111	$518,636	$520,963	$517,190	$3,101,060
Series 2002	1,488,361	1,522,793	1,562,493	1,637,343	8,539,999
Series 2004	1,129,858	1,155,208	1,162,873	1,178,519	11,054,538
TOTAL RECREATIONAL FACILITIES	$3,138,330	$3,196,636	$3,246,328	$3,333,051	$22,695,596
BOND BANK					
Series 1998A (ADDL)	$1,042,598	$1,044,130	$522,113	$0	$0
TOTAL BOND BANK	$1,042,598	$1,044,130	$522,113	$0	$0
TOTAL ALL BONDS	**$216,995,877**	**$215,679,187**	**$219,923,804**	**$219,431,826**	**$2,473,852,899**

Source: Indiana Finance Authority (as of June 30, 2009)

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

Fiscal Year	Population[1]	Personal Income[1][2]	Outstanding Debt Subject to Appropriation[2]	Debt/Capita	Debt/Income
1999	6,044,969	$154,842	$1,228	$203	0.8%
2000	6,091,392	165,285	1,569	258	0.9%
2001	6,123,942	167,881	1,624	265	1.0%
2002	6,146,974	172,474	1,713	279	1.0%
2003	6,178,828	178,675	1,774	287	1.0%
2004	6,210,801	186,210	2,494	402	1.3%
2005	6,248,569	191,163	2,518	403	1.3%
2006	6,294,124	201,452	2,460	391	1.2%
2007	6,335,862	210,448	2,466	389	1.2%
2008	6,376,792	217,467	2,362	370	1.1%
2009	6,376,792	217,467	2,245	352	1.0%

(1) Estimated.
(2) In millions.

Source: Population: United States Census Bureau. Personal Income: United States Department of Commerce, Bureau of Economic Analysis. Outstanding Debt: Indiana Finance Authority.

Authorized but Unissued Debt. The General Assembly has authorized the Indiana Finance Authority (as successor to the State Office Building Commission) to issue bonds to finance additional State facilities, including:

(a) Two additional regional mental health facilities;

(b) State-wide wireless public safety communications network; and

(c) Parking facilities in the area of the state capitol complex.

In addition, legislation was enacted in 2005 that authorizes the Indiana Finance Authority to provide funds for research and technology grants and loans.

The Indiana Finance Authority may initially provide short-term, or construction, financing for these facilities through its commercial paper program. As of June 30, 2009, no commercial paper was outstanding.

See "State Indebtedness – Contingent Obligations – Economic Development" for a description of the revenue bonds the Indiana Finance Authority has issued for the Stadium and Convention Center expansion projects.

The Indiana Finance Authority monitors refinancing opportunities for its bonds, and may issue refunding bonds to restructure outstanding indebtedness or achieve debt service savings.

Contingent Obligations

Certain State-authorized entities, including the Indiana Bond Bank and Indiana Finance Authority, may issue obligations that, in certain circumstances, may require the entity to request an appropriation from the General Assembly to fund debt service on the obligations. The General Assembly is not required to make any such appropriations. Such obligations do not constitute an indebtedness of the State within the meaning or application of any constitutional provision or limitation.

In 2005, legislation was enacted that requires review by the Budget Committee and approval by the Budget Director of (a) the issuance by the Indiana Bond Bank or the Indiana Finance Authority of any indebtedness that establishes a procedure for requesting an appropriation from the General Assembly to restore a debt service or other fund to required levels or (b) the execution by the Indiana Bond Bank or the Indiana Finance Authority of any other agreement that creates a moral obligation of the State to pay any indebtedness issued by the Indiana Bond Bank or the Indiana Financing Authority.

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

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

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

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

For a list of Bond Bank bonds secured by a reserve fund eligible for State appropriations, *see* "Table 8—Schedule of Long Term Debt—Contingent Obligations—Bond Bank."

Toll Road. The Indiana Finance Authority is authorized (and its predecessor, the Indiana Transportation Finance Authority, had been authorized) to issue revenue bonds, payable from tolls and other revenues derived from the ownership and operation of toll roads, to finance or refinance the cost of any toll road projects.

Pursuant to this authority, the Indiana Transportation Finance Authority and its predecessors issued their revenue bonds (the "Toll Road Bonds") to finance and refinance the construction and improvement of the 157-mile Indiana East-West Toll Road (the "Toll Road") in northern Indiana, which links the Chicago Skyway and the Ohio Turnpike. These bonds were redeemed on June 29, 2006 and are no longer outstanding.

In 2006, the General Assembly enacted legislation authorizing the Indiana Finance Authority to lease the Toll Road to a private entity to operate for a term not to exceed 75 years. A lease agreement with ITR Concession Company, LLC was signed in April 2006, and the transaction was closed on June 29, 2006. On June 29, 2006 a portion of the $3.8 billion in revenues from the lease was applied to pay off all of the Toll Road Bonds. See "STATE BUDGET PROFILE AND FINANCIAL RESULTS OF OPERATIONS—Toll Road Lease."

Economic Development. The Indiana Finance Authority is authorized (and its predecessor, the Indiana Development Financing Authority, had been authorized) to issue revenue bonds to finance or refinance (a) industrial development projects, rural development projects, mining operations, international exports and agricultural operations; (b) educational facility projects; (c) farming and agricultural enterprises; (d) environmental pollution prevention and remediation; (e) child care facilities; and (f) broadband development projects.

Pursuant to this authority, the Indiana Development Finance Authority issued its revenue bonds to finance and refinance a wide variety of projects. The bonds are payable solely from the revenues pledged thereto, are not in any respect a general obligation of the State and are not payable in any manner from revenue raised by taxation.

In 2005, legislation was enacted that authorizes the Indiana Finance Authority to issue revenue bonds and loan the proceeds thereof to the Indiana Stadium and Convention Building Authority for the purpose of financing the acquisition and construction of a stadium and the expansion of a convention center in Indianapolis. The legislation authorizes the Indiana Stadium and Convention Building Authority to lease such capital improvements to a State agency pursuant to a lease, which requires the State agency: (1) to seek biennial appropriations from the General Assembly in an amount sufficient to pay rent equal to the debt service due on such bonds, only if: (a) the amount of such rent is fair and reasonable; and (b) such capital improvements are available for use and occupancy; and (2) to pay, from such appropriated amounts, rent sufficient to pay such debt service, only if certain local tax revenues expected to satisfy debt service are insufficient. In addition, the Indiana Finance Authority, in connection with the issuance of such revenue bonds, may establish a debt service reserve fund and a procedure for requesting appropriations from the General Assembly to restore the debt service reserve fund to required levels. The Indiana Finance Authority has previously issued $666,525,000 of such revenue bonds for the stadium project which was substantially complete and ready for use and occupancy in August 2008. The Indiana Finance Authority originally issued $40,000,000 of bond anticipation notes for the convention center expansion project. However, the Indiana Finance Authority issued the Series 2008 A Bonds (Convention Center Expansion Project) on August 20, 2008, in the amount of $120,000,000, the proceeds of which were used to refund the bond anticipation notes and to finance the next phases of the convention center expansion project. The Series 2009 A and B Bonds, in the amount of $209,230,000 were issued to fund the final phases of the convention center expansion project.

In addition, legislation was enacted in 2005 that authorizes the Indiana Finance Authority to issue up to $1.0 billion of its revenue bonds, payable from the revenues pledged thereto, to provide funds for research and technology grants and loans. The Indiana Finance Authority may establish a debt service fund or reserve fund for the bonds, to which the General Assembly may, if requested, appropriate funds necessary to pay debt service or restore the required debt service reserve. As of June 30, 2009, no such revenue bonds have been issued.

Schedule of Long Term Debt. Table 8 lists the long term debt classified as contingent obligations that was outstanding on June 30, 2009. Debt classified as a contingent obligation is debt for which the issuing entity has agreed to, under certain circumstances, request an appropriation from the General Assembly to replenish a debt service reserve fund.

Table 8
Schedule of Long Term Debt
Contingent Obligations

Type/Series	Original Par Amount	Ending Balance 6/30/2008	(Redeemed)/ Issued	Ending Balance 6/30/2009
BOND BANK Special Program Pool				
Series 1998A	6,485,000	4,905,000	(235,000)	4,670,000
Series 2000A (Refunding)	32,860,000	4,600,000	(965,000)	3,635,000
Series 2001A (Refunding)	20,840,000	11,395,000	(1,590,000)	9,805,000
Series 2001A	7,055,000	4,260,000	(330,000)	3,930,000
Series 2001B	9,500,000	6,445,000	(6,445,000)	0
Series 2002A	42,910,000	36,715,000	(1,370,000)	35,345,000
Series 2002C	3,940,000	1,625,000	(490,000)	1,135,000
Series 2002D	60,000,000	5,780,000	(1,350,000)	4,430,000
Series 2002E	10,155,000	8,875,000	(295,000)	8,580,000
Series 2003A	40,385,000	38,705,000	(875,000)	37,830,000
Series 2003B	8,885,000	6,910,000	(475,000)	6,435,000
Series 2003C	10,425,000	6,295,000	(865,000)	5,430,000
Series 2003D(1) (CLC)	27,515,000	27,515,000	0	27,515,000
Series 2003E	36,530,000	34,445,000	(580,000)	33,865,000
Series 2003F-1	17,155,000	11,095,000	(1,405,000)	9,690,000
Series 2004A	17,210,000	15,190,000	(700,000)	14,490,000
Series 2004B	17,590,000	14,840,000	(790,000)	14,050,000
Series 2004C	35,010,000	33,795,000	(840,000)	32,955,000
Series 2004D	29,275,000	26,230,000	(1,440,000)	24,790,000
Series 2005A	14,790,000	13,130,000	(675,000)	12,455,000
Series 2005C	11,160,000	10,385,000	(410,000)	9,975,000
Series 2005D	4,505,000	4,375,000	(135,000)	4,240,000
Series 2006B-1	12,400,000	12,170,000	(240,000)	11,930,000
Series 2006B-2	2,890,000	2,875,000	(275,000)	2,600,000
Series 2006A (Ref)	26,485,000	24,100,000	(1,070,000)	23,030,000
Series 2006C(1)	20,660,000	20,660,000	(700,000)	19,960,000
Series 2006D	13,985,000	12,045,000	(525,000)	11,520,000
Series 2007A (Ref)	44,915,000	44,915,000	0	44,915,000
Series 2008D-1	4,265,000	0	4,265,000	4,265,000
Series 2008D-2(2)	1,795,000	0	1,795,000	1,795,000
Series 2009A	75,000,000	0	75,000,000	75,000,000
TOTAL BOND BANK	$671,585,000	$444,275,000	$55,990,000	$500,265,000
INDIANA FINANCE AUTHORITY				
Stadium Project Series 2005A	$400,000,000	$400,000,000	$0	$400,000,000
Stadium Project Series 2007A	211,525,000	211,525,000	0	211,525,000
Stadium Project Series 2008A	55,000,000	0	55,000,000	55,000,000
Convention Center Expansion Project Series 2008A	120,000,000	0	120,000,000	120,000,000
Convention Center Expansion Project Series 2009A	17,665,000	0	17,665,000	17,665,000
Convention Center Expansion Project Series 2009B(3)	191,565,000	0	191,565,000	191,565,000
TOTAL INDIANA FINANCE AUTHORITY	$995,755,000	$611,525,000	$384,230,000	$995,755,000
TOTAL ALL BONDS	$1,667,340,000	$1,055,800,000	$440,220,000	$1,496,020,000

[1] Qualified obligation revenues are expected to be sufficient to pay debt service. However, a portion of qualified obligation revenues are payable solely from General Assembly appropriations to the qualified entity.
[2] Issued as taxable bonds.
[3] Issued under the America Recovery and Reinvestment Act of 2009 as Build America Bonds. The bonds are federally taxable, and the IFA will receive a cash subsidy from the U.S. Treasury equal to 35% of the interest payable on the bonds.

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Source: Indiana Finance Authority (as of June 30, 2009)

Other Entities Issuing Debt

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

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

[1] Formerly, Indiana Housing Finance Authority. Authorized to issue bonds, similar to the Indiana Bond Bank, that would be eligible for General Assembly appropriations to replenish the debt service reserve funds, but has not issued and does not currently expect to issue any such bonds.
[2] A not-for-profit corporation authorized by the General Assembly.

STATE RETIREMENT SYSTEMS

There are three major State retirement systems: the Public Employees' Retirement Fund, the Indiana State Teachers' Retirement Fund and the State Police Fund. In addition, the State maintains and appropriates moneys to several other retirement plans. Each year, the boards administering the retirement systems make an actuarial valuation of the assets and liabilities of the retirement benefits. At least once every five years, there is a separate actuarial investigation into the mortality, service, and compensation experience of the members of the system and their beneficiaries.

Public Employees' Retirement Fund

The Public Employees' Retirement Fund ("PERF") has been in existence since 1945 to provide retirement, disability and survivor benefits for most State and local government employees. PERF is administered by a six-member Board of Trustees. Five members are appointed by the Governor and the sixth is the State Budget Director. PERF is the State's largest pension fund and has management responsibility for pension assets of State employees; local government units; judges; legislators; prosecutors; municipal police and fire units; and State conservation, gaming agent, gaming control officer and excise officials. On July 1, 2007, the State portion of PERF; the 1977 Police Officers' and Firefighters' Pension and Disability Fund ("1977 Fund"); the Judges' Retirement System; the Legislators' Retirement System; the State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan; and the Prosecuting Attorneys' Retirement Fund had 67,144 active and deferred vested members and a total actuarial value of assets equal to approximately $6.1 billion.

All State employees and all employees of participating political subdivisions in covered positions, including elected and appointed officials, are required to join PERF. The PERF benefit consists of (1) a pension formula benefit based upon years of service and an average of the member's annual compensation as defined by statute, and (2) an additional benefit based upon the member's annuity savings account balance, derived from employee contributions. The employee contribution rate is defined by law as 3.0% of each employee's salary. For State employees, the State pays the employee contributions to PERF.

Contributions are made to PERF by the State and local units determined by normal cost and amortizing the unfunded accrued liability of each unit during periods established pursuant to statute. Contribution rates are set by the PERF Board of Trustees based on annual actuarial valuations. The State is responsible for making contributions for State employee members only. Funding for PERF is included as part of the expenditures for fringe benefits by each State agency. The table below highlights the funded status and contribution history for the State portion of PERF for the last five valuation dates.

Table 9
Public Employees' Retirement Fund
(State-Related Portion Only)

	July 1, 2004[1]	July 1,2005[2]	July 1, 2006[3]	July 1, 2007	July 1, 2008
Funded Status					
Actuarial Value of Assets	$2,138,655,367	$2,145,805,051	$2,169,619,411	$2,350,652,206	$2,469,431,611
Actuarial Accrued Liability (AAL)	2,019,492,456	2,189,336,721	2,210,376,679	2,335,081,836	2,513,791,279
Unfunded/(Overfunded) AAL	(119,162,911)	43,531,670	40,757,268	(15,570,370)	44,359,668
Funded Ratio	105.9%	98.0%	98.2%	100.7%	98.2%
Contribution History					
Annual Required Contribution	$54,579,389	$69,647,405	$87,947,466	$96,430,158	$102,334,158
Actual Employer Contribution	90,708,898	62,759,547	72,890,131	89,800,510	78,658,313[5]
Contribution Rate[4]	4.5%	5.5%	6.3%	6.3%	6.5%

(1) Third year of four year phase-in of a new census database system. Also, the 2% cost of living adjustment assumption for 5-years was changed to 0.5% lifetime cost of living adjustment assumption. The intention is to phase-in to a recommended 1.5% lifetime cost of living adjustment assumption in 3 years.

(2) Final year of four year phase-in of new census database system. Also, the 0.5% lifetime cost of living adjustment assumption was changed to a 1.0% lifetime cost of living adjustment assumption as part of the 3-year plan to raise the assumption to 1.5%.

(3) The 1.0% lifetime cost of living adjustment assumption was changed to a 1.5% lifetime cost of living adjustment assumption as the final step in phasing in this assumption. Also, the actuarial assumptions were revised based on the recommendations of an actuarial experience study prepared for the period 2000-2005.
(4) Contribution rate is set using the most recently completed actuarial valuation to go into effect the next fiscal year.
(5) Amount is for State of Indiana employees. Total amount for all State employers is $106,793,219.

Source: Actuarial Valuation Report, Public Employees' Retirement Fund of Indiana, July 1, 2008.

Other PERF Plans

PERF also administers five other plans. These include the 1977 Police Officers' and Firefighters' Pension and Disability Fund, the Judges' Retirement System, the Legislators' Retirement System, the State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan and the Prosecuting Attorneys' Retirement Fund. Table 10 highlights the actuarial valuation findings for these plans as of July 1, 2008, with the exception that the 1977 Police Officers' and Firefighters' Pension and Disability Fund is as of January 1, 2008, as this is valued on a calendar year.

Table 10
Other State Plans Pension Funds
Summary of Results of Actuarial Valuation
(as of July 1, 2008)

	Judges' Retirement System	Legislators' Defined Benefit Plan	Excise Police, Gaming Agent, Gaming Control Officer & Conservation Officers' Retirement Plan	Prosecuting Attorneys' Retirement Fund	1977 Police Officers' and Firefighters' Pension and Disability Fund[2]
Funded Status					
Actuarial Value of Assets	$234,880,522	$5,119,961	$65,375,140	$26,350,456	$3,281,480
Actuarial Accrued Liability	338,748,983	5,039,094	77,176,656	38,068,986	2,889,295
Unfunded/(Overfunded) AAL	103,868,461	(80,867)	11,801,516	11,718,530	(392,185)
Funded Ratio	69.3%	101.6%	84.7%	69.2%	113.6%
Contribution History[1]					
Annual Required Contribution	$18,631,734	$66,023	$4,426,685	$1,340,108	$117,772,800
Actual Employer Contribution	15,920,268	100,000	4,854,164	170,000	128,913,332

(1) Contribution History is for Plan Year 2008
(2) As of January 1, 2008

Source: Actuarial Valuation Reports, July 1, 2008

The 1977 Fund provides pension and disability benefits for local police officers and firefighters hired after April 30, 1977. Benefits for the members of this plan have been funded on an actuarial basis through contributions from cities and towns and from plan members.

In addition, the PERF Board of Trustees administers a pension relief fund for those local police officers and firefighters hired before May 1, 1977. Benefits for the members of this plan have been funded on a "pay-as-you-go" basis, under which benefits are paid from current revenue provided by cities and towns and by plan members' contributions. Currently, cities and towns receive pension relief funds from the State to reimburse them for a portion of benefit expenditures. Beginning in 2009, cities and towns will be reimbursed their entire pension benefit expenditure. To provide such pension relief, the State has dedicated a portion of the State's cigarette tax revenue, liquor tax revenue, Hoosier Lottery profits, and investment earnings on the Public Deposit Insurance Fund. From time to time, the General Assembly has also appropriated general and dedicated funds to pension relief. During Fiscal Year 2008, $138 million was expended from the pension relief fund, and on June 30, 2008, the total net assets of the pension relief fund were $172.4 million.

State Teachers' Retirement Fund

The Indiana State Teachers' Retirement Fund ("TRF") administers a multiple-employer retirement fund established to provide pension benefits for teachers and their supervisors in the State's public schools. Membership in TRF is required for all legally qualified and regularly employed public school teachers. TRF provides retirement benefits, as well as death and disability benefits. TRF is administered by a six member Board of Trustees ("TRF Board"), which includes the State Budget Director and five members appointed by the Governor. The State Budget Director was added to the TRF Board on July 1, 2005 due to the fiscal importance of monitoring the TRF appropriation. On June 30, 2009, TRF had over 162,000 total members with assets totaling $7.2 billion.

The TRF benefit consists of (1) a defined benefit based upon years of service and final average salary and (2) an additional benefit based upon the member's annuity savings account ("ASA") balance, derived from member contributions. The mandatory member contribution rate to his or her ASA is defined by law as 3.0% of each member's salary. Each employer is authorized to elect to pay the member contribution.

The TRF is comprised of two plans and related funds. For members hired prior to July 1, 1995, the plan was closed (the "Closed Plan"). For members hired after that date, a separate plan was established (the "New Plan").

For the Closed Plan, moneys to pay the related TRF benefits are provided from State appropriations as the liabilities come due each year, or on a "pay as you go" basis. This structure provides General Fund appropriations as the liabilities come due each year. To minimize the amount of future state appropriations in the Closed Plan, the State and the TRF Board established the Pension Stabilization Fund in July 1, 1995 to partially pre-fund liabilities in the Closed Plan. The Pension Stabilization Fund was funded from the General Fund, Hoosier Lottery, and gaming revenue as well as investment income and has the result of limiting the peak required annual appropriations to the Closed Plan at a 3.12% increase over the prior year based on an assumed annual investment return of 7.5%. As of June 30, 2009, the Pension Stabilization Fund balance was $1.61 billion.

For the New Plan, the State capped its pension benefit obligation by (i) shifting the obligation for all teachers hired after July 1, 1995, to local school districts and (ii) implementing a level percent of payroll current funding approach. The TRF Board sets the contribution rate for the New Plan based on an actuarial valuation of the New Plan. The New Plan was intended to be responsible not only for newly hired teachers into the schools, but also for the cost of teachers who began service before 1995 but subsequently transferred to other school corporations after 1995. The liability for these transferred teachers, which shifted from the Closed Plan to the New Plan, began to cause an unfunded liability in the New Plan. The General Assembly in 2005 addressed this growing unfunded liability in the New Plan by stopping the transfer of liabilities—therefore transferred teachers remain part of the Closed Plan which is "pay as you go". In addition, the actuarial assumptions used for calculating the contributions rate into the New Plan now include an assumption for a cost of living adjustment, thereby making the contribution rate for which local schools are liable more realistic. The TRF Board has set the current contribution rate for the New Plan at 7.0% effective January 1, 2009.

Table 11
State Teachers' Retirement Fund – New Plan
Summary of Results of Actuarial Valuation
(as of June 30, 2008)

	2003	2004	2005	2006	2007	2008
Funded Status of New Plan						
Actuarial Value of Assets	$825,811,772	$1,038,726,916	$1,268,575,809	$2,209,267,754	$2,713,051,576	$3,080,056,561
Actuarial Accrued Liability	1,392,472,616	1,649,400,668	2,010,746,868	2,363,101,528	2,827,553,780	2,957,758,240
Unfunded AAL	566,660,844	610,673,752	742,171,059	153,633,774	114,502,204	(122,298,321)
Funded Ratio	59.3%	63.0%	63.1%	93.5%	95.9%	104.1%

Source: Indiana State Teachers' Retirement Fund, The Report of the Annual Actuarial Valuation, June 30, 2008.

State Police Pension Trust

The State Police Pension Trust consists of two structures that provide retirement benefits to State police officers. The State makes contributions to the State Police Pension Trust from appropriations of General Fund and Motor Vehicle Highway Fund moneys. At present, members contribute and may borrow funds in an amount up to their contribution, subject to State Police Pension Advisory Board policies. Retirement benefits may not exceed one-half of either the member's highest salary in 36 consecutive months or a third year trooper's pay (depending upon the structure in which the member belongs), plus additions tied to years of service. Survivor and disability benefits may not exceed the basic pension amount. The State Police Pension Trust is funded on an actuarial basis. The Treasurer of State is custodian for the trust. Certain financial information about the State Police Pension Trust is also included in the 2008 Financial Report. *See* "FISCAL POLICIES—2008 Financial Report."

ECONOMIC AND DEMOGRAPHIC INFORMATION

Summary

Indiana's economic diversity continues to expand to other sectors, even though it continues to have its roots in manufacturing. That manufacturing capacity has contributed to Indiana's estimated 2008 State Gross Domestic Product (GDP) of approximately $255 billion (current dollars), ranking seventeenth largest in the country in terms of the value of goods and services produced. The Manufacturing sector now represents 16.9% of total employment in Indiana, a decrease from 22% in 1998. From 1998 to 2008, Indiana witnessed significant shifts in the distribution of employment between sectors. Employment in the Education and Health Services sector increased by 28.8%; followed by a 10.7% gain in Professional and Business Services. In addition, the Leisure and Hospitality industry experienced an 8.5% increase. Manufacturing, once Indiana's largest employer, has been surpassed by Trade, Transportation and Utilities as the largest employment sector in Indiana.

Indiana is rich in assets with a low cost of living, a business-friendly regulatory environment and an efficient transportation system. Well-located for goods production and distribution, Indiana is within a day's drive of nearly two-thirds of the United States' population. With 10,023 miles of State highways and 1,172 miles of interstate highways, Indiana has more interstate highways passing through it than any other state. The Governor's 2006 Major Moves transportation initiative, calling for $10.6 billion invested over 10 years, will fund both maintenance and new construction for Indiana's roadways. Coupled with the elimination of the state's inventory tax and the adoption of Daylight Savings Time in 2006, Indiana becomes even more attractive as a site for production, warehousing and distribution and transportation activities.

The cost of living index for Indiana's major cities has been consistently below the national average. Indiana ranks favorably among the states in housing affordability and percent of home ownership. Electricity costs are comparatively low in Indiana due to the ready availability of ample coal reserves. According to the U.S. Energy Information Administration, year-to-date average retail electric utility rates through December 2008 were 22% lower than the national average for all industrial consumers; while residential retail electric bills were 21% lower than the national average.

The Indiana Economic Development Corporation (IEDC) is Indiana's lead economic development agency. Officially established in February 2005 to replace the State's former department of commerce, the IEDC is a public private partnership governed by a 12-member board of directors chaired by the Governor. Since its inception, the IEDC has worked with 760 companies from across Indiana and around the globe who have collectively committed to create more than 93,000 new jobs and invest more than $20.2 billion of private capital in their Indiana operations. In 2008 alone, the IEDC worked with 151 companies who committed to create more than 18,600 new jobs and invest more than $4.2 billion in new or expanded operations in industries ranging from advanced manufacturing, life sciences, insurance and financial services, food/agriculture, biofuels/energy and information technology.

Population

Indiana is the 16th most populous state in the United States. The capital and largest city is Indianapolis. From 2000 to 2008, the Indianapolis Metropolitan Statistical Areas ("MSA") grew by 12.5%. While Indiana's educational attainment rate for bachelors' degrees has lagged the nation and several neighboring states, estimates from Census 2000 and the 2001-2008 American Community Survey indicate that between 2000 and 2008, the number of individuals with "some college", associates' degrees and bachelors' degrees were increasing at a substantially higher rate than the population 25 years and older. In addition, of those Hoosiers who have completed a bachelors' degree or above, 35.5% have attained masters', doctoral or professional degrees, closely matching the national average of 36.8%.

Table 12
Educational Attainment, Indiana Population 25 Years & Over

Year	Some college, no degree	Assoc Degree	BA/BS or Above	Population 25 Yrs & Over
2000	727,387	210,265	749,872	3,893,278
2001	739,281	244,714	789,776	3,882,504
2002	725,926	219,712	794,098	3,845,706
2003	747,449	253,224	811,771	3,863,200
2004	768,437	250,762	838,435	3,889,833
2005	789,952	276,886	840,876	3,956,723
2006	793,292	296,052	891,489	4,110,754
2007	803,293	293,297	914,471	4,143,159
2008	866,304	313,410	956,371	4,177,420
2000-2008	19.1%	49.1%	27.5%	7.3%

Sources: Census 2000, 2001-2008, American Community Survey, September 2009

Indiana's excellent state colleges and universities attract students from around the country (the state ranks 5th nationally in terms of net in-migration of college freshman, according to the National Center for Education Studies)(1). These schools also serve as the focus of research and development efforts, assist in the formation of small business "incubators," and award advanced degrees in fields as varied as engineering, economics and pharmacy. In 2007, based on a National Science Foundation (NSF) survey, among the nation's public universities, Indiana ranked 19th in the nation in Academic Research & Development from Institutional funding (including grants and endowments) and 15th in terms of both Industry (for-profit entities) funding and 15th in funding from "All Other" sources(2). In the National Science Foundation 2005-2007 Science and Engineering State Profiles report, Indiana ranks in the top 20 for numbers of Doctoral Scientists, Science and Engineering (S&E) doctorates awarded, S&E and health post doctorates and graduate students in doctorate granting institutions.(3) Purdue University, Indiana University and the University of Notre Dame have all been included in the Financial Times rankings of the world's top business schools.(4)

Table 13
Population, including Selected Indiana MSAs

	2000*	2008	Percentage Change 2000-2008
Indiana	6,080,485	6,376,792	4.9%
Indianapolis-Carmel MSA	1,525,104	1,715,459	12.5%
Fort Wayne MSA	390,158	411,154	5.4%
Gary PMSA	675,971	702,458	3.9%
Evansville-Henderson MSA	342,815	350,261	2.2%
South Bend MSA	316,663	316,865	0.0%
United States	281,421,906	340,059,724	8.0%

*These Indiana Metropolitan Statistical Areas were reconfigured in 2005. The above population estimates are based on the areas as defined by the Office of Management and Budget as of December 2005. Consistent aggregate historical data are not yet readily available. Source: U.S. Census Bureau, June 2009.

Section Footnotes:
(1) http://nces.ed.gov/programs/digest/d08/tables/dt08_223.asp
(2) http://www.nsf.gov/statistics/nsf09303/content.cfm?pub_id=3871&id=2
(3) http://www.nsf.gov/statistics/nsf08314/
(4) FinancialTimes Report: Business Education http://search.ft.com/ftArticle?queryTest=Purdue+University&aje=true&id+070129000926

Employment

During this past decade, employment in Indiana has shifted significantly between sectors, reflecting the fundamental changes taking place in the state's economy and following larger trends at the national level. Within the Manufacturing sector, some well-paying industry components began to experience employment declines in 2008, mirroring the nation. Medical Equipment & Supplies Manufacturing, however, has continued to see high growth through 2008. Listed on the table below are some examples of high wage subsectors in Indiana.

Table 14
Indiana High Wage Subsectors

NAICS Subsector	Sector Description	2003-2008 Employment Change	Indiana % Change	Indiana 2008 Annual Average Wage
3362	Motor Vehicle Body & Trailer Manufacturing	-2,447	-7%	$44,159
3361	Motor Vehicle Manufacturing	-381	-3%	$75,750
6220	Hospitals	9,700	10%	$43,286
6113	Colleges, Universities & Professional Schools	5,600	18%	$42,176
3391	Medical Equipment & Supplies Manufacturing	4,300	28%	$58,207

Source: U.S. Bureau of Labor Statistics, Current Employment Statistics, March 2009 and Quarterly Census of Employment & Wages, June 2009.

The fastest growing super sectors overall during the last decade were Education and Health Services, which grew by 28.8% from 1998 to 2008, followed by Professional and Business Services (10.7% growth). Although manufacturing is still the second largest super sector at 17% of total employment, it was the slowest growing sector from 1998 to 2008 and has undergone significant diversification and acquired an international presence in recent years. While Transportation Equipment Manufacturing employment has taken heavy losses as part of the turmoil and restructuring of that industry, Indiana's mix of foreign and domestic auto makers has served to buffer the state somewhat compared to neighboring states and the U.S. overall. In particular, Indiana's employment in the Motor Vehicle Manufacturing sub-sector has actually grown by almost 49% between 1998 and 2008.

Table 15
Indiana Non-Farm Employment by Super Sector; December 1998 to December 2008
(Not Seasonally Adjusted)

NAICS Super Sectors	1998	Percentage of Total	2008	Percentage of Total	Growth 1998-2008
Total Non Farm	2,984,300	100%	2,920,900	100%	-2.1%
Education & Health Services	329,500	11%	424,500	15%	28.8%
Professional & Business Services	247,200	8%	273,700	9%	10.7%
Government	412,300	14%	449,700	15%	9.1%
Leisure and Hospitality	257,100	9%	278,900	10%	8.5%
Other Services	108,100	4%	108,300	4%	0.2%
Trade, Transportation & Utilities	627,900	21%	582,700	20%	-7.2%

Financial Activities	145,700	5%	134,600	5%	-7.6%
Natural Resources & Mining	7,600	0%	6,900	0%	-9.2%
Construction	146,600	5%	128,300	4%	-12.5%
Information	45,600	2%	39,400	1%	-13.6%
Manufacturing	656,700	22%	493,900	17%	-24.8%
Services Providing	2,173,400	73%	2,291,800	78%	5.4%
Goods Producing	810,900	27%	629,100	22%	-22.4%

Source: U.S. Bureau of Labor Statistics, Current Employment Statistics, March 2009

Table 16
Unemployment Rate
(Annual Averages of Monthly Data)

Year	Indiana	U.S.	Indiana as Percentage of U.S.
1998	2.9	4.5	64.4%
1999	2.9	4.2	69.0%
2000	2.9	4.0	72.5%
2001	4.2	4.7	89.4%
2002	5.2	5.8	89.7%
2003	5.3	6.0	88.3%
2004	5.3	5.5	96.4%
2005	5.3	5.1	104.9%
2006	5.0	4.6	109.7%
2007	4.6	4.6	100.0%
2008	5.9	5.8	101.7%

Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, April 2009

Income

In 2008, Indiana's per capita personal income reached $34,103, increasing 2.6% from 2007. During the past ten years, Indiana's personal income grew at an average annual rate of 3.5%. Indiana's personal income has grown more rapidly than the nation's in the early years of a recovery and more slowly during the later stages.

Table 17
Growth in Per Capita Personal Income
(Current Dollars)

Year	Indiana	U.S.	Indiana	U.S.
1998	24,894	26,883	6.8%	6.1%
1999	25,615	27,939	2.9%	3.9%
2000	27,134	29,847	5.9%	6.8%
2001	27,414	30,582	1.0%	2.5%
2002	28,058	30,838	2.3%	0.8%
2003	28,917	31,530	3.0%	2.2%
2004	29,982	33,157	3.7%	5.2%
2005	30,593	34,690	2.0%	4.6%
2006	32,006	36,794	4.6%	6.1%
2007	33,215	38,615	3.8%	5.0%
2008	34,103	39,751	2.6%	2.9%
Average Annual Growth Rate (1998-2008):			3.5%	4.2%
Total Growth Rate (1998-2008):			38.6%	46.1%

Source: U.S. Department of Commerce, Bureau of Economic Analysis, March 2009.

Gross Domestic Product by State

With an estimated 2008 Gross Domestic Product by State of approximately $254.8 billion, Indiana's economy ranks eighteenth largest in the country in terms of the value of goods and services produced. Since 2003, Indiana's Gross Domestic Product by State has grown at an average annual rate of 3.7% (current dollars).

Table 18
Indiana Gross Domestic Product by Sector; 1999 to 2008
(Millions of Current Dollars)

NAICS Industry Sectors	1999	Percentage of Total	2008	Percentage of Total	Percentage Growth 1999-2008
Arts, entertainment, and recreation	$ 2,299	1.24%	$ 3,651	1.43%	58.81%
Educational services	1,149	0.62%	2,145	0.84%	86.68%
Administrative and waste services	4,485	2.41%	6,876	2.70%	53.31%
Health care and social assistance	11,404	6.14%	20,123	7.90%	76.46%
Professional and technical services	6,783	3.65%	11,128	4.37%	64.06%
Transportation and warehousing	6,470	3.48%	9,837	3.86%	52.01%
Finance and insurance	10,607	5.71%	14,811	5.81%	39.63 %
Other services, except government	4,369	2.35%	6,197	2.43%	41.84%
Government	17,864	9.62%	25,918	10.17%	45.09%
Accommodation and food services	4,130	2.22%	5,987	2.35%	44.96%
Real estate, rental, and leasing	17,865	9.62%	23,390	9.18%	30.93%
Mining	730	0.39%	1,110	0.44%	52.05%
Manufacturing	54,550	29.37%	63,780	25.03%	16.92%
Wholesale trade	10,159	5.47%	14,438	5.67%	42.12%
Information	4,199	2.26%	5,641	2.21%	34.34%
Construction	8,608	4.63%	10,287	4.04%	19.51%
Retail trade	12,397	6.67%	15,881	6.23%	28.10%
Utilities	4,228	2.28%	6,698	2.63%	58.42%
Management of companies and enterprises	2,484	1.34%	3,249	1.27%	30.80%
Agriculture, forestry, fishing, and hunting	958	0.52%	3,714	1.46%	287.68%
Total Gross Domestic Product by State	$185,737	100.00%	$254,861	100.00%	37.22%

Note: Individual sectors may not sum to totals due to rounding. NAICS Industry detail is based on the 1997 North American Industry Classification System (NAICS).
Source: U.S. Department of Commerce, Bureau of Economic Analysis, June 2009

Exports

Since 2003, Indiana businesses have significantly increased exported output. The value of exports in calendar year 2004 jumped to $19,212 million, a 16.66% increase over 2003, in 2005 the total value increased to $21,594 million, a 12.40% growth rate, in 2006 the total value increased to $22,666 million, a 4.96% increase, in 2007 increased to $25,956 million, a 14.52% increase and in 2008 improved to $26,507 million, a 2.12% increase. Since 1999, Indiana's exports have grown at an average annual rate of 8.22% as compared to 6.95% for the United States as a whole.

Table 19
Exports
(Millions)

Year	Exports: Indiana	Exports: U.S.	Annual Percentage Change: Indiana	Annual Percentage Change: U.S.	Indiana as a Percentage of U.S. Exports
1999	12,910	692,821	4.81%	1.81%	1.86%
2000	15,386	780,419	19.18%	12.64%	1.97%
2001	14,365	731,026	-6.64%	-6.33%	1.97%
2002	14,956	693,103	4.11%	-5.19%	2.16%
2003	16,468	724,771	10.11%	4.57%	2.27%
2004	19,212	818,775	16.66%	12.97%	2.35%
2005	21,594	905,978	12.40%	10.65%	2.38%
2006	22,666	1,036,635	4.96%	14.42%	2.19%
2007	25,956	1,162,479	14.52%	12.14%	2.23%
2008	26,507	1,300,136	2.12%	11.84%	2.04%
Average Annual Growth Rate (1999-2008):			8.22%	6.95%	
Total Growth (1999-2008):			82.23%	69.52%	

Source: Office of Trade and Industry Information (OTII), Manufacturing and Services, International Trade Administration, U.S. Department of Commerce, June 2009

Table 20
Indiana's Leading Export Industries and Destinations
(Millions)

Top Export Industries: Industry	2008 Exports	Export Destinations: Country	2008 Exports
Transportation Equipment Mfg	$ 6,861.7	Canada	$ 10,518
Chemical Manufacturing	5,334.1	Mexico	2,112
Machinery Manufacturing	4,106.9	United Kingdom	1,979
Computer & Electronic Products	1,916.7	France	1,419
Primary Metal Manufacturing	1,831.5	Germany	1,271
Misc. Manufacturing	1,428.4	China	930
Elect Equip, Appl. & Component	1,074.5	Japan	864
Fabricated Metal Products	718.6	Brazil	637
Rubber & Plastics Products	671.7	Australia	544
Food Manufacturing	380.3	Netherlands	481
Other	2,312.1	Other	5,752
Total	$26,507.1		$26,507

Sources: Office of Trade and Industry Information (OTII), Manufacturing and Services, International Trade Administration, U.S. Department of Commerce, June 2009 and Foreign Trade Division, U.S. Census Bureau, June 2009

LITIGATION

The following litigation liability survey is a summary of certain significant litigation and claims currently pending against the State involving amounts exceeding $5.0 million individually or in the aggregate. This summary is not exhaustive either as to the description of the specific litigation or claims described or as to all of the litigation or claims currently pending or threatened against the State.

The State does not establish reserves for judgments or other legal or equitable claims against the State. Judgments and other such claims must be paid from the State's unappropriated balances and reserves, if any.

Employment Litigation

In July 1993, in *Paula Brattain, et al vs. Richmond State Hospital,* plaintiffs filed a breach of employment contract lawsuit in a state trial court alleging that the State has failed to pay certain similarly classified State employees at an equal rate of pay from September 19, 1973, to September 19, 1993. The court certified plaintiffs' class, and class notification is complete. Plaintiffs seek to recover damages as well as attorneys' fees and costs. Mediation was unsuccessful. A claims-made basis class action settlement was preliminarily approved on August 18, 2008 with an $8.5 million settlement cap (inclusive of fees and costs). If the State's purported total liability for claims, attorneys' fees and expenses exceed $8.5 million, the State may exercise its option to terminate the Settlement Agreement and proceed to trial. On October 20, 2008, the court conducted a fairness hearing for the purpose of considering any timely written objections that may have been filed and determining pursuant to Ind. Trial Rule 23(E) whether the court should approve the agreed settlement as fair, reasonable, and adequate. Only three objections to the proposed settlement were filed with the court, and one was subsequently withdrawn. The court found the two remaining objections were meritless. The court approved the settlement on October 30, 2008, subject to the State Defendants' option to terminate the settlement agreement. On November 10, 2008, the State Defendants filed a Notice Regarding Settlement Agreement in which they gave notice that the conditions for terminating the settlement agreement have been met, and the State Defendants elect to exercise their option to terminate the settlement pursuant to the settlement agreement. Trial was reset for March 10, 2009. The court ordered the parties to return for a second mediation session on February 5, 2009. Mediation was unsuccessful. A four-day bench trial was conducted on March 10-13, 2009. The court took the matter under advisement and gave the parties until March 31, 2009 to submit proposed findings of fact and conclusions of law. Findings and conclusions of law were submitted. Settlement discussions continued but the parties were unable to reach an agreement. On July 28, 2009, the court entered judgment against the state in the total amount of $42,422,788.00 ($20,979,490.00 awarded to merit, overtime eligible employees; $16,762,773.00 awarded to non-merit, overtime eligible employees; $2,696,812.00 awarded to merit, overtime exempt employees; $1,983,713.00 awarded to non-merit, overtime exempt employees). On July 31, 2009, the State filed a Notice of Appeal and Motion to Stay Judgment Pending Appeal. On August 28, 2009, the trial court granted the motion to stay judgment pending appeal. On August 31, 2009, the State's Case Summary and Notices of Appearance were filed in the Court of Appeals. On September 23, 2009, plaintiffs filed Notices of Appearance and a Motion for pre-appeal conference and appellate alternative dispute resolution. The court reporter requested an enlargement of time until October 31, 2009 to file the transcript of the proceedings.

Civil Rights Litigation

In 1968, in *United States of America, et al v. Board of School Commissioners, et al,* a lawsuit seeking to desegregate the Indianapolis Public Schools was filed in the United States District Court for the Southern District of Indiana. Since about 1978, the State has paid several million dollars per year for inter-district busing that is expected to continue through 2016. The District Court entered its final judgment in 1981 holding the State responsible for most of the costs of its desegregation plan, and those costs have been part of the State's budget since then. In June 1998, the parties negotiated an 18-year phase out of the desegregation plan that was approved by the court for some school corporations and a 13-year phase out of the desegregation plan for the school corporations that had already began the desegregation plan. State expenditures will be gradually reduced as the plan is phased out.

Property Litigation

In December 2000, in *NJK Farms and George W. Pendygraft vs. Indiana Department of Environmental Management,* property owners filed an action against the State, including the Office of Environmental Adjudication, claiming that denial of a permit for certain land use was an unconstitutional taking of property and a denial of due process under the United States Constitution, as well as a violation of the Indiana Constitution. Plaintiffs are seeking in excess of $30.0 million in damages plus costs and attorney fees. Federal claims against the Office of Environmental Adjudication were dismissed by the federal court. Remaining federal claims are expected to be taken up after the state court acts. Pendygraft is attempting to negotiate a settlement that would grant him a landfill permit. The State is monitoring the permit process as a component of the settlement. The enactment of SB 43 now requires NJK Farms to submit a new application with the approval of the county executive. On June 18, 2008, the Indiana Department of Environmental Management ("IDEM") sent a letter to NJK Farms asking for the re-submission of the permit with evidence of approval by the county executive. On August 1, 2008, NJK Farms filed a motion for judgment finding total breach of the settlement agreement, alleging that the IDEM and/or the State legislature are liable for damages. At a hearing held on October 21, 2008, the court held IDEM in contempt and scheduled a damages hearing for February 10, 2009. On November 20, 2008, the court held that IDEM had breached the Settlement Agreement and was liable for damages. A motion to certify for appeal was filed on December 19, 2008. On January 6, 2009, the court certified the order to facilitate interlocutory appeal. The State filed a motion for interlocutory appeal on February 5, 2009. On August 11, 2009, the State was notified that the court reporter filed the transcript with the court on August 7, 2009. The appellant's brief is due October 7, 2009.

In May 2000, *Greenfield Mills v. Indiana Department of Natural Resources* was filed against the State by property owners along the Fawn River in Northeastern Indiana, alleging violations of the Clean Water Act, unconstitutional takings of property and federal civil rights violations. Plaintiffs are seeking in excess of $38.0 million in damages, costs and attorney fees. The federal trial court granted summary judgment in favor of the State, but the property owners appealed. A federal appeals court remanded the case to the trial court on one issue under the federal Clean Water Act. The parties have completed discovery on that issue and prepared briefs in support of new motions for summary judgment for consideration of the trial court. An order denying the State's motion for summary judgment and entering summary judgment in favor of the plaintiffs (on liability) was issued. The parties have to file a joint status report, following a teleconference with the court, as to how this case will proceed. Currently an independent surveyor is assessing the Fawn River. This assessment may take a year to conduct. In the interim, plaintiffs filed a motion for attorney's fees, which was denied. This matter has been reassigned to outside counsel. The plaintiffs renewed their request for attorney's fees. In a July 2008 order, the District Court ruled in favor of the plaintiffs and awarded nearly $1M interim fees and costs. The defendants filed a motion to alter or amend the order, which motion the court denied. The plaintiffs filed a motion for order to pay judgment, which the court granted. Defendants paid the interim award of $887,738.00 in attorney fees and $70,206.09 in costs directly to plaintiffs' counsel of record and the other parties according to their relative interest in the proceeds. The parties are waiting on a final report from the technical consultant on options and costs for removal of sediment from Fawn River.

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APPENDIX B

SERIES 2009 QUALIFIED OBLIGATIONS, THE QUALIFIED ENTITY AND THE LEASE

Introduction

The Clark County Hospital Association (the "Qualified Entity" or the "Hospital Association") is issuing its Lease Rental Revenue Bonds, Series 2009 (the "Series 2009 Qualified Obligations") pursuant to a Trust Indenture dated as of November 1, 2009 (the "Qualified Entity Indenture") between the Hospital Association and The Bank of New York Mellon Trust Company, N.A. as trustee (the "Qualified Obligations Trustee"). The Series 2009 Qualified Obligations are payable from lease rental revenues received by the Qualified Entity, as lessor, from Clark County, Indiana (the "County"), acting through its Board of Commissioners (the "Commissioners") and The Board of Trustees of Clark Memorial Hospital (the "Hospital"), as lessees (collectively, the "Lessee"). Following is information regarding the Qualified Entity, and the sources for payment of the lease rentals and payments on the Series 2009 Qualified Obligations.

See Appendices C, D and E, respectively, for further information concerning the Hospital, County and County Debt and Taxation.

The Qualified Entity

The Clark County Hospital Association (the "Hospital Association") was created by the Commissioners pursuant to Indiana Code 16-22-6, and is organized and existing under and by virtue of that statute as a public body politic and corporate. Under Indiana Code 16-22-6, the Hospital Association is authorized to enter into leases with the County and the Hospital in order to provide funds to finance, acquire, construct, renovate, equip and lease land and buildings. The Hospital Association has no taxing power.

Indiana Code 16-22-6 provides that the Hospital Association shall consist of a five member board of directors appointed by the Commissioners for staggered terms of four years each. All Hospital Association directors must be residents of the County. All Hospital Association directors serve without compensation, but are entitled to reimbursement for actual and necessary expenses incurred in the performance of their duties. The directors of the Hospital Association elect a president, vice president, treasurer and secretary to serve for one year terms.

SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2009 QUALIFIED OBLIGATIONS

Special Obligations of Association

The Series 2009 Qualified Obligations are special obligations of the Hospital Association and, except to the extent payable from proceeds thereof or moneys derived from the investment thereof and insurance and condemnation proceeds, will be payable solely and only from and secured by the lease rental payments to be made by the Lessee under the Lease (as hereinafter defined).

The Lease

Pursuant to the Lease, the Lessee has agreed to make lease rental payments directly to the Qualified Obligations Trustee in such amounts and at such times as are sufficient to pay in full, when due, the principal of, premium, if any, and interest on the Series 2009 Qualified Obligations. The lease rentals payable by the Hospital are payable solely from net revenues of the Hospital (the "Hospital Revenues"). Under Indiana law, the lease rentals payable by the County under the Lease are payable from ad valorem taxes to be levied on all taxable real and personal property within the County. The County is obligated to levy property taxes sufficient, along with Hospital Revenues set aside by the Hospital, to pay the lease rental payments when due. **The County and Hospital anticipate that the full lease rental payments will be paid from the Net Revenues of the Hospital, and that the County will not need to levy property taxes for this purpose.** The appropriation and levy, if necessary, are subject to review by other governmental bodies, such as the State of Indiana Department of Local Government Finance (the "DLGF"), to ascertain that the levy, after taking a credit for Hospital Revenues, is sufficient to raise the amount required to pay the rental under the Lease.

Pursuant to terms of the Lease, full rental payments thereunder will be required to commence as determined by Lessor and Lessee at the time the parties endorse the Addendum to the Lease. Each installment of rent is payable in advance for the following six month period on December 31 and June 30. Lease rental payments made by the Lessees with respect to the improved county hospital facilities (the "Leased Premises") are expected to commence not earlier than December 31, 2009.

Property Assessment, Tax Levy and Collection

Real and personal property in the State is assessed each year as of March 1. On or before August 1 each year, the County Auditor must submit to each underlying taxing unit a statement containing (i) information concerning the assessed valuation in the taxing unit, for the next calendar year; (ii) an estimate of the taxes to be distributed to the unit during the last six months of the current calendar year; (iii) the current assessed valuation as shown on the abstract of charges; (iv) the average growth in assessed valuation in the taxing unit over the preceding three budget years, excluding years in which a general reassessment occurs; and (v) any other information at the disposal of the County Auditor that might affect the assessed value used in the budget adoption process. The estimated value is based on property tax lists delivered to the Auditor by the County Assessor in all Indiana counties on or before July 1.

The estimated assessed value is used when the governing body of a local taxing unit meets to establish its budget for the next fiscal year (January 1 through December 31), and to set tax rates and levies. By statute, the budget, tax rate and levy must be established no later than September 30. The budget, tax levy and tax rate are subject to review and revision by the DLGF which, under certain circumstances, may revise, reduce or increase the budget, tax rate, or levy of a taxing unit. The DLGF may increase the tax rate and levy if the tax rate and levy proposed by the County is not sufficient to make its debt service or lease rental payments. The DLGF must complete its actions on or before February 15; however, taxing units have until March 1 to file shortfall appeals, which may delay the DLGF's actions.

On or before March 15, the County Auditor prepares and delivers the tax duplicate, which is a roll of property taxes payable in that year, to the County Treasurer. Upon receipt of the tax duplicate, the County Treasurer publishes notice of the tax rate in accordance with Indiana statutes. The County Treasurer mails tax statements at least 15 days prior to the date that the first installment is due (due dates may be delayed due to a general reassessment or other factors). Property taxes are due and payable to the County Treasurer in two installments on May 10 and November 10, unless a later due date is established by order of the DLGF. If an installment of taxes is not completely paid on or before the due date, a penalty of 10% of the amount delinquent is added to the amount due; provided that, effective January 1, 2007, so long as the installment is completely paid within thirty (30) days of the due date and the taxpayer is not liable for delinquent property taxes first due and payable in a previous year for the same parcel, the amount of the penalty is five percent (5%) of the amount of the delinquent taxes. On May 10 and November 10 of each year thereafter, an additional penalty equal to 10% of any taxes remaining unpaid is added. The penalties are imposed only on the principal amount of the delinquency. Property becomes subject to tax sale procedures after 15 months of delinquency. The County Auditor distributes property tax collections to the various taxing units on or about June 30 after the May 10 payment date and December 31 after the November 10 payment date.

Pursuant to State law, real property is valued for assessment purposes at its "true tax value" as defined in the Real Property Assessment Rule, 50 IAC 2.3, the 2002 Real Property Assessment Manual ("Manual"), as incorporated into 50 IAC 2.3, and the 2002 Real Property Assessment Guidelines, Version A ("Guidelines"), as adopted by the DLGF. The Manual defines "true tax value" as "the market value in use of property for its current use, as reflected by the utility received by the owner or a similar user from that property." The Manual permits assessing officials in each county to choose any acceptable mass appraisal method to determine true tax value, taking into consideration the ease of administration and the uniformity of the assessments produced by that method. The Guidelines were adopted to provide assessing officials with an acceptable appraisal method, although the Manual makes it clear that assessing officials are free to select from any number of appraisal methods, provided that they produce accurate and uniform values throughout the jurisdiction and across all classes of property. The Manual specifies the standards for accuracy and validation that the DLGF uses to determine the acceptability of any alternative appraisal method.

In 2007, the Indiana General Assembly enacted legislation (Indiana Code 6-1.1-20.6), which provides taxpayers with a tax credit for all property taxes in an amount that exceeds the gross assessed value of real and personal property eligible for the credit ("Circuit Breaker Tax Credit"). For property assessed as a residential homestead (as defined in Indiana Code 6-1.1-20.9-1), the Circuit Breaker Tax Credit is the amount by which the property taxes attributable to the homestead exceed 2% of the gross assessed value of the homestead, beginning with property taxes first due and payable in 2008. On March 19, 2008, Governor Daniels signed HEA 1001 which expanded these tax credits. For property taxes payable in 2009, property taxes for residential homesteads will be limited to 1.5% of the gross assessed value of the homestead; property taxes for agricultural, other residential rental property and long term care facilities will be limited to 2.5% of their gross assessed value; and property taxes for all other real and personal property will be limited to 3.5% of gross assessed value.

Beginning with property taxes payable in 2010, property taxes for residential homesteads will be limited to 1.0% of the gross assessed value of the homestead; property taxes for agricultural, other residential rental property and long term care facilities will be limited to 2.0% of their gross assessed value; and property taxes for all other real and personal property will be limited to 3.0% of gross assessed value. Additional property tax limits have been made available to certain senior citizens.

The Circuit Breaker Tax Credit will result in a reduction of property tax collections for each political subdivision in which the Circuit Breaker Tax Credit is applied. A political subdivision may not increase its property tax levy or borrow money to make up for any property tax revenue shortfall due to the application of the Circuit Breaker Tax Credit. HEA 1001 of 2008 requires taxing units to fully fund any levies for the payment of outstanding debt service or lease rental obligations regardless of any reduction in property tax collections due to the application of the Circuit Breaker Tax Credit. If property tax collections are insufficient to fully fund debt service or lease rental payments due to the Circuit Breaker Tax Credit, taxing units must use non-property tax revenues or revenues from property tax levies for other funds (including operating) to offset revenue loss to the debt service or lease rental payment fund. HEA 1001 of 2008 also provides that if property tax revenues are not sufficient to pay debt service on bonds or leases payable from property taxes, the State may intercept local option income tax distributions and available distributions of State monies for the benefit of bondholders. This application of property tax revenues may impact the ability of political subdivisions to provide existing levels of service and, in extreme cases, the ability to make debt service or lease rental payments.

Estimated Circuit Breaker Tax Credit for Clark County

Legislative Services Agency ("LSA") prepared a report which estimates the impact of HEA 1001 of 2008 for all taxing units in the State of Indiana. Pursuant to LSA data as of October 5, 2009, the estimated Circuit Breaker Tax Credit allocable to Clark County (the "Civil Taxing Entity") for budget year 2010 is estimated to be approximately $112,700 and $151,434 in 2011. Prior estimates of the Circuit Breaker Tax Credit impact on tax revenues of local governments by the LSA have been subject to significant changes.

The LSA Circuit Breaker Tax Credit analysis described above does not reflect the potential effect of any further changes in the property tax system or methods of funding local government that may be enacted by the Indiana General Assembly before 2010. The effects of these changes could affect LSA's estimate of the Circuit Breaker Tax Credit and the impact could be material. Other future events, such as the loss of a major taxpayer, reductions in assessed value, increases in property tax rates of overlapping taxing units, or a reduction in the amount of property tax replacement credit paid by the State of Indiana could increase effective property tax rates and the amount of the lost revenue due to the Circuit Breaker Tax Credit, and the resulting increase could be material.

Redemption

The Series 2009 Qualified Obligations maturing on or after July 15, 2019, are subject to redemption at the option of the Hospital Association prior to maturity, commencing on or after January 15, 2019, and on any date thereafter, in whole or part, in any order of maturity selected by the Hospital Association and any specific Series 2009 Qualified Obligations selected by the Hospital Association within maturities, at par and without premium, plus accrued interest to the redemption date.

The Series 2009 Qualified Obligations are subject to extraordinary redemption prior to maturity, without premium, from proceeds of insurance or a condemnation award in certain circumstances.

Notice to Trustee; Partial Redemption. To evidence its intention to exercise the right of redemption of any Series 2009 Qualified Obligations, the Hospital Association shall, not less than sixty (60) days prior to the date selected for redemption with respect to any Series 2009 Qualified Obligations, file with the Trustee, the Registrar and the Paying Agent written notice of its intention to redeem, designating the date fixed for redemption, and if less than all of the outstanding Series 2009 Qualified Obligations are to be redeemed stating the aggregate principal amount of the Series 2009 Qualified Obligations which the Hospital Association desires to redeem. If less than all of the outstanding Series 2009 Qualified Obligations are to be redeemed, then the Series 2009 Qualified Obligations shall be redeemed in the order of maturity described above and as selected by the Hospital Association within maturities (which lottery shall be conducted by the Trustee), and for this purpose each Five Thousand Dollars ($5,000) in aggregate principal amount shall be considered a separate Series 2009 Qualified Obligation for purposes of optional redemption. No failure or defect in such notice by the Hospital Association to the Trustee shall affect the validity of the redemption of any Series 2009 Qualified Obligations.

Notice of Redemption. Official Notice of such redemption shall be mailed by first class mail by the Trustee to the registered owners of any Series 2009 Qualified Obligations to be redeemed not less than thirty (30) days nor more than sixty (60) days prior to the date selected for redemption, except to the extent such notice is waived by owners of the Series 2009 Qualified Obligations redeemed. Said notice shall, with substantial accuracy:

(1) Designate the time and places of redemption, said places to be the offices of the Trustee or any other Paying Agent;

(2) If the Series 2009 Qualified Obligations to be redeemed are less than the whole amount outstanding, designate the Series 2009 Qualified Obligations to be redeemed;

(3) State that on the designated date fixed for said redemption said Series 2009 Qualified Obligations shall be redeemed by the payment of the applicable redemption price hereinbefore set forth, and that from and after the date so fixed for such redemption interest on the Series 2009 Qualified Obligations so called for redemption shall cease; and

(4) Comply with the requirements of any securities depository which has entered into an agreement with the Hospital Association with respect to the Series 2009 Qualified Obligations.

The cost and expenses of the preparation and mailing of said notices of redemption shall be paid by the Hospital Association. No failure or defect in the notice of redemption by the Trustee with respect to a particular Series 2009 Qualified Obligation shall affect the validity of the redemption of any other Series 2009 Qualified Obligation for which notice has been properly given.

Except for a mandatory redemption pursuant to Section 4.01(b), such notice of redemption shall also state that it is revocable and any redemption is conditional on funds being on deposit with the Trustee on the applicable redemption date and that failure to make such a deposit shall not constitute an Event of Default hereunder. If such notice is revoked or sufficient funds are not so deposited by such date, such Series 2009 Qualified Obligations to be redeemed shall not be subject to redemption and the holders thereof shall have the same rights as if no such notice had been given. In such event, the Trustee shall promptly give notice thereof to the owners of such Series 2009 Qualified Obligations by first class mail, postage prepaid.

Payment of Redeemed Series 2009 Qualified Obligations. Such notice having been mailed as above provided and not revoked, the Series 2009 Qualified Obligations designated for redemption shall, on the date specified in such notice and provided sufficient funds have been deposited with the Trustee, become due and payable at the then applicable redemption price, and on presentation and surrender of such Series 2009 Qualified Obligations in accordance with such notice, at the place at which the same are expressed in such notice to be redeemable, such Series 2009 Qualified Obligations shall be redeemed by the Paying Agent on behalf of the Hospital Association by the payment of such redemption price to the registered owners of funds held by the Paying Agent for that purpose.

Upon the payment of the redemption price of the Series 2009 Qualified Obligations redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number, if any, identifying, by issue and maturity, the Series 2009 Qualified Obligations being redeemed with the proceeds of such check or other transfer.

Cancellation of Redeemed Series 2009 Qualified Obligations. All Series 2009 Qualified Obligations so redeemed or purchased shall be cancelled and shall not be reissued, nor shall any Series 2009 Qualified Obligations be issued in lieu thereof; provided, however, that one or more new Series 2009 Qualified Obligations shall be issued for the unredeemed portion of any Series 2009 Qualified Obligations without charge thereof.

Effect of Redemption. If an amount sufficient, together with earnings thereon, to redeem any Series 2009 Qualified Obligations called for redemption on the redemption date, as aforesaid, has been deposited with the Paying Agent or another paying agent for the account of the registered owner or registered owners of such Series 2009 Qualified Obligations on or before the date specified for such redemption, and if the notice hereinbefore mentioned has been duly mailed or provision satisfactory to the Trustee has been made for the giving and mailing of such notice, and if all proper charges and expenses of such redemption have been paid or provided for, the Hospital Association shall be released from all liability on such Series 2009 Qualified Obligations and such Series 2009 Qualified Obligations shall no longer be deemed to be outstanding under the Authorizing Instrument (as defined in Appendix H), and interest thereon shall cease at the date specified for such redemption; and thereafter such Series 2009 Qualified Obligations shall not be secured by the lien of the Authorizing Instrument. The Trustee shall be privileged to give notice of any call for redemption, but shall not be required to do so unless an amount sufficient, together with earnings thereon, to redeem the Series 2009 Qualified Obligations called on the redemption date and to pay all proper charges and expenses of such redemption have been deposited, as aforesaid. In case any question arises as to whether any such notice has been sufficiently given or any such redemption is effective, such question shall be decided by the Trustee, and decision of the Trustee shall be final and binding upon all parties in interest.

Risk Factors

Risk of Lease Rental Abatement. There is no obligation for the Lessee to make rental payments under the Lease in the event of physical loss of, or damage to, the Leased Premises rendering it unfit for use as a hospital. However, the Lease requires the Hospital to maintain insurance against such physical loss or damage in an amount at least equal to the greater of (i) the option to purchase price set forth in the Lease, and (ii) one hundred percent (100%) of the full replacement cost of the Leased Premises and also to maintain rent or rental value insurance in an amount equal to the full rental value of the Leased Premises for a period of two (2) years.

Limitations on Enforceability of Remedies. Enforcement of remedies under the Lease and the Authorizing Instrument may be limited or restricted by laws relating to bankruptcy and rights of creditors and by application of general principles of equity. A court may decide not to order the specific performance of the covenants contained in these documents.

The enforceability of the liens of the Authorizing Instrument may be subject to subordination or prior claims in certain instances other than bankruptcy proceedings. Examples of possible limitation on enforceability and of possible subordination of prior claims include (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any federal statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction, and (v) federal bankruptcy laws, including, without limitation, those relating to limitation on the payment of future rentals under leases of real property and those affecting payments made within ninety days (90) prior to any institution of bankruptcy proceedings by or against the Lessee.

APPENDIX C

DESCRIPTION OF SERIES 2009 QUALIFIED ENTITY AND CLARK MEMORIAL HOSPITAL

Series Debt	Qualified Entity	Par Amount	Source of Payment	Final Maturity
2009	Clark County Hospital Association	$52,000,000	Revenue	07/15/2029

CLARK COUNTY HOSPITAL ASSOCIATION

Description of the Project

The Clark County Hospital Association (the "Hospital Association") will issue its Lease Rental Revenue Bonds, Series 2009 (the "Series 2009 Qualified Obligations"), for the purpose of procuring funds to: (i) pay the cost of financing and/or refinancing all or a portion of the acquisition, renovation, construction, and equipping and/or leasing of certain improvements to Clark Memorial Hospital (the "Hospital") and its facilities and related improvements, and (ii) provide for the acquisition of all or a portion of the Hospital's main facility ((i) and (ii) together, the "Project").

The Hospital will use the proceeds of the Series 2009 Qualified Obligations, received from the Hospital Association for the acquisition of all or a portion of the Hospital's main facility, to: (i) refund certain bonds in a total outstanding aggregate principal amount of $24,505,000, consisting of $15,005,000 Variable Rate Demand Health Care Facilities Revenue Bonds, Series 2001 and $9,500,000 Variable Rate Demand Health Care Facilities Revenue Bonds, Series 2004A; (ii) reimburse itself for amounts used to purchase an electronic medical record system and to make other capital expenditures; (iii) provide funds for additional capital expenditures; (iv) fund a debt service reserve fund; and (v) pay the costs of issuance of the Series 2009 Qualified Obligations associated therewith.

Description of the Series 2009 Qualified Obligations

Total Aggregate Principal	-	$52,000,000
Security and Lien	-	Lease payments to be made from Net Revenues of the Hospital ("Net Revenues" is defined as total operating revenues of the Hospital plus investment income, less total operating expenses, net of depreciation and amortization expenses). If Net Revenues are insufficient, Lease payments will be made from an ad valorem property tax to be levied on all taxable property in Clark County, Indiana.
Principal and Interest Repayment Schedule	-	Semi-annual principal payments on each January 15 and July 15, commencing on January 15, 2010 and terminating July 15, 2029.

Debt Presently Outstanding	-	Aside from the Variable Rate Demand Health Care Facilities Revenue Bonds, Series 2001 and Series 2004A that are being refunded, there is presently outstanding $2,770,000 in Variable Rate Demand Healthcare Facilities Taxable Revenue Bonds, Series 2004B which will be redeemed by the Hospital from funds on hand at the time of issuance of the Series 2009 Qualified Obligations.
Hospital Pro Forma Coverage	-	At least 1.70 times – Net revenues divided by the estimated combined maximum annual debt service/lease rental obligation.

DESCRIPTION OF CLARK MEMORIAL HOSPITAL

Since 1922, Clark Memorial Hospital has provided exceptional health care services to southern Indiana. Located in Jeffersonville, Indiana, near of I-65, the Hospital is a comprehensive medical center providing advanced medical care with a personal touch. After 42 Jeffersonville, Indiana residents gave their lives during World War I, their courage and service was honored with the dedication and opening of the Hospital.

The Hospital's health-care professionals balance sophisticated medical technology with compassionate, friendly service. The Hospital prides itself on its long-standing tradition of care and its continuous expansion of new programs and services, striving to be a premier health care provider and a standard for excellence in its region.

The mission of the Hospital is to provide superior health services to the people and communities it serves. The vision of the Hospital is to be the best community health care provider in the United States.

Services of the Hospital

The Hospital offers a wide array of services for patients and families in the region. The Hospital provides care for children, and a number of adult illnesses, cardiology, oncology, neurology and orthopedics. The ancillary and support services offered by the Hospital are as follows:

Cancer Care Place	Diabetes Management Program
Family Birth Place	Community Outreach
Men's Health	Behavioral Health Services
Occupational Medicine	Orthopedic/Neurology
Primary Care	Women's Care Place
Women's Diagnostic	Women's Health

Organization of the Hospital

The Hospital is governed by a Board of Trustees (the "Board"). Services are provided by the medical staff and executive management carries out day-to-day operations. There are various other team members that provide necessary services and administrative functions each day.

The provision of other services is also provided by the Hospital under Clark Physician Group, LLC, which employs physicians and provides medical services to the community.

Governance of the Hospital

The Board is compromised of seven (7) county residents, all of whom are appointed by the Board of Commissioners of Clark County. The current members of the Board including their professions are as follows:

Board Members	Profession	Term Expires
Debbie Meyer (Board Chair)	Pharmacist	09/01/11
Donald Slone (Vice Chair)	Businessman	09/24/12
Norma Sue Wood (Secretary)	Retired Teacher	09/25/11
Gordon Gutmann	Physician	09/24/12
Dave Ehringer	Retired Businessman	09/24/13
Pat Thompson	Retired Businessman	08/24/10
Sam Gardner	Retired School Administrator	08/24/10

The Board is responsible for the management, control and operation of the Hospital. In addition, the Board has the responsibility for the appointment, reappointment, and assignment of privileges to members of the medical staff, and establishes requirements for appointments to and continued service on the medical staff. The Board also establishes protocols for the admission, treatment and care of patients with recommendation of the medical staff.

Executive Management of the Hospital

MARTIN PADGETT, *President/CEO*

Martin Padgett joined the staff of Clark Memorial Hospital in 1997 as the Vice President and Chief Financial Officer, and took over his current position in 2005. Prior to working at Clark Memorial Hospital, Martin was employed at Saint Claire Medical Center in Morehead, KY as the Assistant Vice President of Finance. Prior to this, he worked for Ernst & Young as a Senior Accountant, and First Security National Bank as an Internal Auditor. Martin earned his Master's in Business Administration from Morehead State University in 1999, and is licensed as a Certified Public Accountant. In 2009, he was awarded by induction into the Studer Group Firestarter Hall of Fame, and was also named the Leadership Southern Indiana Servant Leader of the Year.

KIRK STRACK, *Vice President of Finance/Chief Financial Officer*

Kirk Strack joined the staff of Clark Memorial Hospital in 2002 as the Director of Finance/Controller and began his current position in 2005. Prior to joining the Clark Memorial Hospital team, Kirk worked as an Associate Executive Director of Operations at Sandhills Regional Medical Center and Assistant Executive Director of Finance at Lake Norman Regional Medical Center both part of Health Management Associates, Inc. and as a Manager and Senior Advisory Professional for Ernst & Young, LLP. Kirk earned his Master's of Health Administration from the University of Kentucky in 1996. Kirk is both a Fellow and board certified in healthcare management through the American College of Healthcare Executives and is pursuing Certified Financial Healthcare Professional (CHFP) and Healthcare Financial Management Association (HFMA) certifications, both to be completed in the fall of 2009.

MARY NEUNER, *Vice President of Nursing*

Mary Neuner joined the staff of Clark Memorial Hospital in 1996 as the Ortho-Neuro Line Service Director. Mary became Director of Acute Care Nursing 1998, and began her current position in 1999. Prior to coming to Clark Memorial Hospital, Mary was the Nursing Systems Manager at Jewish Hospital. Mary completed the Master's of Science in Nursing in 2002 at Bellarmine University. Mary currently serves on the Spencerian College Nursing Advisory Board and the Bellarmine University Employer Advisory Board. Mary has also been a member of the American Organization of Nurse Executives since 1995.

FRED HORLANDER, *Vice President of Hospital Support Services*

Fred Horlander joined the staff of Clark Memorial Hospital in 1984 as the Director of Human Resources. Fred began his current position in 1990. Prior to coming to Clark Memorial Hospital, Fred was a compensation manager for NKC Hospitals, Inc, where he was employed for ten years. Fred completed the Master's of Art in Management in 1991 at Webster University. Fred is a member of the American Society for Healthcare Human Resources Administration, the Indiana Society for Healthcare Human Resources Administration, and the Kentucky Society for Healthcare Human Resources Administration. Fred's community activities include Goodwill Bridgepointe Services, Leadership Southern Indiana, and Saint Helen Catholic Church.

RUTH SCHMIDT, *Vice President of Ambulatory Services*

Ruth Schmidt began her career with Clark Memorial Hospital in 1998 as the Director of Surgical Services, and began her current position in 1999. Ruth came to Clark Memorial Hospital from Jewish Hospital, where she served as a Nurse Manager in the Plastic & Aesthetic Surgery Center as of 1996. Prior to this, Ruth served as a Supervisor of Operations and a Director at Jewish Hospital. Ruth earned a Bachelor of Science in Nursing from the University of the State of New York. Ruth is licensed in Kentucky and Indiana as a Certified Operating Room Nurse and is Laser Certified. Ruth is a member of the Association Operating Room Nurses.

Accreditation and Affiliation

The Hospital is nationally accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO). The Hospital most recently earned its 39-month accreditation certificate in September 2009, and is set to renew it in the current year. The Hospital is licensed to operate by the Indiana State Board of Health. Other accreditations include the American College of Surgeons/Commission on Cancer, the Society of Chest Pain Centers, and the American College of Radiology.

Medical Staff Profile – as of September 2009

Specialty	Board Certified	Total MDs	% Board Certified
Allergy and Immunology	7	7	100%
Anesthesiology	14	14	100%
Cardiovascular Diseases	35	36	97%
Clinical Neurology	1	1	100%
Critical Care Medicine	8	9	89%
Critical Care Surgery	1	1	100%
Cytopathology	1	1	100%
Dermatology	3	3	100%
Electrophysiology	4	4	100%
Emergency Medicine	13	13	100%
Endocrinology / Metabolism	5	5	100%
Family Practice	21	25	84%
Gastroenterology	6	6	100%
General Surgery	2	2	100%
Geriatrics	3	3	100%
Gynecology / Oncology	4	4	100%
Hand Surgery/General	1	1	100%
Hand Surgery/Orthopaedic Surgery	2	2	100%
Hand Surgery/Plastic	1	1	100%
Hematology	12	12	100%
Infectious Diseases	7	7	100%
Internal Medicine	138	145	95%
Neonatal - Perinatal Medicine	16	17	94%
Nephrology	22	23	96%
Neurological Surgery	3	3	100%
Neurology	2	2	100%
Neuroradiology	1	1	100%
Nurse Midwife	1	1	100%
Obstetrics & Gynecology	8	9	89%
Occupational Medicine	1	1	100%

Medical Staff Profile (Continued) – as of September 2009

Specialty	Certified	Total MDs	% Board Certified
Oncology	19	19	100%
Ophthalmology	9	10	90%
Oral & Maxiofacial Surgery	5	5	100%
Orthopedic Surgery	13	15	87%
Otolaryngology	16	16	100%
Pain Management	3	3	100%
Pathology	1	1	100%
Pathology, Anatomical	3	3	100%
Pathology, Blood Bank/Transfer Medicine	2	2	100%
Pathology, Hematology	1	1	100%
Pediatric Cardiology	3	3	100%
Pediatrics	42	46	91%
Pediatric Surgery	1	1	100%
Physical Medicine and Rehabilitation	8	10	80%
Plastic & Reconstructive Surgery	5	5	100%
Podiatric Surgery	6	6	100%
Psychiatry / Child & Adolescent	1	1	100%
Psychiatry / Clinical Neurology	1	1	100%
Psychiatry / Neurology	17	18	94%
Pulmonary Diseases	12	12	100%
Radiation Oncology	0	1	0%
Radiology	17	17	100%
Radiology, Diagnostic	12	12	100%
Radiology, Interventional	3	3	100%
Radiology, Nuclear	1	1	100%
Sleep Medicine	4	4	100%
Surgery	13	16	81%
Thoracic Surgery	10	12	83%
Urology	14	14	100%
Vascular Surgery	1	1	100%

Medical Staff Status – as of September 2009

A breakdown of the Medical Staff by provider status is as follows:

Status	Providers	% of Total
Active	258	43.29%
Active-Honorary	8	1.34%
Affiliate	246	41.27%
Allied Health Professional	63	10.57%
Emeritus	6	1.01%
No Value Specified	2	0.34%
Resigned	13	2.18%
	596	100.00%

A breakdown of the Medical Staff by provider age is as follows:

Age Range	Providers	% of Total
Ages 29 & Under	4	0.67%
Ages 30 - 39	126	21.14%
Ages 40 - 49	213	35.74%
Ages 50 - 59	159	26.68%
Ages 60 - 69	71	11.91%
Ages 70 & Over	23	3.86%
	596	100.00%

Patient Origin Analysis

The following table shows the percentage of patients from each county treated by the Hospital over the past three years:

County	2008	2007	2006
Clark	24.65%	25.06%	25.18%
Floyd	17.13%	16.73%	17.67%
Jackson	12.25%	12.32%	11.71%
Jefferson	8.33%	8.11%	8.18%
Harrison	7.23%	7.33%	7.42%
Scott	7.33%	7.09%	6.69%
Jennings	7.05%	7.04%	6.94%
Washington	5.77%	5.60%	5.60%
Orange	4.59%	4.67%	4.21%
Kentucky	3.27%	3.51%	3.83%
Crawford	1.65%	1.66%	1.63%
Other	0.75%	0.88%	0.94%
Total	100.00%	100.00%	100.00%

Competing Medical Facilities

The following table sets forth the location, distance from the Hospital, and the number of staffed beds, for the Hospital and each of its significant competitors.

Hospital	Miles from Hospital	Location	Staffed Beds
Clark Memorial Hospital	----	Jeffersonville, IN	241
Kosair Children's Hospital	3.6	Louisville, KY	253
Jewish Hospital	5.9	Louisville, KY	442
University Hospital	6.2	Louisville, KY	325
Norton Hospital	5.8	Louisville, KY	343
Baptist Hospital East	8.9	Louisville, KY	407
Floyd Memorial Hospital	8.9	New Albany, IN	210
St. Catherine Hospital	12.9	Charlestown, IN	78

Market Share Analysis

The Market Share of total Clark County residents is as follows:

Hospital	2008	2007	2006	2005
Clark Memorial Hospital, Indiana	67.37%	70.53%	72.00%	65.53%
Floyd Memorial Hospital, Indiana	21.73%	20.53%	19.28%	20.95%
University Hospital, Kentucky	9.53%	7.08%	6.83%	9.48%
Other	1.37%	1.88%	1.90%	4.05%
Total	100.00%	100.00%	100.00%	100.00%

Note: 2008 percentages represented do not include figures for the fourth quarter of 2008 as the information was not available at the time of this report.

Service Area Characteristics

The primary service area for the Hospital is Clark County, Indiana. The County is in the heart of Southeastern Indiana, and prides itself on offering urban amenities with rural charm. The County lies on the north bank of the Ohio River, and has a total area of 376 square miles. The County's history has been closely associated with the development of the Ohio River, and continues to look to it as a link to its pioneer heritage. The 2000 Census shows that the population of Clark County was 96,472 compared to 87,774 in 1990, an increase of 9.9%. According to the 2000 Census, the median income for a household in the county was $40,111, and the median income for a family was $47,412. The per capita income for the county was $19,936. The population density is 257 per square mile. Cities and towns making up the County include Borden, Charlestown, Clarksville, Henryville, Jeffersonville, Memphis, New Washington, Oak Park, Sellersburg, and Utica.

The Hospital also draws patients from Floyd and Scott Counties, Indiana, located southwest and north of Clark County, respectively. This service area is shared with competing hospitals in all areas that include Louisville, KY.

Employers

The ten largest employers in Clark County as of December 31, 2008 are:

Employer	Type of Business	Approximate Number of Employees
American Comm. Barge Lines	Shipbuilding	2,000
Greater Clark County Schools	Education	1,600
Clark Memorial Hospital[2]	Health Care	1,276
Gohman Asphalt & Const., Inc.	Construction	1,000
Wal-Mart Stores, Inc.	Retail	865
RR Donnelley	Printing	800
Monarch Beverage Company	Beverage Distributor	592
Koetter Woodworking, Inc.	Wood Products	470
West Clark Community Schools	Education	430
D.A., Inc.	Injection Molding	325

Unemployment

Unemployment information as of September 2009 is as follows:

	Clark County	State of Indiana	United States
Labor Force	54,239	3,138,958	153,617,000
Number Employed	49,783	2,851,238	139,079,000
Number Unemployed	4,456	287,720	14,538,000
Rate of Unemployment	8.2%	9.2%	9.5%

[2] Current estimate provided by Clark Memorial Hospital as of July 31, 2009.

Malpractice and Other Insurance

The Hospital maintains commercial insurance for its medical malpractice and other corporate needs. The insurance portfolio is part of an overall formalized risk management program that has as its primary purpose the protection of corporate assets in order to maintain the viability of the Hospital. Coverage levels are reviewed regularly and adjusted to reflect current conditions.

The Hospital is qualified as a health care provider under the Indiana Medical Malpractice Act (IC 34-18) (the “Medical Malpractice Act”). The law provided for a mandatory State Patient’s Compensation Fund (the “Fund”) to which a qualified health care provider contributes a surcharge. The amount of the surcharge is established by the Department of Insurance based on an actuarial program. The amount for each hospital must be sufficient to cover but may not exceed the actuarial risk posed to the Fund by the Hospital. For any act of malpractice, the Medical Malpractice Act provides for a maximum recovery of $1,250,000. A health care provider is liable for up to $250,000 of the maximum recovery. The excess is paid by the Fund. The effect of this law is to require the Hospital to carry insurance of $250,000 per occurrence and $5,000,000 in the annual aggregate for the patient professional liability risks. Various aspects of the Medical Malpractice Act, including the limitations on recovery, have been upheld on constitutional grounds by the Indiana Supreme Court.

Litigation

The nature of the Hospital’s business generates a certain amount of litigation arising in the ordinary course of business. Hospital management, after discussion with legal counsel, believes that the ultimate result of these legal proceedings and claims will not have a materially adverse effect upon the Hospital’s financial condition or results of operations and, in the opinion of the management, there are no proceedings pending or threatened to which the Hospital is or may be a party, or to which its property is or may be subject, and which, if adversely determined against the Hospital, would have a materially adverse effect upon the Hospital’s financial condition or results of operations.

Employees

As of July 31, 2009, the Hospital employed approximately 1,276 full-time and part-time employees. The total number of volunteer hours annualized for 2009 is approximately 25,145, which is the equivalent of just over twelve (12) full time employees. The Hospital provides a range of benefits that are competitive with other hospitals in the central Indiana market place. None of the Hospital’s employees are represented by a labor organization.

Pension Plan

The Hospital has a defined benefit pension plan (the “Plan”) covering substantially all of its employees. Contributions to the Plan are funded as required under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). Employer contributions to the plan were $0 in 2007, $2,099,256 in 2006 and $0 in 2005. The market value of plan assets as of December 31 was $34,818,771 in 2007, $34,902,804 in 2006, and $31,676,772 in 2005.

Patient Admissions and Services Information

The Hospital keeps a number of statistics concerning hospital utilization and ancillary services performed. Patient admissions data for the Hospital in 2008 by category of care is as follows:

Care Category	Patient Days	Discharges	% of Occupancy	Average Daily Census
Acute	46,181	11,258	76.5%	126.2
Sub-Acute	4,664	554	63.7%	12.7
Behavioral Medicine	3,428	370	52.0%	9.4
Nursery	3,409	1,502	54.8%	9.3
Totals	57,682	13,684		158

Inpatient statistics for 2007 and 2008 are as follows:

	2008	2007	% Change
Emergency Room Visits	8,212	8,132	1.0%
Laboratory Tests	919,395	852,260	7.9%
Radiology Procedures	23,629	26,042	-9.3%
CT Scans	14,934	11,040	35.3%
Ultrasound	2,708	2,844	-4.8%
MRI Procedures	1,279	1,375	-7.0%
Surgery Procedures	3,124	3,020	3.4%
Outpatient Surgery Center	193	213	-9.4%
Cardiac Cath	701	800	-12.4%

Outpatient statistics for 2007 and 2008 are as follows:

	2008	2007	% Change
Emergency Room Visits	32,801	32,002	2.5%
Urgent Care	10,713	7,425	44.3%
Laboratory Tests	818,613	753,343	8.7%
Radiology Procedures	48,687	51,873	-6.1%
CT Scans	35,623	27,287	30.5%
Ultrasound	10,891	10,994	-0.9%
MRI Procedures	4,162	3,464	20.2%
Women's Imaging Center	19,487	13,898	40.2%
Surgery Procedures	5,793	5,172	12.0%
Outpatient Surgery Center	3,937	3,504	12.4%
Observation Bed Days	4,613	4,446	3.8%
Cardiac Cath	924	730	26.6%

Summary of Revenues and Expenses

The following summary of the revenues and expenses of Clark Memorial Hospital and the Clark Memorial Hospital Foundation (which is not obligated under the Lease) for the fiscal years ended December 31, 2006, 2007 and 2008 and as of such dates, has been derived from the audit report of Clark Memorial Hospital which have been audited by the State Board of Accounts.

The information for the nine-month periods ended September 30, 2008 and September 30, 2009 are derived from the financial statements of Clark Memorial Hospital and exclude the Clark Memorial Hospital Foundation for such periods. Such financial statements are unaudited but, in the opinion of management of the Hospital, reflect all adjustments necessary for a presentation of the results of the operations for such interim periods in accordance with accounting principles generally accepted in the United States. Results of operations for an interim period should not be considered indicative of the results for a full fiscal year.

Summary of Revenues and Expenses for
The Years Ended December 31, 2008, 2007, and 2006
and Periods Ended September 30, 2009 and 2008

	Nine Months Ended September 30 (Dollars in Thousands)		Fiscal Year Ended December 31 (Dollars in Thousands)		
	2009	2008	2008	2007	2006
Operating Revenue:					
Net Patient Service Revenue (net of provision for bad debt)	$97,708	$104,030	$133,954	$118,313	$114,971
Other	1,817	1,890	2,686	2,709	2,296
Total Operating Revenue	99,525	105,920	136,640	121,022	117,267
Operating Expenses:					
Salaries and Benefits	48,835	51,597	69,903	62,781	59,819
Medical Supplies and Drugs	30,808	30,136	41,439	37,976	22,872
Other Supplies	5,648	6,635	9,148	7,187	22,861
Depreciation and Amortization	7,283	7,396	10,241	9,812	8,835
Total Operating Expenses	92,574	95,764	130,731	117,756	114,387
Operating Income/(Loss) from Cont. Operations	6,951	10,156	5,909	3,266	2,880
Nonoperating Revenues/Expenses:					
Investment Income	673	(427)	(1,090)	674	1,006
Interest Expense	(1,869)	(1,554)	(2,085)	(1,980)	(1,628)
Unrealized Holding Gain/(Loss) on Swap Contact	1,339	143	(2,865)	(759)	(1,141)
Gain/(Loss) on Sale of Equipment	(6)	4	-	-	26
Gain/(Loss) on the Disposal of Assets	-	-	(107)	-	-
Gain/(Loss) on Investment in Affiliated Companies	(3,090)	206	(759)	-	214
Total Nonoperating Revenues/(Expenses)	(2,953)	(1,628)	(6,906)	(2,065)	(1,523)
Excess/(deficiency) of revenues over/(under) expenses	$3,998	$8,528	($997)	$1,201	$1,357

Sources of Patient Revenue

Payments on behalf of patients are made to the Hospital by commercial insurance carriers, by the federal government under the Medicare program, by the state government under the Medicaid program, and by patients from their own personal resources. The percentages of patient revenues by payor for the years ended December 31, 2008, 2007 and 2006.

Source of Payment	2008	2007	2006
Medicare	56.00%	53.90%	53.20%
Blue Cross	11.10%	11.30%	10.80%
Commerical	9.60%	10.30%	9.30%
Medicaid	9.60%	9.70%	12.60%
Humana	8.80%	9.70%	9.40%
Other	4.90%	5.10%	4.70%
Total	100.00%	100.00%	100.00%

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Historical and Pro Forma Debt Service Coverage

The following table sets forth, for the fiscal years ended December 31, 2006, 2007 and 2008, the net income available for debt service for those years as derived from the financial statements of the Hospital. The table also shows for those same years the maximum aggregate annual debt service on outstanding prior bonds and the pro forma maximum annual debt service on the Series 2009D Bonds and the extent to which the net income available for debt service of the Hospital would have provided coverage of the pro forma maximum aggregate annual debt service on such bonds.

Historical and Pro Forma Maximum Annual
Debt Service Coverage
The Years Ended December 31, 2008, 2007, and 2006

	Fiscal Year Ended December 31 (Dollars in thousands)		
	2008	**2007**	**2006**
Excess/ (deficiency) of revenues over/ (under) expenses	($997)	$1,201	$1,357
Plus: Interest Expense	(2,085)	(1,980)	(1,628)
Plus: Depreciation and Amortization	10,241	9,812	8,835
Net income available for debt service	7,159	9,033	8,564
Historical maximum annual debt service (1)(2)	$2,645	$2,645	$2,645
Historical maximum aggregate annual debt service coverage on outstanding prior bonds	2.71x	3.41x	3.24X
Pro forma maximum annual debt service (2)(3)	$4,201	$4,201	$4,201
Pro forma maximum annual debt service coverage on Series 2009D Bonds	1.70x	2.15x	2.04x

Note:

(1) Interest payable with respect to the Series 2001 Bonds, which bear interest at a variable rate, has been calculated at an assumed rate of 4.06% based upon an existing interest rate swap agreement. Interest payable with respect to the Series 2004A Bonds, which bear interest at a variable rate, has been calculated at an assumed rate of 3.97% based upon an existing interest rate swap agreement. Interest payable with respect to the Series 2004B Bonds, which bear interest at a variable rate, has been calculated at an assumed rate of 4.53% based upon an existing interest rate swap agreement.
.
(2) Excludes capital leases and loans.

(3) Assumes the issuance of the Series 2009D Bonds which will bear interest at fixed rates and the redemption of the Series 2001 and Series 2004A from the proceeds of the Series 2009D and the expected redemption of the Series 2004B Bonds by the Hospital.

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APPENDIX D

CLARK COUNTY, INDIANA

DESCRIPTION OF THE COUNTY

Location

Clark County, Indiana (the "County") is 115 miles south of Indianapolis, one (1) mile north of Louisville, 258 miles east of St. Louis, and 105 miles west of Cincinnati. The County is amply served by a broad network of land transportation systems. Running through or near the County is I-64, I-65, I-71, I-264 and I-265.

Air transportation service is available within fifteen (15) miles at Louisville International Airport. Private aircraft facilities are available at Clark Regional Airport.

Municipal utilities throughout the County provide water and wastewater treatment in their respective incorporated areas. Indiana American Water also provides water service to several municipalities in the County. Electric utilities serving the County are Duke Energy and Clark County REMC. Vectren provides natural gas service. Telephone service is provided by AT&T Indiana.

Government

A seven-member County Council (the "Council") serves as the legislative body for the County. Members serve four year terms, and are elected from the County districts. They are responsible for setting salaries, the annual budget, and special spending. The Council also has limited authority to impose local taxes, in the form of an income and property tax that is subject to state level approval, excise taxes, and service taxes.

A three-member Board of Commissioners (the "Commissioners") serves as the executive body for the County. Members are elected in staggered, four year terms. One of the Commissioners, typically the most senior, serves as president. The Commissioners are charged with executing the acts legislated by the Council, the collection of revenue, and managing the day-to-day functions of the County government.

Other elected offices for the County include the Sheriff, Coroner, Auditor, Assessor, Treasurer, Recorder, Surveyor, and Circuit Court Clerk. Each of these elected officers serves a term of four years and oversees different parts of the County government. Members elected to any County government position are required to declare a party affiliation and be a resident of the County.

Population[1]

Year	Clark County	State of Indiana	% of Indiana
2008	106,673	6,376,792	1.67%
2007	105,035	6,335,862	1.66%
2006	103,569	6,294,124	1.65%
2005	101,592	6,248,569	1.63%
2004	100,463	6,210,801	1.62%

Note: Population estimates for 2009 were not available at the time of this report.

Employment[1]

Employment statistics for Clark County, the State of Indiana, and the United States as of September 2009 are as follows:

	Clark County	State of Indiana	United States
Labor Force	54,239	3,138,958	153,617,000
Number Employed	49,783	2,851,238	139,079,000
Number Unemployed	4,456	287,720	14,538,000
Rate of Unemployment	8.2%	9.2%	9.5%

Taxes

Assessed Valuation:	$4,016,216,588 – for 2008 Payable 2009
Property Tax:	Clark County's portion of the property tax rate for 2008 that is payable in 2009 is $0.1962 per $100 of assessed valuation of all taxable property while the underlying districts range from $0.0849 to $1.1720.
Retail Sales and Use Tax:	7% on tangible personal property, excludes groceries and prescription drugs.
State Adjusted Gross Income Tax:	3.4% of earnings after a $1,000 annual personal exemption for taxpayers and an additional $1,500 for each dependent.
County Adjusted Gross Income Tax:	1.5% for County residents. Effective December 1, 2009 the rate will increase by 0.5% to 2.0% per the passage of a Local Option Income Tax.
Excise Tax:	Cigarettes – 99.5 cents per 20 cigarettes
	Gasoline – 18 cents per gallon plus 1 cent for oil inspection fee.
Innkeeper's Tax:	4.0% additional tax on any overnight stay in Clark County.
Automobile Tax:	Excise tax in lieu of property tax, based on initial retail price and age of vehicle.

[1] STATS Indiana <http://www.stats.indiana.edu>

Education

Public Schools

Greater Clark County Schools: Includes twelve (12) elementary schools, four (4) middle schools, three (3) high schools, and two (2) alternative schools. Enrollment for the 2008-2009 school year was 10,997.

West Clark Community Schools: Includes three (3) elementary schools, one (1) middle school, and three (3) high schools. Enrollment for the 2008-2009 school year was 3,987.

Clarksville Community Schools: Includes two (2) elementary schools, one (1) middle school, and one (1) high school. Enrollment for the 2008-2009 school year was 1,385.

Private Schools

Non-public schools in Clark County include Rock Creek Christian Academy, Saint Michaels School, Our Lady of Providence High School, Sacred Heart School, Saint Anthony School, and Saint Paul School. Enrollment for the 2008-2009 for all non-public schools was 1,605.

Colleges/Universities

The colleges in Clark County are Ivy Tech State College and Ottawa University. There are fourteen (14) universities located within a 50-mile radius, and there are twelve (12) community colleges located within a 30-mile radius.

Major Employers (as of December 31, 2008)[2]

Employer	Location	Type	Employees
American Comm. Barge Lines	Jeffersonville	Shipbuilding	2,000
Greater Clark County Schools	Jeffersonville	Education	1,600
Clark Memorial Hospital	Jeffersonville	HealthCare	1,276 *
Gohman Asphalt & Const., Inc.	Clarksville	Construction	1,000
Wal-Mart Stores, Inc.	Clarksville	Retail	865
RR Donnelley	Charlestown	Printing	800
Monarch Beverage Company	Jeffersonville	Beverage Distributor	592
Koetter Woodworking, Inc.	Borden	Wood Products	470
West Clark Community Schools	Sellersburg	Education	430
D.A., Inc.	Charlestown	Injection Molding	325

Note: Employees for Clark Memorial Hospital are as of July 2009.

[2] Clark County Auditor's Office

Employment by Industry (2008)[3]

	Clark County		State of Indiana	
	Employed	% of Total	Employed	% of Total
Agriculture, Forestry, Hunting	96	0.2%	13,156	0.5%
Mining	165	0.3%	16,524	0.6%
Construction	2,513	5.2%	149,856	5.3%
Manufacturing	7,761	16.1%	530,740	18.8%
Wholesale trade	1,352	2.8%	129,212	4.6%
Retail trade	6,869	14.3%	327,938	11.6%
Transportation, Warehousing	4,884	10.1%	114,386	4.0%
Utilities	232	0.5%	6,838	0.2%
Information	286	0.6%	44,984	1.6%
Finance and Insurance	1,778	3.7%	97,529	3.4%
Real Estate, Rental, Leasing	416	0.9%	36,744	1.3%
Professional, Technical Services	811	1.7%	99,099	3.5%
Management of Companies and Enterprises	161	0.3%	31,426	1.1%
Administrative, Waste Services	2,006	4.2%	159,670	5.6%
Educational Services	102	0.2%	208,642	7.4%
Health Care, Social Assistance	3,597	7.5%	365,013	12.9%
Arts, Entertainment, Recreation	463	1.0%	52,133	1.8%
Accommodation, Food Services	5,134	10.7%	236,072	8.3%
Other Services, Except Public Administration	1,529	3.2%	86,080	3.0%
Public Administration	7,966	16.6%	123,584	4.4%
	48,121	100.00%	2,829,626	100.00%

Note: Figures for 2009 were unavailable at the time of this report.

[3] STATS Indiana

APPENDIX E

CLARK COUNTY, INDIANA

COUNTY TAXATION AND DEBT INFORMATION

Property Tax Rates – Clark County (Civil Taxing Unit)[1]

	2009	2008	2007	2006	2005
State	$0.0000	$0.0024	$0.0024	$0.0024	$0.0024
County:					
County General	$0.1188	$0.0645	$0.1108	$0.1345	$0.1451
Health	0.0143	0.0033	0.0119	0.0135	0.0144
Reassessment	0.0024	0.0019	0.0020	0.0024	0.0030
Juvenile Debt Payment	0.0025	0.0029	0.0044	0.0075	0.0000
Welfare Loan	0.0090	0.0000	0.0000	0.0000	0.0000
Cumulative Bridge	0.0000	0.0000	0.0100	0.0100	0.0000
Cumulative Capital Development	0.0180	0.0180	0.0180	0.0238	0.0238
Courthouse Bond	0.0005	0.0241	0.0258	0.0276	0.0298
Mosquito Control	0.0006	0.0003	0.0010	0.0005	0.0003
Jail Bond	0.0104	0.0147	0.0172	0.0176	0.0207
Mental Health	0.0099	0.0078	0.0085	0.0102	0.0106
New Hope	0.0098	0.0079	0.0085	0.0100	0.0104
Subtotal County Rate	$0.1962	$0.1454	$0.2181	$0.2576	$0.2581
Welfare:					
Welfare H.C.I.	$0.0000	$0.0199	$0.0205	$0.0248	$0.0248
Medical Assistance to Wards	0.0000	0.0027	0.0028	0.0034	0.0034
Welfare (CSHCN)	0.0000	0.0069	0.0071	0.0086	0.0086
Children Psychiatric Res. Treatment	0.0000	0.0117	0.0010	0.0045	0.0078
Welfare Family and Child Services	0.0000	0.0587	0.1147	0.0934	0.0968
Total County Welfare Rate	$0.0000	$0.0999	$0.1461	$0.1347	$0.1414
Total - State and County Rates	$0.1962	$0.2477	$0.3666	$0.3947	$0.4019

*Note: Indiana HEA 1001 - 2008 eliminated property tax rates for the State of Indiana and Welfare services.

[1] Source: Clark County Auditor (Budget Orders)

Net Assessed Valuation – Clark County (Civil Taxing Unit Only)[2]

Collection Year	Assessed Valuation
2009*	$4,016,216,588
2008	4,835,266,804
2007	4,527,936,755
2006	3,597,467,330
2005	3,471,642,144

**Note: The Assessed Valuation for collection year 2009 is subject to a credit for a Supplemental Homestead deduction per the passage of HEA 1001 of 2008.*

Property Taxes Levied and Collected – Clark County (Civil Taxing Unit Only)[2]

Collection Year	Levied	Collected	Percentage Collected
2009	$7,879,815	…In Progress…	…In Progress...
2008	11,860,909	11,139,476	93.92%
2007	16,490,746	15,329,115	92.96%
2006	14,212,053	13,096,089	92.15%
2005	12,591,646	12,613,858	100.18%

Note: 2009 collections were not available at the time of this report

Largest Property Taxpayers in Clark County[2]

Taxpayers	Type of Business	2007/2008 Assessed Valuation	% of Assessed Valuation
USA Indiana Arsenal	Manufacturing	$33,400,000	0.69%
Wal-Mart Stores East	Retail Stores	26,700,100	0.55%
Macerich Finance	Retail Mall	24,054,300	0.50%
Clark Memorial Hospital	Medical	20,705,300	0.43%
River Ridge Center, LLC	Comm. Real Estate	18,482,200	0.38%
US Industrial REIT	Manufacturing	15,514,800	0.32%
WaterFord Park LLC	Comm. Real Estate	14,916,800	0.31%
River Falls Mall	Retail Mall	13,808,600	0.29%
Koetter Woodworking	Wood Products	13,284,300	0.27%
Lowes	Retail Stores	13,135,800	0.27%

Note: 2008 pay 2009 Assessed Valuation for largest taxpayers was not available at the time of this report

[2] Source: Clark County Auditor

Direct and Underlying Property Tax Backed Debt as of October 1, 2009 (Clark County Civil Taxing Unit Only)

Direct Debt:	Principal Outstanding	Percent Applicable	Allocated Debt
Clark County General Obligation Bonds, Series 2005	$285,000	100.00%	$285,000
Total Direct Debt	$285,000		$285,000
Underlying Debt:			
Clark County Jail Holding Corporation - Lease Rental Bonds, Series 2004	$18,375,000	100.00%	$18,375,000
Clark County Jail Holding Corporation - Lease Revenue Bonds, Series 2007	3,095,000	100.00%	3,095,000
Clark County Building Authority - Lease Revenue Bonds, Series 2008	3,747,500	100.00%	3,747,500
Total Underlying Debt	$25,217,500		$25,217,500
Total Direct and Underlying Debt			$25,502,500

Per Capita and Debt Ratio Analysis for Direct & Underlying Debt of Clark County

Population - 2008	106,673
Total Assessed Valuation (2008/2009)	$4,016,216,588

Description	Amount	Debt Per Capita	Debt/Assessed Valuation
Total Direct Debt of Clark County	$285,000	$3	0.01%
Total Underlying Debt of Clark County	25,217,500	236	0.63%
Total Direct and Underlying Debt	$25,502,500	$239	0.64%

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[HRKHL LETTERHEAD]

November __, 2009

Indiana Bond Bank
Indianapolis, Indiana

Re: Indiana Bond Bank
<u>Special Program Bonds, Series 2009D (Clark Memorial Hospital Project)</u>

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Indiana Bond Bank (the "Issuer") of its Special Program Bonds, Series 2009D (Clark Memorial Hospital Project) (the "Bonds"), dated as of November __, 2009, in the aggregate principal amount of $52,000,000, pursuant to Indiana Code 5-1.5, as amended, and a Trust Indenture between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), dated as of November 1, 2009 (the "Indenture"). We have examined the law and such certified proceedings for the authorization, issuance and sale of the Bonds and such other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the Indenture, the certified proceedings for the authorization, issuance and sale of the Bonds and other certifications of public officials furnished to us, and certifications, representations and other information furnished to us by or on behalf of the Issuer, the Series 2009 Qualified Entity (as defined in the Indenture) and others, including certifications contained in the tax and arbitrage certificate of the Issuer, dated the date hereof, and the arbitrage and tax representation certificate of the Series 2009 Qualified Entity, dated the date hereof, without undertaking to verify the same by independent investigation. We have relied upon the opinion of Barnes & Thornburg LLP, Indianapolis, Indiana, counsel to the Issuer, dated the date hereof, as to the matters stated therein. We have relied upon the report of London Witte Group, LLC, Indianapolis, Indiana, independent certified public accountants, dated the date hereof, as to the matters stated therein.

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

1. The Issuer is a body corporate and politic validly existing under Indiana Code 5-1.5, with the corporate power to execute and deliver the Indenture and to issue, execute and deliver the Bonds.

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

3. The Indenture has been duly authorized, executed and delivered by the Issuer, and is a valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms.

4. Under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on this date (the "Code"), the interest on the Bonds is excludable from gross income for federal income tax purposes. The opinion set forth in this paragraph is subject to the condition that each of the Issuer and the Series 2009 Qualified Entity comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. Each of the Issuer and the Series 2009 Qualified Entity has covenanted or represented that it will comply with such requirements. Failure to comply with certain of such requirements may cause the interest on the Bonds to become included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

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

6. Interest on the Bonds is exempt from income taxation in the State of Indiana (the "State") for all purposes except the State financial institutions tax.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement, dated November 13, 2009, or any other offering material relating to the Bonds, and we express no opinion relating thereto.

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

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

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

Very truly yours,

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain additional provisions of the Indenture not otherwise discussed in this Official Statement. This summary is qualified in its entirety by reference to the Indenture.

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 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 Trustee and the owners of an aggregate of at least 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

Before the twentieth day of each month, the Trustee will provide the Bond Bank with a statement of the amounts on deposit in each Fund and Account as of the first day of that 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.

Preservation of Tax Exemption for the Bonds

In order to assure the continuing excludability of interest on the Bonds from the gross income of the owners thereof for purposes of federal income taxation, the Bond Bank covenants and agrees that it will not take any action or fail to take any action with respect to the Bonds, that would result in the loss of the exclusion from gross income for federal tax purposes of interest on any of the Bonds pursuant to Section 103 of the Code, nor will the Bond Bank act in any other manner which would adversely affect such exclusion and it will not make any investment or do any other act or thing during the period that the Bonds are Outstanding which would cause any of the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, all as in effect on the date of delivery of the particular Series of Bonds. Pursuant to the Indenture, all of these covenants are based solely on current law as in existence and effect on the date of delivery of the particular Series of Bonds. It will not be an Event of Default under the Indenture if the interest on the Bonds is not excluded from gross income for federal tax purposes or otherwise pursuant to any provision of the Code which is not currently in effect and in existence on the date of the issuance of such Bonds.

In making any determination regarding the covenants, the Bond Bank may rely on an Opinion of Bond Counsel.

Covenants Concerning the Program

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, with all practical dispatch and in a sound and economical manner in accordance with the Act, the Indenture and sound banking practices and principals (i) do all acts and things as are necessary 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 the Qualified Obligations and to enforce all terms, covenants and conditions of the Qualified Obligations. Whenever necessary in order 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 Obligation which is in default.

Covenants with Respect to Qualified Obligations

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 (other than ones for which consent of the Bond Bank is not required) unless the Bond Bank supplies the Trustee with a Cash Flow Certificate to the effect that, after such change, Revenues expected to be received in each Fiscal Year, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds along with Program Expenses, if any in each such Fiscal Year.

(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 pursue the remedies set forth in the Act, particularly Indiana Code 5-1.5-8-5, for the collection of deficiencies in Qualified Obligation Payments on any Qualified Obligation by collection of such deficiencies out of certain State funds payable but not yet paid to a defaulting Qualified Entity.

(c) To enforce or authorize the enforcement of all remedies available to the Bond Bank as the owner or holder of the Qualified Obligations, unless the Bond Bank provides the Trustee with a Cash Flow Certificate to the effect that, if such remedies are not enforced, Revenues expected to be received in each Fiscal Year, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds in each such Fiscal Year; provided, however, that decisions as to the enforcement of remedies shall be within the sole discretion of the Trustee.

(d) Not to sell or dispose of the Qualified Obligations, unless the Bond Bank first provides the Trustee with a Cash Flow Certificate to the effect that, after such sale, Revenues expected to be received in each Fiscal Year, together with moneys expected to be held in the Funds and Accounts, minus any proceeds of such sale or disposition transferred from any Fund or Account, will at least equal debt service on all Outstanding Bonds along with Program Expenses, if any, in each such Fiscal Year.

Certification Covenants

In the event that a deficiency in the Debt Service Reserve Fund is projected in the annual budget of the Bond Bank, the Chairman of the Board of Directors of the Bond Bank will certify such projected deficiency to the State General Assembly on or before August 1 of the Fiscal Year in which such deficiency is projected to occur. Further, regardless of whether any such deficiency was projected for its annual budget and regardless of the time at which such deficiency occurs or is projected to occur, the Bond Bank will take all actions required or allowed under the Act to certify any deficiency or projected deficiency in the Debt Service Reserve Fund to the State General Assembly.

Budgets

The Bond Bank will adopt and file with the Trustee, upon the written request of the Trustee, and appropriate State officials under the Act an annual budget covering its fiscal operations for the succeeding Fiscal Year not later than June 1 of each year. The annual budget will be open to inspection by any Owner of Bonds. In the event the Bond Bank does not adopt an annual budget for the succeeding Fiscal Year on or before June 1, the budget for the preceding Fiscal Year will be deemed to have been adopted and be in effect for the succeeding Fiscal Year until the annual budget for such Fiscal Year has been duly adopted. The Bond Bank may at any time adopt an amended annual budget in the manner then provided in the Act.

Defeasance and Discharge of Lien of Indenture

If payment or provision for payment is made to the Trustee of the principal of and interest due and to become due on all of the Bonds then Outstanding under the Indenture, and if the 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 Trustee must receive irrevocable instructions from the Bond Bank, satisfactory to the 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 Trustee for the payment of the principal of and interest on the Bonds.

Any Bond will be deemed to be paid when (a) payment of the principal of that Bond, plus interest to its due date, either (i) has been made or has been caused to be made in accordance with its terms, or (ii) has been provided for by irrevocably depositing with the Trustee, in trust and exclusively for such payment, (1) moneys sufficient to make such payment, (2) Governmental Obligations maturing as to principal and interest in such amounts and at such times, without consideration of any reinvestment thereof, as will insure the availability of sufficient moneys to make such payments, or (3) a combination of such moneys and Governmental Obligations, and (b) all other sums payable under the Indenture, including the necessary and proper fees and expenses of the Trustee pertaining to the Bonds, have been paid or deposited with the 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 other covenants, agreements or conditions contained in the Indenture or in the Bonds, and fails to remedy such Event of Default within 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 60 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 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 60 days after such filing;

(f) The Bond Bank files a voluntary petition in 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, 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 60 days;

(h) The Bond Bank fails to restore the Debt Service Reserve Fund to the applicable Debt Service Reserve Requirement within 60 days after the end of the Fiscal Year during which a deficiency occurs; or

(i) The Bond Bank is rendered incapable of fulfilling its obligations under the Indenture for any reason.

Upon the occurrence of an Event of Default, the Trustee will notify the Owners of Outstanding Bonds of such Event of Default and will have the following rights and remedies:

(a) The Trustee may pursue any available remedy at law or in equity 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 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 Owners of the Bonds, and may take such action with respect to the Qualified Obligations as the 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 Trustee and of the Bondholders under the Indenture, the 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 will confer; and

(d) By notice to the Bond Bank and the Attorney General of the State, the Trustee may, and if directed by 25% of the holders of the Series 2009D Bonds, shall 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 25% or more in aggregate principal amount of the Bonds Outstanding under the Indenture, and if indemnified as provided in the Indenture, the Trustee will be obligated to exercise one or more of the rights and powers conferred by the Indenture as the 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 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 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 sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of all Bonds then Outstanding in respect of which an Event of Default in the payment of principal or interest exists, or (b) more than fifty percent (50%) in aggregate principal amount of all Bonds then Outstanding 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 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 Trustee on account of any such Event of Default is discontinued or abandoned or determined adversely, then the Bond Bank, the 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 the appointment of a receiver or for any other remedy under the Indenture, unless (a) an Event of Default has occurred, (b) such Default shall have become an Event of Default and the owners of not less than 25% in aggregate principal amount of Bonds then Outstanding have made written request to the Trustee and have offered the Trustee reasonable opportunity either to proceed to exercise the remedies granted in the Indenture or to institute such action, suit or proceeding in its own name, (c) such owners of Bonds have offered to indemnify the Trustee, as provided in the Indenture, and (d) the Trustee has refused, or for 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 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 Trustee for the benefit of the owners of Bonds then Outstanding any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee, or to make any change which, in the judgment of the Trustee, does not materially and adversely affect the interests of the Bondholders 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, 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 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 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 similar federal statute;

(e) To give evidence of the appointment of a separate or co-trustee, or the succession of a new Trustee or the succession of a new registrar and/or paying agent;

(f) In connection with the issuance of Refunding 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 future federal tax law or any covenants contained in any Supplemental Indenture with respect to compliance with future federal tax laws.

With the exception of Supplemental Indentures for the purposes described in the preceding paragraph and subject to the terms of the Indenture, the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding which are affected (exclusive of 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 Trustee of any supplemental indenture or indentures deemed necessary and desirable by the Bond Bank or the 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; provided, 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 on the rate or extension of the time of payment of the interest on, any Bonds, (b) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (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 any lien securing any Bonds other than a lien ratably securing all of the Bonds, at any time Outstanding, (e) a reduction in the Reserve Requirement, or (f) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee without the written consent of the Trustee.

APPENDIX H

DEFINITIONS

The following are definitions of certain terms used in the Official Statement, Including its Appendices.

"Accounts" means the accounts created pursuant to Article VI hereof.

"Act" means the provisions of Indiana Code 5-1.5, as from time to time amended.

"Authorized Officer" means the Chairman, Vice Chairman or Executive Director of the Bond Bank or such other person or persons who are duly authorized to act on behalf of the Bond Bank.

"Bankruptcy Code" means the Bankruptcy Reform Act of 1978, as amended from time to time.

"Bond Bank" means the Indiana Bond Bank, a body corporate and politic, not a state agency, but an independent public instrumentality of the State exercising essential public functions, or any successor to its functions.

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

"Bond Issuance Expense Account" means the account by that name created by Section 6.02 hereof.

"Bonds" means the Series 2009D Bonds and any Refunding Bonds.

"Cash Flow Certificate" means a certificate prepared by an accountant or firm of accountants in accordance with Section 5.11 concerning anticipated Revenues and payments.

"Clearing Agency" means initially The Depository Trust Company, and its successors and assigns, including any surviving, resulting or transferee corporation, or any successor corporation that may be appointed in a manner consistent with this Indenture and shall include any direct or indirect participants of The Depository Trust Company.

"Code" means the Internal Revenue Code of 1986 in effect on the date of issuance of the Series 2009D Bonds, and the applicable regulations or rulings promulgated or proposed thereunder, and any successor thereto.

"Costs of Issuance" shall mean items of expense payable or reimbursable directly or indirectly by the Bond Bank and related to the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of the Trustee, underwriter's discounts, legal fees and charges, professional consultants' fees, costs of credit ratings, fees and charges for execution, transportation and safekeeping of the Bonds, bond or reserve fund insurance premiums, credit enhancements (including Credit Facilities) or liquidity facility fees, and other costs, charges and fees in connection with the foregoing.

"Counsel" means an attorney duly admitted to practice law before the highest court of any state and approved by the Bond Bank.

"Credit Facility" means any letter of credit, revolving credit agreement, surety bond, insurance policy or other agreement or instrument.

"Credit Provider" means the issuer of any Credit Facility and its successor in such capacity and their assigns. To qualify under this Indenture, the Credit Provider providing such Credit Facility shall be either:

(i) an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in a rating category that is at least as high as the rating assigned to the Bonds by the rating agency or agencies rating the Bonds; or

(ii) a bank or trust company which at the time of issuance of such Credit Facility has an outstanding, unsecured, uninsured and unguaranteed debt issue rated in a rating category that is at least as high as the rating assigned to the Bonds by the rating agency or agencies rating the Bonds.

"Debt Service Reserve Fund" means the fund by that name established pursuant to Section 6.02 hereof.

"Debt Service Reserve Fund Credit Facility" means any Credit Facility issued or provided by a Credit Provider, (i) which may be deposited in a reserve account in the Debt Service Reserve Fund in lieu of or in partial substitution for cash or investment securities to be on deposit therein, and (ii) which shall be payable (upon the giving of notice as required thereunder) on any due date on which moneys will be required to be withdrawn from such reserve account in which such Credit Facility is deposited and applied to the payment of the principal of or interest on any Bonds.

"Debt Service Reserve Fund Reimbursement Obligation" shall mean any obligation to reimburse the Credit Provider of any Debt Service Reserve Fund Credit Facility for any payment made under such Debt Service Reserve Fund Credit Facility or any other obligation to repay any amounts (including, but not limited to, fees or additional interest) to the Credit Provider.

"Default" means an event or condition, the occurrence of which, with the lapse of time or the giving of notice or both, would become an Event of Default hereunder.

"Event of Default" means any occurrence of an event specified in Section 10.01 hereof.

"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 Series 2009 Qualified Entity.

"Fiscal Year" means the twelve-month period from July 1 through the following June 30.

"Funds" means the funds created pursuant to Article VI hereof (other than the Rebate Fund).

"General Account" means the account by that name created by Section 6.02 hereof.

"General Fund" means the fund by that name created by Section 6.02 hereof.

"Governmental Obligations" means: (a) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"); (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; (c) 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; or (d) evidences 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.

"Hospital Association" means Clark County Hospital Association.

"Indenture" means this Trust Indenture, and all supplements and amendments hereto entered into pursuant to Article XII hereof.

"Interest Payment Date" means any date on which interest is payable on the Bonds.

"Investment Earnings" means earnings and profits (after consideration of any accrued interest paid and/or amortization of premium or discount on the investment) on the moneys in the Funds and Accounts established under the Indenture.

"Investment Securities" means any of the following:

(a) Governmental Obligations;

(b) Federal Housing Administration debentures;

(c) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

(i) Federal Home Loan Mortgage Corporation (FHLMC);

(ii) participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) - senior debt obligations;

(iii) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes;

(iv) Federal Home Loan Banks (FHL Banks) consolidated debt obligations;

(v) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

(vi) Student Loan Marketing Association (SLMA) senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(vii) Financing Corporation (FICO) debt obligations; and

(viii) Resolution Funding Corporation (REFCORP) debt obligations;

(d) unsecured certificates of deposit, time deposits and bankers' acceptances (having maturities of not more than 30 days) of any bank, the short-term obligations of which are rated "A-1" or better by S&P;

(e) 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 $5,000,000;

(f) commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's;

(g) money market funds rated "AAm" or "AAm-G" by S&P, or better, including those of the Trustee;

(h) "State Obligations," which means:

(i) direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state, the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated;

(ii) direct general short-term obligations of any state agency or subdivision or agency thereof described in (i) above and rated "A-1+" by S&P and "MIG-1" by Moody's; and

(iii) special revenue bonds (as defined in the Bankruptcy Code) of any state, state agency or subdivision described in (i) above and rated "AA" or better by S&P and "Aa" or better by Moody's;

(i) pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(i) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(ii) the municipal obligations are secured by cash or United States Treasury Obligations, which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(iii) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

(iv) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(v) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(vi) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent;

(j) repurchase agreements with: (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by S&P and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by S&P and Moody's and acceptable to the Insurer, provided that:

(i) the market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach);

(ii) the Trustee or a third party acting solely as agent therefor or for the Bond Bank (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

(iii) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(iv) all other requirements of S&P in respect of repurchase agreements shall be met; and

(v) the repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the Bond Bank or the Trustee within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Bond Bank or the Trustee;

notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (i) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively;

(k) investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company), the long-term debt of which, or, in the case of a guaranteed corporation, the long-term debt, or, in the case of a monoline financial guaranty insurance company, the claims paying ability, of the guarantor, is rated at least "AA" by S&P and "Aa" by Moody's; provided that, by the terms of the investment agreement:

(i) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service on the Series 2009D Bonds;

(ii) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice, and the Bond Bank and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(iii) the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(iv) the Bond Bank or the Trustee receives the opinion of domestic counsel that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable and addressed to the Bond Bank;

(v) the investment agreement shall provide that if during its term:

(A) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3," respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either: (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Bond Bank, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims, the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment; and

(B) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3," respectively, the provider must, at the direction of the Bond Bank or the Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Bond Bank or the Trustee;

(vi) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and

(vii) the investment agreement must provide that if during its term:

(A) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Bond Bank or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Bond Bank or the Trustee, as appropriate; and

(B) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Bond Bank or the Trustee, as appropriate; and

"Moody's" means Moody's Investors Service or any successor thereto.

"Notice Address" means, with respect to the Qualified Entity, the Qualified Entity's address given in connection with the sale of its Qualified Obligations to the Bond Bank, and, with respect to the Bond Bank and the Trustee:

Bond Bank:	Indiana Bond Bank 2980 Market Tower Indianapolis, IN 46204 Attention: Chairman
Trustee:	The Bank of New York Mellon Trust Company, N.A. 300 North Meridian Suite 910 Indianapolis, IN 46204 Attention: Corporate Trust Department

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

"Opinion of Counsel" means a written opinion of Counsel addressed to the Trustee, for the benefit of the owners of the Bonds, who may (except as otherwise expressly provided in this Indenture) be Counsel to the Bond Bank or Counsel to the owners of the Bonds and who is acceptable to the Trustee.

"Outstanding" or "'Bonds Outstanding" means all Bonds which have been authenticated and delivered by the Trustee under this Indenture, including Bonds held by the Bond Bank, except:

(i) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(ii) Bonds deemed paid under Article IX hereof; and

(iii) Bonds in lieu of which other Bonds have been authenticated under Section 3.04, 3.05 or 3.10 hereof.

"Principal Payment Date" means the maturity date or the mandatory sinking fund redemption date of any Bond.

"Program" means the program for purchasing Qualified Obligations by the Bond Bank pursuant to the Act.

"Program Expenses" means all of the fees and expenses of the Trustee and costs of determining the amount rebatable, if any, to the United States of America under Section 6.09 hereof, all to the extent properly allocable to the Program.

"Purchase Agreement" means a Qualified Entity Purchase Agreement between the Bond Bank and a Qualified Entity, pursuant to which one or more Qualified Obligations are sold to the Bond Bank.

"Qualified Entity" means an entity defined in Indiana Code 5-1.5-1-8, as amended from time to time, including the Series 2009 Qualified Entity.

"Qualified Obligation" means a Security (as that term is defined in the Act), including the Series 2009 Qualified Obligations, which has been acquired by the Bond Bank pursuant to this Indenture.

"Qualified Obligation Interest Payment" means that portion of a Qualified Obligation Payment which represents the interest due or to become due on a Qualified Obligation held by the Trustee pursuant to this Indenture.

"Qualified Obligation Payment" means the amounts paid or required to be paid, from time to time, for the principal of and interest on a Qualified Obligation held by the Trustee pursuant to this Indenture.

"Qualified Obligation Principal Payment" means that portion of a Qualified Obligation Payment which represents the principal due or to become due on a Qualified Obligation held by the Trustee pursuant to this Indenture.

"Rebate Fund" means the fund by that name created by Section 6.02 hereof.

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

"Redemption Account" means the account by that name created by Section 6.02 hereof.

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

"Refunding Bonds" means Bonds issued pursuant to Section 2.05 hereof and any Supplemental Indenture.

"Reserve Requirement" means an amount equal to the maximum annual debt service on the Bonds.

"Revenues" means the Funds and Accounts and all income, revenues and profits of the Funds and Accounts referred to in the granting clauses hereof, including, without limitation, all Qualified Obligation Payments.

"S&P" means Standard & Poor's Credit Market Services, a division of The McGraw-Hill Companies, or any successor thereto.

“Series of Bonds” or “Bonds of a Series” or “Series” or words of similar meaning means any Series of Bonds authorized by this Indenture or by a Supplemental Indenture.

“Series 2009D Bonds” means the Indiana Bond Bank Special Program Bonds, Series 2009D (Clark Memorial Hospital Project), issued pursuant to Section 2.02 of this Indenture.

“Series 2009 Qualified Entity” means the Hospital Association.

“Series 2009 Qualified Obligations” means the Clark County Hospital Association Lease Rental Revenue Bond Bonds, Series 2009 dated November __, 2009.

“State” means the State of Indiana.

“Supplemental Indenture” means an indenture supplemental to or amendatory of this Indenture, executed by the Bond Bank and the Trustee in accordance with Article XII hereof.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., or any successor thereto hereunder.

“Trust Estate” means the property, rights and amounts pledged and assigned to the Trustee pursuant to the granting clauses hereof.

Clark Memorial Hospital

Jewish Hospital Health Network Partner

No One Cares Like Clark.

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