SUPPLEMENT TO

OFFICIAL STATEMENT DATED SEPTEMBER 19, 2012

relating to

$34,385,000
Indiana Bond Bank
Special Program Refunding Bonds, Series 2012 D
(Adams County Memorial Hospital Project)

This Supplement dated October 3, 2012 (the "Supplement") supplements the Official Statement dated September 19, 2012 (the "Official Statement") relating to the $34,385,000 Indiana Bond Bank Special Program Refunding Bonds, Series 2012 D (Adams County Memorial Hospital Project) (the "Bonds"). This Supplement to the Official Statement incorporates the Official Statement except as described herein. Capitalized terms used in this Supplement without definition have the respective meanings set forth in the Official Statement.

The Official Statement is supplemented as follows:

The defined term of "Governmental Obligations" appearing in Appendix H to the Official Statement is amended to include pre-refunded municipal bonds rated "AA+" or higher by S&P. The definition in Appendix H is hereby replaced with the following definition, marked to reflect the change:

> "Governmental Obligations" means: (a) United States Treasury Certificates, Notes and Bonds (including State and Local Government Series - "SLGs"); (b) direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities; (c) the interest component of Resolution Funding Corp. strips, which have been stripped by request to the Federal Reserve Bank of New York in book-entry form; (d) pre-refunded municipal bonds rated "~~AAA"~~AA+" or higher by S&P or "Aaa" by Moody's; provided, however, if the issue is rated only by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct obligations of the United States or obligations guaranteed by the United States, or AAA-rated pre-refunded municipals; and (e) obligations issued by the following agencies, which are backed by the full faith and credit of the United States: (i) United States Export-Import Bank (Eximbank) direct obligations or fully guaranteed certificates of beneficial ownership; (ii) Farmers Home Administration (FmHA) certificates of beneficial ownership; (iii) Federal Financing Bank; (iv) General Services Administration participation certificates; (v) United States Maritime Administration guaranteed Title IX financing; and (vi) United States Department of Housing and Urban Development (HUD) project notes, local authority bonds, new communities debentures - United States government guaranteed debentures, and United States Public Housing Notes and Bonds - United States government guaranteed public housing notes and bonds."

AUTHORIZATION

This Supplement has been duly approved, executed and delivered by the Indiana Bond Bank for distribution to prospective purchasers of the above-captioned bonds. The Official Statement, as supplemented by this Supplement, shall be read and construed as a single document.

INDIANA BOND BANK

By: /s/ Lisa Cottingham
Executive Director

Dated: October 3, 2012

REFUNDING ISSUE **RATING:**

Standard & Poor's: "AA" (Stable Outlook)

Book-Entry-Only **(See "RATING" herein)**

In the opinion of Barnes & Thornburg LLP, Indianapolis, Indiana ("Bond Counsel"), under existing laws, interest on the Series 2012 D 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 2012 D Bonds. In the opinion of Bond Counsel under existing laws, interest on the Series 2012 D 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.

$34,385,000
INDIANA BOND BANK
Special Program Refunding Bonds, Series 2012 D
(Adams County Memorial Hospital Project)

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

The Indiana Bond Bank Special Program Refunding Bonds, Series 2012 D (Adams County Memorial Hospital Project) (the "Series 2012 D 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 2012 D 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 2012 D 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 2012 D Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interests in the Series 2012 D Bonds. Interest on the Series 2012 D Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2013. The principal of, redemption premium, if any, and interest on the Series 2012 D Bonds will be paid directly to DTC by The Huntington National Bank, 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 2012 D Bonds. The final disbursement of such payments to the Beneficial Owners of the Series 2012 D 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 2012 D BONDS-Book-Entry-Only System."

The Series 2012 D 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 Adams County Hospital Association (the "Qualified Entity"); (2) paying the premium for the Series 2012 D Debt Service Reserve Fund Credit Facility; and (3) paying costs related to the issuance of the Series 2012 D Bonds, all as more fully described in this Official Statement.

The Qualified Entity is issuing its Lease Rental Revenue Refunding Bonds, Series 2012 (the "Series 2012 D Qualified Obligations") for the purpose of providing funds for (1) the advance refunding of the Qualified Entity's Lease Rental Revenue Bonds, Series 2003 (the "Refunded Qualified Obligations"), thereby effecting an advance refunding of the Bond Bank's Special Program Bonds, Series 2003 A (Adams County Memorial Hospital Project), dated March 1, 2003, and currently outstanding in the aggregate principal amount of $35,010,000 (the "Refunded Bonds"), and (2) paying costs related to the issuance of the Series 2012 D Qualified Obligations, all as more fully described in this Official Statement.

Certain Series 2012 D Bonds are subject to optional, mandatory sinking fund and extraordinary mandatory redemption prior to maturity as described herein under the caption "THE SERIES 2012 D BONDS-Redemption."

The Series 2012 D 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 2012 D 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 2012 D 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 2012 D Bonds are offered when, as and if issued by the Bond Bank and received by Morgan Keegan & Company, Inc., or its successor in interest (the "Underwriter"), subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel. Certain legal matters will be passed on for the Bond Bank by its counsel, Bose McKinney & Evans LLP, Indianapolis, Indiana, and for the Underwriter by its counsel, Hall, Render, Killian, Heath & Lyman, P.C., Indianapolis, Indiana. It is expected that the Series 2012 D Bonds will be available for delivery to DTC in New York, New York, on or about October 4, 2012.

RAYMOND JAMES® | Morgan Keegan

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.

September 19, 2012

Maturity Schedule

$34,385,000
Indiana Bond Bank
Special Program Refunding Bonds, Series 2012 D
(Adams County Memorial Hospital Project)

Maturity Date	Principal	Interest Rate	Price	CUSIP*
2/1/2014	$1,180,000	2.000%	101.817%	4546245K9
2/1/2015	1,205,000	3.000	105.104	4546245L7
2/1/2016	1,240,000	3.000	106.591	4546245M5
2/1/2017	1,280,000	4.000	111.541	4546245N3
2/1/2018	1,335,000	4.000	112.419	4546245P8
2/1/2019	1,380,000	4.000	112.584	4546245Q6
2/1/2020	1,440,000	4.000	112.257	4546245R4
2/1/2021	1,495,000	5.000	119.344	4546245S2
2/1/2022	1,575,000	5.000	119.756	4546245T0
2/1/2023	1,650,000	5.000	118.121**	4546245U7
2/1/2024	1,730,000	5.000	117.403**	4546245V5
2/1/2025	1,815,000	3.000	98.173	4546245W3
2/1/2026	1,870,000	3.000	97.310	4546245X1
2/1/2027	1,925,000	3.125	97.900	4546245Y9
2/1/2028	1,990,000	3.250	98.569	4546245Z6
2/1/2029	2,055,000	3.250	97.761	4546246A0

$9,220,000 3.500% Term Bonds due February 1, 2033 - Price 97.436% CUSIP* 4546246B8

** Priced to the par call date of February 1, 2022

INDIANA BOND BANK

Regarding Use of this Official Statement

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE BOND BANK OR BY THE UNDERWRITER TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING OF THE SERIES 2012 D 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 2012 D BONDS BY ANY PERSON, IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION WITHIN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS A PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAVE BEEN NO CHANGES IN THE INFORMATION PRESENTED HEREIN SINCE THE DATE HEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2012 D 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 2012 D 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. 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 STATE, THE COUNTY, THE HOSPITAL OR THE QUALIFIED ENTITY, RESPECTIVELY, SINCE THE DATE HEREOF.

TABLE OF CONTENTS

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OFFICIAL STATEMENT

$34,385,000
Indiana Bond Bank
Special Program Refunding Bonds, Series 2012 D
(Adams County 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 $34,385,000 aggregate principal amount of Special Program Refunding Bonds, Series 2012 D (Adams County Memorial Hospital Project) (the “Series 2012 D Bonds”) to be issued by the Bond Bank. The Series 2012 D Bonds are authorized by Resolutions adopted by the Board of Directors of the Bond Bank on June 19, 2012, and August 14, 2012 (together, the “Resolutions”) and are issued pursuant to the provisions of a Trust Indenture, dated as of September 1, 2012, 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 Huntington National Bank, Indianapolis, Indiana, is the trustee, registrar and paying agent (the “Trustee”) under the Indenture.

The proceeds from the sale of the Series 2012 D Bonds will be used to (1) provide funds for the purchase of securities of the Adams County Hospital Association (the “Qualified Entity”); (2) pay the premium for the Series 2012 D Debt Service Reserve Fund Credit Facility; and (3) pay costs related to the issuance of the Series 2012 D Bonds, all as more fully described in this Official Statement. See the caption “PLAN OF FINANCING.”

The Qualified Entity is issuing its Lease Rental Revenue Refunding Bonds, Series 2012 (the “Series 2012 D Qualified Obligations”) for the purpose of providing funds for (1) the advance refunding of the Qualified Entity’s Lease Rental Revenue Bonds, Series 2003 (the “Refunded Qualified Obligations”), thereby effecting an advance refunding of the Bond Bank’s Special Program Bonds, Series 2003 A (Adams County Memorial Hospital Project), dated March 1, 2003, and currently outstanding in the aggregate principal amount of $35,010,000 (the “Refunded Bonds”), and (2) paying costs related to the issuance of the Series 2012 D Qualified Obligations, all as more fully described in this Official Statement.

Upon the delivery of the Series 2012 D Bonds and receipt of the net proceeds therefor, the Bond Bank shall deliver to the Trustee a portion of the proceeds of the Series 2012 D Bonds (together with other moneys made available by the Bond Bank) for deposit (1) into the Bond Issuance Expense Account, the sum of $364,500, to pay Costs of Issuance (other than (i) the underwriter’s discount retained by Morgan Keegan & Company, Inc., or its successor in interest (the “Underwriter”) and (ii) the premium for the Series 2012 D Debt Service Reserve Fund Credit Facility (to be deposited into the Debt Service Reserve Fund) paid by the Underwriter directly to Assured Guaranty (as defined in Appendix H), for and on behalf of the Bond Bank, in the amount of $149,997); and (2) into the General Account, the sum of $35,351,981, of which $35,350,076 which will be used for payment to the Qualified Entity for the purchase of the Series 2012 D Qualified Obligations identified in Appendix B. See the captions “PLAN OF FINANCING,” “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 D BONDS” and “APPLICATION OF PROCEEDS OF THE SERIES 2012 D BONDS.”

Upon the delivery of the Series 2012 D Qualified Obligations and receipt of the net proceeds therefor from the Bond Bank, the Qualified Entity will transfer a portion of the proceeds from the sale of the Series 2012 D Qualified Obligations to the Qualified Entity Escrow Agent, which proceeds will be used, together with other legally available funds of the Qualified Entity, to establish the Qualified Entity Escrow Account in an amount sufficient to advance refund the Refunded Qualified Obligations. See the caption “PLAN OF FINANCING.”

Contemporaneously with the issuance of the Series 2012 D Bonds, the issuance of the Series 2012 D Qualified Obligations and the establishment of the Qualified Entity Escrow Account, the Bond Bank will immediately transfer (or direct the Prior Bond Bank Trustee to transfer) the Refunded Qualified Obligations to the

Bond Bank Escrow Agent, which obligations will be used to establish the Bond Bank Escrow Account in an amount sufficient to advance refund the Refunded Bonds. See the caption "PLAN OF FINANCING."

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 Instrument (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 2012 D BONDS

General Description

The Series 2012 D Bonds are issuable as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Series 2012 D Bonds will carry an original date of their initial date of delivery and authentication.

Interest on the Series 2012 D Bonds will be payable semi-annually on February 1 and August l of each year, commencing February 1, 2013 (each, an "Interest Payment Date"). The Series 2012 D 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 2012 D Bond is authenticated on or prior to January 15, 2013, it shall bear interest from the date of original issuance of the Series 2012 D Bonds. Each Series 2012 D Bond authenticated after January 15, 2013, shall bear interest from the most recent Interest Payment Date to which interest has been paid on the date of authentication of such Series 2012 D Bond unless such Series 2012 D Bond is authenticated after a Record Date and on or before the next succeeding Interest Payment Date, in which event the Series 2012 D Bond will bear interest from such next succeeding Interest Payment Date.

When issued, all Series 2012 D 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 2012 D 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 2012 D Bonds payments of the principal of and interest on the Series 2012 D 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 2012 D 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 2012 D Bonds, principal of and premium, if any, on all of the Series 2012 D Bonds will be payable at maturity upon the surrender thereof at the principal corporate trust office of the Trustee. Interest on the Series 2012 D 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 2012 D 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 2012 D 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 2012 D 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 2012 D Bonds is exercised, the Bond Bank will execute and the Trustee will deliver Series 2012 D Bonds in accordance with the provisions of the Indenture. The Series 2012 D Bonds will be exchanged or transferred at the principal corporate trust office of the Trustee only for Series 2012 D Bonds of the same tenor and maturity. In connection with any transfer or exchange of Series 2012 D 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 2012 D 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 2012 D Bond to the extent of the sum or sums so paid.

Redemption

Optional Redemption. The Series 2012 D Bonds maturing on or after February 1, 2023 are subject to redemption prior to maturity on or after February 1, 2022, 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 2012 D Bond to be redeemed, plus accrued interest to the redemption date, and without any redemption premium.

If less than all of the Series 2012 D Bonds shall be called for redemption, the principal amount and maturity of the particular Series 2012 D Bonds to be redeemed shall be selected by the Bond Bank. Unless the Bond Bank directs that particular Series 2012 D Bonds be redeemed, the Trustee shall select the particular Series 2012 D Bonds to be redeemed by lot within a maturity in such manner as the Trustee may determine.

Mandatory Redemption. The Series 2012 D Bonds (or any portions thereof in integral multiples of $5,000 each) maturing on February 1, 2033 (the "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 Term Bonds, plus accrued interest on the dates as shown in the following table:

Term Bonds Due February 1, 2033

Date	**Principal Amount**
02/01/2030	$2,120,000
02/01/2031	2,195,000
02/01/2032	2,270,000
02/01/2033	2,635,000*

*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 2012 D 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 2012 D 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 Series 2012 D Qualified Obligation, if any, or from proceeds received upon a default on a Series 2012 D 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 2012 D Bonds provided that in the Opinion of Bond Counsel (as defined in Appendix H) such investment would not cause any of the Series 2012 D Bonds to be "arbitrage bonds" as defined in the Code or otherwise cause the interest on the Series 2012 D 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 2012 D 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 (as defined in Appendix H) along with Program Expenses (as defined in Appendix H), if any.

Notice of Redemption. In the case of redemption of the Series 2012 D Bonds, notice of the call for any such redemption identifying the Series 2012 D Bonds, or portions of fully registered Series 2012 D 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 2012 D 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 in such notice, shall not affect the validity of any proceedings for the redemption of any other Series 2012 D Bonds. All Series 2012 D 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. Calls for redemption many be conditioned upon conditions precedent which must be satisfied prior to the redemption. If a call for redemption is contingent upon a conditioned precedent, the notice of such redemption shall state the condition precedent and shall further state the if such condition precedent is not satisfied by the date set forth for redemption, then such notice shall be rescinded, and of no force and effect, and the principal and premium of such Bond shall continue to bear interest on and after the date fixed for redemption.

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 2012 D Bonds called, together with accrued interest on the Series 2012 D 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 2012 D Bonds. The Series 2012 D 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 2012 D Bond will be issued for each maturity of the Series 2012 D Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest securities 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 a Standard & Poor's rating of AA+. 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 Series 2012 D Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012 D Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("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 2012 D 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 Series 2012 D Bonds, except in the event that use of the book-entry system for the Series 2012 D Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2012 D 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 2012 D 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 2012 D Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012 D 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 2012 D Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012 D Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Series 2012 D Bonds may wish to ascertain that the nominee holding the Series 2012 D 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 registrar 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 2012 D Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2012 D Bonds unless authorized by a Direct Participant in accordance with DTC's MMI 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 Series 2012 D Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Series 2012 D Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Bond Bank or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street

name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Bond Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Bank or the Trustee, 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 2012 D 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, Series 2012 D Bonds are required to be printed and delivered.

10. The Bond Bank may decide to discontinue use of the system of book-entry only transfers through DTC (or a success or securities depository). In that event, Series 2012 D Bonds 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 2012 D Bonds or (ii) the Bond Bank elects to discontinue its use of DTC as a clearing agency for the Series 2012 D 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 2012 D Bonds, as are necessary or appropriate to discontinue use of DTC as a clearing agency for the Series 2012 D Bonds and to transfer the ownership of each of the Series 2012 D Bonds to such person or persons, including any other clearing agency, as the holder of such Series 2012 D 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 2012 D Bonds, will be paid by the Bond Bank.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 D BONDS

The Series 2012 D 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 2012 D 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 2012 D Bonds (collectively, the "Bonds"), are payable from those revenues and funds of the Bond Bank which, together with the Series 2012 D 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, 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 2012 D 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 2012 D Qualified Obligations have been structured as of the date of issuance of the Series 2012 D 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 2012 D Bonds when due.

Provisions for Payment of the Qualified Obligations

The payment of principal of and interest on the Series 2012 D Qualified Obligations is derived by the Qualified Entity from lease payments under the Lease (as hereinafter defined), which payments are payable from (i) a pledge by Adams County, Indiana (the "County") and certain municipalities located therein of a portion of their Economic Development Income Tax ("EDIT") revenues (the "Pledged EDIT Revenues") as described in the Revenue Deposit Agreement (the "Revenue Deposit Agreement") among the Qualified Entity, the County, The Board of Trustees of Adams County Memorial Hospital (the "Hospital")[*] and The Huntington National Bank, Indianapolis, Indiana, as deposit trustee (the "Deposit Trustee") with respect to the Series 2012 D Qualified Obligations, (ii) net revenues of the Hospital (the "Hospital Revenues"); and (iii) to the extent the Pledged EDIT Revenues and the Hospital Revenues are insufficient, *ad valorem* taxes required by law to be levied by the County upon all the taxable property within the jurisdiction of the County (the "Property Tax Revenues").

In addition, the Revenue Deposit Agreement creates a Lease Rental Reserve Fund which will be funded at closing at the least of (i) the maximum annual debt service on the Series 2012 D Qualified Obligations, (ii) ten percent of the original stated amount of the Series 2012 D Qualified Obligations, or (iii) 125 percent of the average annual debt service on the Series 2012 D Qualified Obligations. The Lease Rental Reserve Fund created under the Revenue Deposit Agreement is distinct from and in addition to the Debt Service Reserve Fund relating to the Series 2012 D Bonds created under the Indenture. Pursuant to the terms of the Revenue Deposit Agreement, moneys in the Lease Rental Reserve Fund shall be utilized by the Deposit Trustee to make lease payments under the Lease in the event that there are insufficient Pledged EDIT Revenues, Hospital Revenues and Property Tax Revenues available to make payments due under the Lease. Pursuant to the Revenue Deposit Agreement, if the Lease Rental Reserve Fund is drawn upon to make a lease payment it is to be replenished from the next available Pledged EDIT Revenues until the Lease Rental Reserve Fund equals the Lease Rental Reserve Fund Requirement (as defined in Appendix B). The Lease Rental Reserve Fund continued by the Revenue Deposit Agreement, has been and shall continue to be invested pursuant to the Existing Investment Agreement (as hereinafter defined). For a discussion of the risks associated with the investment of the Lease Rental Reserve Fund pursuant to the Existing Investment Agreement see "GENERAL RISKS TO OWNERS OF THE SERIES 2012 D BONDS - Investment Risk." TO THE EXTENT POSSIBLE, IT IS THE INTENT OF ALL PARTIES TO THE LEASE THAT LEASE RENTALS BE PAYABLE FROM PLEDGED EDIT REVENUES AND HOSPITAL REVENUES.

The Series 2012 D Qualified Obligations have been issued pursuant to an indenture approved by the governing body of the Qualified Entity (the "Authorizing Instrument").

See Appendix B for additional information concerning the Series 2012 D Qualified Obligations, the Revenue Deposit Agreement, the Pledged EDIT Revenues and the Property Tax Revenues, including: (i) the procedures for property assessment, tax levy and collection; and (ii) the procedures for replenishment of the Lease Rental Reserve Fund. See Appendix C for additional information concerning the Hospital and the Hospital Revenues. See Appendices D and E for additional information concerning the County, and County Debt and Taxation, respectively.

[*] The Board of Trustees of Adams County Memorial Hospital (defined herein as the "Hospital") is the legal entity created pursuant to Indiana Code 16-22 which owns and operates a county hospital along with certain nursing and senior living facilities. For information relating to the Hospital, see Appendix C.

Enforcement of the Qualified Obligations; Intercept of Funds

As owner of the Series 2012 D 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 Series 2012 D 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 Series 2012 D Qualified Obligations when due. Pursuant to Indiana Code 5-1.5-8-5, if any department or agency of the State, including the treasurer of State, is custodian of money payable to the Qualified Entity (other than for goods or services provided by the Qualified Entity), at any time, after written notice to the department or agency head from the Bond Bank that the Qualified Entity is in default on the payments due pursuant to the Series 2012 D Qualified Obligations, the department or agency shall withhold payment of that money from the Qualified Entity and pay over the money to the Bond Bank for the purpose of paying the principal of and interest on the Series 2012 D Bonds. However, the withholding of payment from the Qualified Entity and payment to the Bond Bank must not adversely affect the Series 2012 D Qualified Obligations or other obligations of the Qualified Entity.

Additionally, as owner of the Series 2012 D Qualified Obligations, the Bond Bank has available to it all remedies available pursuant to Indiana Code 6-1.1-20.6-10. Pursuant to Indiana Code 6-1.1-20.6-10, upon the failure of the County to pay any of the County's lease rental or debt service obligations during a calendar year when due, the treasurer of State, upon being notified of the failure by a claimant, shall pay the unpaid debt service obligations that are due from money in the possession of the State that would otherwise be available for distribution to the County under any other law, deducting the payment from the amount distributed. For purposes of Indiana Code 6-1.1-20.6-10, "debt service obligations" refers to: (i) the principal and interest payable during a calendar year on bonds, and (ii) lease rental payments payable during a calendar year on leases; of a political subdivision which are payable from ad valorem property taxes. Debt service obligations of a political subdivision, as used in Indiana Code 6-1.1-20.6-10, include the payments due from the County pursuant to the Lease.

Further, the Qualified Entity, whose Series 2012 D Qualified Obligations are subject to the Code, has agreed under the purchase agreement for the Series 2012 D 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 Series 2012 D 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 2012 D Bonds from the gross income of the holders of the Series 2012 D Bonds.

The Bond Bank will monitor the compliance and consult regularly with the Qualified Entity with respect to its requirements under the Series 2012 D Qualified Obligations, including the making of Series 2012 D Qualified Obligation Payments to the Bond Bank.

Additional Bonds

Additional bonds of the Bond Bank may be issued on a parity with the Series 2012 D 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 continue 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 2012 D 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 to the maximum annual debt service on the Bonds (the "Reserve Requirement").

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 Bonds in cases where sufficient funds are not available in other Funds and Accounts for such payments.

The Bond Bank may satisfy all or a portion of the Reserve Requirement by depositing a Debt Service Reserve Fund Credit Facility in the Debt Service Reserve Fund and, with respect to the Series 2012 D Bonds, will satisfy the Reserve Requirement of the Debt Service Reserve Fund by depositing a Debt Service Reserve Fund Credit Facility into the Debt Service Reserve Fund on the date of issuance of the Series 2012 D Bonds. See "DEBT SERVICE RESERVE FUND CREDIT FACILITY."

Under the Indenture, the provider of any such Debt Service Reserve Fund Credit Facility, whether an insurer, a bank or trust company, must have its long-term debt obligations rated at the time of issuance of such Debt Service Reserve Fund Credit Facility in one of the three highest Rating Categories by the Rating Agency or Rating Agencies rating the Bonds.

State Appropriations Mechanism

The Act provides 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. Similarly, the Indenture requires that the Chairman of the Board of Directors of the Bond Bank shall immediately take all action necessary to certify any deficiency in the Debt Service Reserve Fund resulting from the amount on deposit therein being less than the Reserve Requirement, including any amounts due and owing to a Credit Provider (as defined in Appendix H), regardless of whether such deficiency had been projected. 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 September 1, 2012, an aggregate principal amount of approximately $474,460,000 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 2012 D 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.

DEBT SERVICE RESERVE FUND CREDIT FACILITY

The Indenture requires the establishment of the Debt Service Reserve Fund. Under the Indenture, the Debt Service Reserve Fund is required to contain an amount equal to the Reserve Requirement, which at the time of issuance of the Series 2012 D Bonds means an amount equal to $2,727,225. The Indenture authorizes the Bond Bank to obtain a Debt Service Reserve Fund Credit Facility in place of fully funding the Debt Service Reserve Fund with cash. Accordingly, a commitment has been made by Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company ("Assured Guaranty") for the issuance of the Series 2012 D Debt Service Reserve Fund Credit Facility (as defined in Appendix H) for the purpose of funding the Debt Service Reserve Fund (see "OPERATION OF FUNDS AND ACCOUNTS" herein). The Series 2012 D Bonds will only be delivered upon the issuance of the Series 2012 D Debt Service Reserve Fund Credit Facility. The premium on the Series 2012 D Debt Service Reserve Fund Credit Facility is to be fully paid at or prior to the issuance and delivery of the Series 2012 D Bonds. The Series 2012 D Debt Service Reserve Fund Credit Facility provides that upon the later of (i) one day after receipt by Assured Guaranty of a demand for payment executed by the Trustee certifying that provision for the payment of principal of or interest on the Series 2012 D Bonds when due has not been made or (ii) the principal or interest payment date specified in the notice of nonpayment submitted to Assured Guaranty, Assured Guaranty will promptly deposit funds with the Trustee sufficient to enable the Trustee to make such payments due on the Series 2012 D Bonds, but in no event exceeding the Series 2012 D Debt Service Reserve Fund Credit Facility coverage for the Series 2012 D Bonds, as defined in the Series 2012 D Debt Service Reserve Fund Credit Facility for the Series 2012 D Bonds.

Under the Indenture, the provider of any such Debt Service Reserve Fund Credit Facility, whether an insurer, a bank or trust company, must have its long-term debt obligations rated at the time of issuance of such Debt Service Reserve Fund Credit Facility in one of the three highest Rating Categories (as defined in Appendix H) by the Rating Agency or Rating Agencies (each as defined in Appendix H) rating the Series 2012 D Bonds. AT THE TIME OF ISSUANCE OF THE SERIES 2012 D BONDS, ASSURED GUARANTY IS RATED IN ONE OF THE THREE HIGHEST RATING CATEGORIES BY THE RATING AGENCY RATING THE SERIES 2012 D BONDS.

Pursuant to the terms of the Series 2012 D Debt Service Reserve Fund Credit Facility, the Series 2012 D Debt Service Reserve Fund Credit Facility coverage is automatically reduced to the extent of each payment made by Assured Guaranty under the terms of the Series 2012 D Debt Service Reserve Fund Credit Facility and the Bond Bank is required to reimburse Assured Guaranty for any draws under the Series 2012 D Debt Service Reserve Fund Credit Facility with interest at the rate set forth in the Indenture. Upon such reimbursement, the Series 2012 D Debt Service Reserve Fund Credit Facility is reinstated to the extent of each principal reimbursement up to but not exceeding the Series 2012 D Debt Service Reserve Fund Credit Facility coverage. The reimbursement obligation for the Bond Bank is subordinate to the Bond Bank's obligations with respect to the Series 2012 D Bonds.

In the event the amount on deposit, or credited to the Debt Service Reserve Fund, exceeds the amount of the Series 2012 D Debt Service Reserve Fund Credit Facility for the Debt Service Reserve Fund, any draw on the Series 2012 D Debt Service Reserve Fund Credit Facility will be made only after all the funds in the Debt Service Reserve Fund have been expended. In the event that the amount on deposit in or credited to the Debt Service Reserve Fund, in addition to the amount available under the Series 2012 D Debt Service Reserve Fund Credit Facility for the Debt Service Reserve Fund, includes amounts available under a letter of credit, insurance policy, surety bond or other such funding instrument (the "Additional Funding Instrument"), draws on the Series 2012 D

Debt Service Reserve Fund Credit Facility and the Additional Funding Instrument will be made on a pro rata basis to fund the insufficiency.

GENERAL RISKS TO OWNERS OF THE SERIES 2012 D BONDS

Purchasers of the Series 2012 D Bonds are advised of certain risk factors with respect to the payment of the Series 2012 D Bonds. This discussion is not intended to be all-inclusive, and other risks may also be present.

Sources of Payments for the Series 2012 D Bonds

The ability of the Bond Bank to pay principal of, and interest on, the Series 2012 D Bonds depends primarily upon the receipt by the Bond Bank of payments pursuant to the Series 2012 D 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 and the Lease Rental Reserve Fund (as defined in Appendix B), there is no source of funds which is required to make up for any deficiencies in the event of one or more defaults by the Qualified Entity in such payments on the Series 2012 D 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 2012 D 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 2012 D Qualified Obligations, see the captions "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 D BONDS - Provisions for Payment of the Qualified Obligations" and in Appendix B, "SERIES 2012 D QUALIFIED OBLIGATIONS, THE QUALIFIED ENTITY AND THE LEASE – Sources for Payment and Security for the Series 2012 D Qualified Obligations."

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 2012 D 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 2012 D Bonds be deemed to be a debt or obligation of the State. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 D BONDS - State Appropriations Mechanism."

Investment Risk

From time to time certain amounts held under the Indenture (the "Investment Amounts") may be invested in one or more Investment Agreement(s) entered into by and among the Bond Bank, the Trustee and a financial institution (the "Financial Institution") according to the permitted investment guidelines set forth in the Indenture. See Appendix H for the definition of permitted Investment Securities under the Indenture. While the Bond Bank is not relying on Investment Amounts to pay all or any portion of principal of and interest on the Series 2012 D Bonds, the insolvency, bankruptcy or similar deterioration in financial condition of any such Financial Institution, may negatively affect amounts held under the Indenture and available to pay debt service on the Series 2012 D Bonds.

The Lease Rental Reserve Fund continued by the Revenue Deposit Agreement has been and shall continue to be invested pursuant to the Investment Agreement (the "Existing Investment Agreement"), dated as of March 26, 2003, between Natixis Funding Corp. (formerly known as IXIS Funding Corp., formerly known as CDC Funding Corp.), a subsidiary of CDC Finance – CDC IXIS, a bank (société anonyme) governed by French law (the "Existing Investment Agreement Provider") and U.S. Bank National Association (as successor to National City Bank of Indiana) (and, upon the issuance of the Series 2012 D Bonds, The Huntington National Bank, as Deposit Trustee), thereunder. The guarantor of the Existing Investment Agreement is CDC Finance – CDC IXIS, a bank (société anonyme) governed by French law (the "Existing Investment Agreement Guarantor"). While the Qualified Entity is not relying on amounts invested pursuant to the Existing Investment Agreement to pay all or any portion of the payments due under the Lease or under the Series 2012 D Qualified Obligations, the (i) insolvency, bankruptcy or similar deterioration in financial condition of the Existing Investment Agreement Provider or the Existing Investment Agreement Guarantor, or (ii) a rating downgrade of the Existing Investment Agreement Guarantor, may negatively affect amounts held in the Lease Rental Reserve Fund and amounts in such fund available to pay rentals due pursuant to the Lease, should they be needed to make all or a portion of a lease payment.

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 2012 D 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 2012 D Bonds to be taxable retroactive to the date of issuance. Also, in connection with the original purchase of the Series 2012 D 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 the Qualified Entity, the County and the Hospital with certain covenants made in connection with the issuance of such Series 2012 D Qualified Obligations, the interest on the Series 2012 D Qualified Obligations is excluded from the gross income of the holders thereof for federal income tax purposes under existing statutes, decisions, regulations and rulings. However, the interest on such Series 2012 D Qualified Obligations could become taxable in the event that the Qualified Entity, the County or the Hospital 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 2012 D 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 2012 D 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 2012 D 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 2012 D 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 2012 D 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 Series 2012 D Bonds upon the occurrence of an Event of Default under the Indenture or under the terms of any of the Series 2012 D 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, the remedies provided in the Indenture and the Series 2012 D Qualified Obligations may not be readily available or may be limited.

Future Legislative Changes

Proposed, pending or future tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of the interest on the Series 2012 D Bonds subsequent to their issuance. Future legislation could directly or indirectly reduce or eliminate the value of certain deductions and exclusions, including the benefit of the exclusion of tax-exempt interest on the Series 2012 D Bonds from gross income for federal income tax purposes. Any such proposed legislation, actions or decisions, whether or not enacted, taken or rendered, could also adversely affect the value and liquidity of the Series 2012 D Bonds. Prospective purchasers of the Series 2012 D Bonds should consult their own tax advisors regarding the foregoing matters.

Secondary Market

There can be no assurance that there will be a secondary market for the purchase or sale of the Series 2012 D Bonds, and from time to time there may be no market for the Series 2012 D Bonds depending upon prevailing market conditions and the financial condition or market position of firms who may make the secondary market. The Series 2012 D Bonds should therefore be considered long-term investments in which funds are committed to maturity.

Prepayment Risks

The Series 2012 D Bonds are subject to redemption, without premium, in advance of their stated maturities under certain circumstances. See "THE SERIES 2012 D BONDS—Redemption." Upon the occurrence of certain events of default, the payment of the principal of and interest on the Series 2012 D Bonds may be accelerated. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Events of Default and Remedies" in Appendix G. Therefore, there can be no assurance that the Series 2012 D Bonds will remain outstanding until their stated maturities.

Bond Rating

There is no assurance that the rating assigned to the Series 2012 D Bonds at the time of issuance will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price or marketability of the Series 2012 D Bonds. Additionally, due to the ongoing uncertainty regarding the debt of the United States of America, including without limitation, the general economic conditions in the country, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the Series 2012 D Bonds, could be subject to a rating downgrade. Furthermore, if a significant default or other financial crisis should occur in the affairs of the State of Indiana, the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, such as the Series 2012 D Bonds.

Financial Condition or Rating of Assured Guaranty

There can be no assurance that Assured Guaranty will maintain its present financial condition, that its rating will not be downgraded, or that an adverse change in its financial condition or its rating will not adversely affect its ability to advance funds in the event of a draw on the Series 2012 D Debt Service Reserve Fund Credit Facility. Additionally, under the Indenture, the Bond Bank is not required to provide a replacement Debt Service Reserve Fund Credit Facility in the event of a downgrade in Assured Guaranty's rating or in the event Assured Guaranty fails to honor a draw on the Series 2012 D Debt Service Reserve Fund Credit Facility or becomes insolvent.

PARTICULAR RISKS ASSOCIATED WITH THE LEASE

The Series 2012 D Qualified Obligations are payable from lease rental revenues received by the Qualified Entity under a lease agreement dated as of December 11, 2002 (the "Original Lease"), between the Qualified Entity, as lessor, and the County, acting through its Board of Commissioners, and the Hospital, as lessees (collectively, the "Lessee"), as amended by an Addendum to Lease dated as of March 26, 2003, by and between the Qualified Entity and the Lessee (the "Original Addendum"), and as further amended by a First Amendment to Lease dated as of October 4, 2012 by and between the Qualified Entity and the Lessee (the "First Amendment to Lease") (the Original Lease, as amended by the Original Addendum and the First Amendment to Lease is hereinafter referred to as the "Lease"). This discussion is not intended to be all-inclusive, and other risks may also be present.

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 (as defined in the Lease) 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 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.

PARTICULAR RISKS ASSOCIATED WITH THE COUNTY

The Series 2012 D Bonds will be payable by the Bond Bank solely from amounts payable under the 2012 D Qualified Obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 D BONDS.” The ability of the Qualified Entity to realize revenues in amounts sufficient to pay debt service on the Series 2012 D Bonds when due is in part dependent upon the County’s ability to make lease rental payments under the Lease. See Appendix B for additional information concerning the Lease. This discussion is not intended to be all-inclusive, and other risks may also be present.

Risks Related to the Pledged EDIT Revenues

There are certain risks associated with EDIT. This Official Statement contains information regarding the historical certified distributions received by the County and the Cities of Berne and Decatur (the “Cities”) and the Towns of Geneva and Monroe (the “Towns”), who have also pledged a portion of their EDIT revenues to the payments due under the Lease. The County’s, Cities’ and Towns’ EDIT revenues in the future may differ materially from their historical receipts. See also Appendix B “SERIES 2012 D QUALIFIED OBLIGATIONS, THE QUALIFIED ENTITY AND THE LEASE – Economic Development Income Tax” and Appendix E “COUNTY DEBT AND TAXATION.”

(i) Adverse economic conditions in the County, Cities, Towns, State of Indiana or the United States could result in a reduction in the Adjusted Gross Income of qualifying taxpayers in the County, the Cities and the Towns and, therefore, a reduction in the Pledged Edit Revenues.

(ii) Local area or statewide delinquencies in state income tax collection could result in reduced Pledged EDIT Revenues.

(iii) By law, a county may not impose a combined EDIT and County Option Income Tax Rate (“COIT”) that would exceed 1.00%. The County currently has in force an EDIT rate of .4% and a COIT rate of .6%. The County has made no representation, is not obligated and is prohibited by current law from taking any action to increase that rate at which EDIT is imposed.

(iv) Only two-tenths of one percent (.2%) of the four-tenths of one percent (.4%), including such amounts designated to be received by the County for such purposes by the Cities and the Towns, has been pledged to the payment of rentals under the Lease. The County, Cities and Towns are under no obligation to increase the percentage of EDIT which makes up the Pledged EDIT Revenues. See Appendix E for historical information regarding Pledged EDIT Revenues.

(v) The legislature, or any administrative agency with jurisdiction in the matter, could enact new laws or regulations or interpret, amend, alter, change or modify, or a court of competent jurisdiction could interpret, the laws or regulations governing the collection, distribution, definition or accumulation of EDIT in a fashion that would adversely affect the owners of the Series 2012 D Bonds.

(vi) EDIT revenues can vary considerably from year to year depending on the relative amounts of property tax levies of the County, the cities and the towns located in the County, including the Cities and Towns and the amount of EDIT collected from taxpayers. The amount of the County's, Cities' and Towns' distributive share of EDIT is determined by statute based on the ratio of the County's, Cities' and Towns' property tax levy to the total property tax levies of the County, Cities and Towns and all of the other cities and towns in the County. The Pledged EDIT Revenues received for 2011 made up approximately 50% of the total EDIT revenues distributed to the County and the cities and towns in the County for 2011*. If the County's, Cities' or Towns' property tax levy declines as a percentage of the aggregate property tax levies of the County and the other cities and towns in the County, their distributive share of EDIT revenues would be reduced. Among the factors that could cause the percentage of the EDIT distribution to which the County, Cities and Towns are entitled to be less than the current percentage would be a reduction by the County, Cities or Towns of the property taxes they impose, an increase by the other cities or towns in the County in the amount of property taxes they impose, or excessive property tax levies obtained by other cities or towns in the County.

Risks Related to Property Tax Revenues

The County cannot predict the timing, likelihood or impact on property tax collections of any future judicial actions, amendments to the State Constitution, including legislation, regulations or rulings taken, promulgated or issued to implement the regulations, statutes applicable to the Property Tax Revenues or of future property tax reform in general. In addition, there can be no assurance as to future events or legislation that may impact such regulations or statutes or the collection of the Property Tax Revenues by the County.

The Circuit Breaker Tax Credit amount for the County shown in Appendix E 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 in the future. The effects of these changes could affect 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 the reduction in local option income taxes applied to property tax relief could increase effective property tax rates and the amount of lost revenue due to the Circuit Breaker Tax Credit, and the resulting increase could be material.

PARTICULAR RISKS ASSOCIATED WITH THE HOSPITAL

The Series 2012 D Bonds will be payable by the Bond Bank solely from amounts payable under the Series 2012 D Qualified Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 D BONDS." The ability of the Qualified Entity to realize revenues in amounts sufficient to pay debt service on the Series 2012 D Bonds when due is in part dependent upon the Hospital's ability to make lease rental payments under the Lease. See Appendix B for additional information concerning the Lease. This discussion is not intended to be all-inclusive, and other risks may also be present.

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* Percentage is based on Pledged EDIT Revenues of $896,388 received in 2011, plus $133,349 received in 2012 but attributable to 2011.

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 if the Hospital otherwise becomes insolvent. See Appendix C for additional information relating to the Hospital.

However, 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 in the County. See Appendices D and E for additional information relating to the levy and collection of property taxes by the County. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 D BONDS – Provision for Payment of the Series 2012 D Qualified Obligations."

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 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. See Appendix C for additional information relating to the Hospital.

Federal and State Legislation and Other Actions

The Hospital is subject to federal and state regulatory actions, legislative and policy changes by those governmental and private agencies that administer Medicare and Medicaid programs and by other third-party payors, and actions by, among others, the National Labor Relations Board, the American Osteopathic Association's Bureau of Healthcare Facilities Accreditation Program (the "Healthcare Facilities Accreditation Program"), the Federal Trade Commission, the Internal Revenue Service and the Office of the Inspector General ("OIG") of the Department of Health and Human Services ("HHS"), the office of the U.S. Attorney, the Department of Justice, and other federal, state and local government agencies.

During the past several years, substantial changes have occurred in the national health care delivery, reimbursement and insurance systems. In addition, wide variations of bills and regulations proposing to regulate, control or alter the method of financing health care costs are often proposed and introduced in state legislatures and by regulatory agencies. Because of the many possible financial effects that could result from enactment of any bills or regulatory actions proposing to regulate the health care industry, it is not possible at this time to predict with assurance the effect, if any, on the businesses and financial results of the Hospital of such bills or regulatory actions; however, such bills or regulatory actions could have a negative impact and such effect could be material.

Health Care Reform

In March 2010, President Obama signed sweeping health care reform legislation referred to as the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "Health Care Reform Act"). Soon after enactment, the Health Care Reform Act became the subject of court challenges and efforts to repeal or modify its substantive provisions. In a June 28, 2012 decision, the U.S. Supreme Court upheld most of the provisions of the Health Care Reform Act, but rejected a requirement that states significantly expand Medicaid eligibility. Instead, each state must determine whether federal financial incentives included in the Health Care Reform Act merit expanding its Medicaid program.

Some of the provisions of the Health Care Reform Act took effect immediately, while others will be phased in over time, ranging from one year to ten years. Because of the complexity of health care reform generally, additional legislation modifying or repealing portions of the Health Care Reform Act is likely to be considered and enacted over time. The Health Care Reform Act will also require the promulgation of substantial regulations with significant effect on the health care industry and third-party payors. In response, third-party payors and suppliers and vendors of goods and services to health care providers are expected to impose new and additional contractual terms and conditions. Thus, the health care industry is now subject to significant new statutory and regulatory requirements and contractual terms and conditions, consequently, to structural and operational changes and challenges for a substantial period of time.

Management of the Hospital has made strategic and operating adjustments in response to the Health Care Reform Act and will continue to analyze the Health Care Reform Act in order to assess the effects of the legislation and evolving regulations on current and projected operations, financial performance and financial condition. However, management cannot predict with any reasonable degree of certainty or reliability any interim or ultimate effects of the legislation.

A significant component of the Health Care Reform Act is reformation of the sources and methods by which consumers will pay for health care for themselves and their families and by which employers will procure health insurance for their employees and dependents and, as a consequence, expansion of the base of consumers of healthcare services. One of the primary drivers of the Health Care Reform Act is to provide or make available, or subsidize the premium costs of, health care insurance for some of the millions of currently uninsured (or underinsured) consumers who fall below certain income levels. The Health Care Reform Act intends to accomplish this objective through various provisions, summarized as follows: (i) the creation of active markets (referred to as exchanges) in which individuals and small employers can purchase health care insurance for themselves and their families or their employees and dependents, (ii) providing subsidies for premium costs to individuals and families based upon their income relative to federal poverty levels, (iii) mandating that individual consumers obtain and certain employers provide a minimum level of health care insurance, and providing for penalties or taxes on consumers and employers that do not comply with these mandates, (iv) establishment of insurance reforms that expand coverage generally through such provisions as prohibitions on denials of coverage for pre-existing conditions and elimination of lifetime or annual cost caps, and (v) expansion of existing public programs, including Medicaid for individuals and families. Prior to the Supreme Court decision, the Congressional Budget Office ("CBO") estimated that in federal fiscal year 2015, 19 million consumers who were currently uninsured would become insured, followed by an additional 11 million consumers in federal fiscal year 2016. Because some states may choose not to implement expanded Medicaid eligibility, that estimate may decrease. However, because the provisions of the Health Care Reform Act substantially increase the number of insured consumers, an increase in utilization of health care services by those who are currently avoiding or rationing their health care can be expected and bad debt expenses may be reduced.

Some of the specific provisions of the Health Care Reform Act that may affect Hospital operations, financial performance or the financial condition are described below. This listing is not, is not intended to be, nor should be considered by the reader as, comprehensive. The Health Care Reform Act is complex and comprehensive, and includes a myriad of new programs and initiatives and changes to existing programs, policies, practices and laws. In addition, many of the rules for the establishment and implementation of such programs and initiatives have yet to be written.

- In return for certain federal financial incentives, states may determine to implement an expansion of Medicaid programs to a broader population with incomes up to 133% of federal poverty levels. Providers operating in states that implement Medicaid expansion and which currently serve large Medicaid and uninsured populations are anticipated to benefit from increased revenues resulting from increased utilization and reductions in bad debt or uncompensated care. The increase in utilization can also be expected to increase the costs of providing that care, which may or may not be balanced by increased revenues.

- Within two (2) years of the effective date of the Health Care Reform Act, the Secretary of HHS shall establish a demonstration program for a value-based purchasing program with respect to inpatient critical access hospital services in order to test innovative methods of measuring and rewarding quality and efficient health care furnished by such hospitals.

- With varying effective dates, the Health Care Reform Act enhances the ability to detect and reduce waste, fraud and abuse in public programs through provider enrollment screening, enhanced oversight periods for new providers and suppliers, and enrollment moratoria in areas identified as being at elevated risk of fraud in all public programs, and by requiring Medicare and Medicaid program providers and suppliers to establish compliance programs. The Health Care Reform Act requires the development of a database to capture and share healthcare provider data across federal healthcare programs and provides for increased penalties for fraud and abuse violations, and increased funding for anti-fraud activities.

- Effective for tax years commencing immediately after enactment, additional requirements for tax-exemption will be imposed upon tax-exempt hospitals, including obligations to conduct a community needs assessment every three years; adopt an implementation strategy to meet those identified needs; adopt and publicize a financial assistance policy; limit charges to patients who qualify for financial assistance to the lowest amount charged to insured patients; and control the billing and collection processes. Failure to satisfy these conditions may result in the imposition of fines or threaten a hospital's tax-exempt status.

- Commencing in 2014, the establishment of an Independent Payment Advisory Board to develop proposals to improve the quality of care and limitations on cost increases. Beginning January 15, 2019, if the Medicare growth rate exceeds the target, the Independent Payment Advisory Board is required to develop proposals to reduce the growth rate and require the Secretary of HHS to implement those proposals, unless Congress enacts legislation related to the proposals.

- Effective October 1, 2011, health care insurers are required to include quality improvement covenants in their contracts with hospital providers and are required to report their progress on such actions to the Secretary of HHS.

- Commencing January 1, 2015, health care insurers participating in the health insurance exchanges will be allowed to contract only with hospitals that have implemented programs designed to ensure patient safety and enhance quality of care. The effect of these provisions upon the process of negotiating contracts with insurers or the costs of implementing such programs cannot be predicted.

- Commencing October 1, 2010 and through September 30, 2019, payments under the "Medicare Advantage" programs (Medicare managed care) will be reduced, which may result in increased premiums or out-of-pocket costs to Medicare beneficiaries enrolled in Medicare Advantage plans. Those beneficiaries may terminate their participation in those plans and opt for the traditional Medicare fee-for-service program. The reduction in payments to Medicare Advantage programs may also lead to decreased payments to providers by managed care companies operating Medicare Advantage programs depending on the contractual arrangement between the Medicare Advantage program and the provider. All or any of these outcomes could have a disproportionately negative effect upon those providers with relatively high dependence upon Medicare managed care revenues.

The Health Care Reform Act creates a Center for Medicare and Medicaid Innovation to test innovative payment and service delivery models and to implement various demonstration programs and pilot projects to test, evaluate, encourage and expand new payment structures and methodologies to reduce health care expenditures while maintaining or improving quality of care, including bundled payments under Medicare and Medicaid, and comparative effectiveness research programs that compare the clinical effectiveness of medical treatments and develop recommendations concerning practice guidelines and coverage determinations. Other provisions encourage the creation of new health care delivery programs, such as accountable care organizations, or combinations of provider organizations, that voluntarily meet quality thresholds to share in the cost savings they achieve for the Medicare program. The outcomes of these projects and programs, including their effect on payments to providers and financial performance, cannot be predicted.

The Health Care Reform Act establishes a Medicare Shared Savings Program that seeks to promote accountability and coordination of care through the creation of Accountable Care Organizations ("ACOs"). Critical access hospitals can participate in the Medicare Shared Services Program through the creation of the Advance Payment Model Program. The program will allow hospitals, physicians and other to form ACOs and work together to invest in infrastructure and redesign integrated delivery processes to achieve high quality and efficient delivery of services. ACOs that achieve quality performance standards will be eligible to share in a portion of the amounts saved by the Medicare program. HHS has significant discretion to determine key elements of the program, including what steps providers must take to be considered an ACO, how to decide if Medicare program savings have occurred, and what portion of such savings will be paid to ACOs. It remains unclear whether providers will pursue federal ACO status or whether the required investment would be warranted by increased payments. Nevertheless, it is anticipated that private insurers may seek to establish similar incentives for providers, which requiring less infrastructural and organizational change. The potential impacts of these initiatives are unknown, but introduce greater risk and complexity to health care finance and operations.

The outcomes of the projects and programs resulting from the Health Care Reform Act, including the effect on payments to providers and financial performance, and the likelihood of future repeal or substantial modifications to those projects and programs, cannot be predicted with any accuracy.

Without regard to the outcome of the litigation over the Health Care Reform Act, over the past years, legislation has been introduced by various members of Congress to reform the health care delivery system, including its payment provisions. The objective of such legislation has been to substantially alter the health care delivery system. If national reform legislation is enacted, the Hospital may benefit from certain provision thereof, and, conversely, may be adversely affected by other provisions. Management of the Hospital cannot now anticipate the aggregate effect of any legislative reform proposals on the Hospital.

Changes in laws and regulations relating to reimbursement under the Medicare and Medicaid programs, could adversely affect the operations and financial results of the Hospital. Any future action by the federal government, or by state governments, limited or reducing the total amount of funds available for such programs or the methodology of reimbursement, could lower the amount of reimbursement available to the Hospital. Further, reductions in funding of health care below levels authorized by present law can be expected.

Based upon all of the above, it is more difficult to project future performance than it has been in the past, particularly because of the continued enactment of additional laws and promulgation of new regulations and guidelines that is expected to occur for an indefinite, but lengthy, period of time into the future.

Budget Control Act of 2011

On August 3, 2011, President Obama signed the Budget Control Act of 2011 (the "Budget Control Act"). The Budget Control Act limits the federal government's discretionary spending caps at levels necessary to reduce expenditures by $917 billion from the current federal budget baseline for federal fiscal years 2011 and 2012. Medicare, Social Security, Medicaid and other entitlement programs will not be affected by the limit on discretionary spending caps.

The Budget Control Act also created a Joint Select Committee on Deficit Reduction (the "Committee"), which was tasked with making recommendations to further reduce the federal deficit by $1.5 trillion.

Committee recommendations were to include reductions in Medicare, Medicaid, Social Security and other entitlement programs. The Committee was required to report its recommendations to Congress by a majority vote no later than November 23, 2011. After several months of negotiations, the Committee was unable to reach agreement on spending reductions.

As a result of this failure, and in exchange for raising the debt ceiling, the Budget Control Act also set in place a protocol for mandatory spending cuts. Known as sequestration (across the board cuts), these cuts will be triggered in an amount necessary to achieve $1.2 trillion in savings in January 2013.

A wide range of spending, however, is exempted from sequestration, including: Social Security, Medicaid, Veteran's benefits and pensions, federal retirement funds, civil and military pay, child nutrition, and other specified programs. Medicare is not exempted from sequestration, however cuts to Medicare cannot come at the cost of beneficiaries. Consequently, Medicare payments to providers could be reduced as a result of these across the board spending reductions, limited to 2% of total program costs.

The method for achieving federal deficit reduction has been intensely debated, with significant disagreement among the United States Senate, the United States House of Representatives and the President. Any cuts resulting from the sequestration process will likely have an adverse effect on the financial condition of the Hospital, which could be material.

Patient Service Revenues

A substantial portion of the net patient service revenues of the Hospital is derived from third-party payors that pay for the services provided to patients covered by third parties for services. These third-party payors include the federal Medicare program, state Medicaid programs and private health plans and insurers, including health maintenance organizations and preferred provider organizations. Many of those programs make payments to the Hospital in amounts that may not reflect the direct and indirect costs of the Hospital of providing services to patients. Accordingly, there can be no assurance that payments made under such programs will be adequate to cover the Hospital's actual costs of furnishing health care services and items.

The financial performance of the Hospital has been and could be in the future adversely affected by the financial position or the insolvency or bankruptcy of or other delay in receipt of payments from third-party payors that provide coverage for services to their patients.

Medicare and Medicaid Programs

Approximately 45% and 7% of the gross patient revenue of the county hospital facility operated by the Hospital (the "Hospital Facility") for the fiscal year ended December 31, 2011, was derived from the Medicare program and Medicaid program, respectively. See the information in Appendix C under the caption, "DESCRIPTION OF THE HOSPITAL – Sources of Patient Revenue." Medicare and Medicaid are the commonly used names for reimbursement or payment programs governed by certain provisions of the federal Social Security Act. Medicare is an exclusively federal program, and Medicaid is a combined federal and state program. Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older, blind, disabled or qualify for the End Stage Renal Disease Program. Medicare Part A covers inpatient hospital services, skilled nursing care and some home health care, and Medicare Part B covers physician services and some supplies. Medicaid is designed to pay providers for care given to the medically indigent and others who receive federal aid. Medicaid is funded by federal and state appropriations and administered by the various states.

Medicare. Medicare is a federal governmental health insurance system under which physicians, hospitals and other health care providers or suppliers are reimbursed or paid directly for services provided to eligible elderly and disabled persons. Medicare is administered by the Centers for Medicare and Medicaid Services, or CMS, of HHS. In order to achieve and maintain Medicare certification, certain health care providers, such as the Hospital, must meet CMS's "Conditions of Participation" on an ongoing basis, certain licensure requirements as determined by the state in which the provider is located and/or ongoing compliance with the standards of a chosen accreditation program, such as those administered by The Joint Commission (the "Joint Commission") or the Healthcare Facilities Accreditation Program.

The Hospital depends significantly on Medicare as a source of revenue. As indicated above, the Health Care Reform Act will present an unknown financial impact on all hospitals. Future reductions in Medicare reimbursement, or increases in Medicare reimbursement in amounts less than increases in the costs of providing care, may have a material adverse financial effect on the Hospital.

A substantial portion of the Medicare revenues of the Hospital is derived from payments made for services rendered to Medicare beneficiaries. Presently, inpatient and outpatient services, skilled nursing care and home health care are paid on the basis of 101% of the costs to provide services to Medicare beneficiaries.

PPS-exempt hospitals and units (inpatient psychiatric, rehabilitation and long-term hospital services) are currently reimbursed under systems separate from the PPS/DRG system used for general acute care hospitals and units. However, these exempt hospital/unit PPS payment methodologies are similar in that they utilize nationally determined payment rates (per discharge for rehabilitation and long-term care, per diem for psychiatric). These national rates are then generally subject to patient and/or facility specific adjustments for such factors as case mix, regional wage or cost differences, medical education, disproportionate share, and outliers. The types of adjustments vary for each of the exempt PPS programs.

The costs of providing a unit of care may exceed the revenues realized from Medicare for providing that service. Additionally, the aggregate costs to a provider of providing care to Medicare beneficiaries may exceed aggregate Medicare revenues received during the relevant fiscal period.

Hospitals participating in Medicare are subject to audits and retroactive audit adjustments with respect to reimbursements claimed under the Medicare program. The hospital receives payments for various services provided to Medicare patients based upon charges or other reimbursement methodologies that are then reconciled annually based upon the preparation and submission of annual cost reports. Estimates for the annual cost reports are reflected on the hospital's financial statements as amounts due to/from third-party payors and represent several years of open cost reports due to time delays in Medicare audits and the complexity of billing and reimbursement regulations. These estimates are adjusted periodically based upon correspondence received from Medicare. Medicare regulations also provide for withholding Medicare payment in certain circumstances if it is determined that an overpayment of Medicare funds has been made. In addition, under certain circumstances, payments 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 hospital to civil or criminal sanctions.

CMS also enlists recovery audit contractors ("RACs") to conduct periodic annual audits of Medicare payments to search for potentially improper Medicare payments from prior years that were not detected through CMS's routine program integrity efforts. The RACs are private contractors, paid on a contingency fee basis, and use their own software and review processes. Although required to identify both overpayments and underpayments, RACs have in practice collected significantly more in overpayments from health care providers in proportion to the underpayments to providers. Under the Health Care Reform Act recovery audits were expanded to include Medicaid by requiring states to contract with RACs to conduct such audits. It is unknown what, if any, future impact such reviews will have on the revenues of the Hospital.

Medicaid. Medicaid is a health insurance program for certain low-income and needy individuals that is jointly funded by the federal government and the states. Pursuant to federal guidelines, each state establishes its own eligibility standards; determines the type, amount, duration and scope of services; sets the payment rates for services; and administers its own programs. The Health Care Reform Act requires that, effective in 2014, Medicaid be expanded to all individuals under age 65 with incomes less than 133% of the federal poverty level guidelines.

Under the Medicaid program, the federal government supplements funds provided by the various states for medical assistance to the medically indigent. Payment for medical and health services is made to providers in amounts determined in accordance with procedures and standards established by state law under federal guidelines. Fiscal considerations of both federal and state governments in establishing their budgets will directly affect the funds available to the providers for payment of services rendered to Medicaid beneficiaries.

The federal and state governments, including Indiana, are continuing to consider changes to Medicaid funding, particularly in light of the budget crises facing many states, including Indiana. The United States Congress recently approved a temporary increase in Medicaid funding to states; however, the federal government continues to explore options for a long-term solution to the funding difficulties with Medicaid. Certain additional proposals being examined may ultimately result in reduced federal Medicaid funding to the states, which could adversely impact the amount received by the Hospital despite anticipated increased Medicaid enrollment.

Since a portion of the Medicaid program's costs in each state are paid by that 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 that state. The actions the State of Indiana 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 the amounts of payments that will be made for covered services, changes in the types of services that will be covered under the Medicaid program, and changes in eligibility requirements for Medicaid recipients and delays of payments due to hospitals. Any such action taken by the State of Indiana could have a material adverse effect upon the Hospital's operations and financial results. As such, no assurance can be given that payments under the Medicaid program will be sufficient to cover the operating and capital costs incurred by the Hospital in providing services to Medicaid beneficiaries or that further significant changes to the Medicaid program may not be implemented by the Indiana General Assembly.

While federal laws impose certain basic requirements on the individual Medicaid plans developed by the states, each state develops its own payment system; determines the type, amount, duration and scope of services; establishes eligibility standards and administers its own program. Payments for services rendered to Indiana Medicaid beneficiaries remain subject to an appropriation by the Indiana General Assembly of sufficient funds to pay the incurred payment obligations for the Medicaid program. Delays in appropriations and state budgets which may occur from time to time create a risk that payment for services to Medicaid beneficiaries will be delayed or withheld.

The Indiana Medicaid program makes 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.

The Indiana Medicaid Program has 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.

Certain Indiana hospitals that serve a disproportionate share of Medicaid and low-income patients may be eligible to receive "disproportionate share payment" ("DSH"), as well as indigent care payments. Indiana has two DSH programs, a basic program and an enhanced program. A hospital can become eligible to receive DSH payments under the basic program, based upon its Medicaid and low-income patient utilization. The enhanced disproportionate share adjustment provides additional funds to eligible hospitals based upon their Medicaid discharges and patient days. Indigent care payments provide funds for the treatment of eligible individuals based upon each inpatient day.

Hospital Assessment Fee. During the 2011 legislative session, the Indiana General Assembly passed House Enrolled Act 1001 (the "2011 Budget Bill"). The 2011 Budget Bill became effective July 1, 2011. Section 281 of the 2011 Budget Bill implemented a "hospital assessment fee" (the "Fee Program") on certain hospitals for the two year period beginning on July 1, 2011 and ending on June 30, 2013 (the "Fee Period"). The Fee Program is intended to increase, to the extent allowable under federal law, Medicaid reimbursement for inpatient and outpatient hospital services provided during the Fee Period. The formula utilized to determine the hospital assessment fee for a hospital subject to the Fee Program is tied to inpatient days. Although the intent of the Fee Program is to benefit hospitals subject to the Fee Program, by providing to them higher reimbursement rates during the Fee Period, it is possible for a hospital to be adversely financially affected by the Fee Program, depending upon whether the hospital assessment fee incurred for each fiscal year during the Fee Period is greater than the increased reimbursement received during the Fee Period which results from the Fee Program. The Hospital anticipates that the implementation of the Fee Program will have an adverse financial impact on Hospital revenues during the Fee Period. Additionally, it is possible that the Fee Program may be renewed beyond the Fee Period. Any renewal of the Fee Program beyond the Fee Period could have an adverse effect on future Hospital revenues.

Physician Payments. Certain physician services are reimbursed on the basis of a national fee schedule called the “resource based-relative value scale” (“RB-RVS”). The RB-RVS fee schedule establishes payment amounts for all physician services, including services of provider-based physicians, and is subject to annual updates. In the RV-RVS system, payments for physician services are determined by the resource costs needed to provide them. The cost of providing each service is divided into three components: physician work, practice expense and professional liability insurance, each of which is resource-based. These factors are translated into relative value units (“RVUs”) and payments are calculated by multiplying the combined RVUs of a service by a conversion factor (a monetary amount that is determined by CMS). Payments are also adjusted for geographical differences in resource costs. The Sustainable Growth Rate (“SGR”), which is a limit on the growth of Medicare payments for physician services, is linked to changes in the U.S. Gross Domestic Product over a ten-year period. SGR targets are compared to actual expenditures in order to determine subsequent physician fee schedule updates. Use of the SGR in determining physician fee schedule updates has been widely criticized as an unworkable formula. Each year since 2003, Congress has provided temporary relief from scheduled “negative” updates that would have reduced physician payments. In 2012, Congress has intervened again to avoid the accumulated effect of Congressional override of scheduled “negative” updates. Those interventions expire, however, on January 1, 2013. CMS has proposed that, in the absence of further interventions by Congress, physician payments will decrease 32% effective January 1, 2013.

Private Health Plans and Managed Care

Managed care plans have historically used discounts and other economic incentives to reduce or limit the cost and utilization of health care services. Defined broadly, for the fiscal year ended December 31, 2011, private health insurance and managed care payments constituted approximately 23% of the gross patient revenue of the Hospital Facility. See “DESCRIPTION OF THE HOSPITAL – Sources of Patient Revenue” in Appendix C. There is no assurance that the Hospital will maintain managed care contracts or obtain other similar contracts in the future. Failure to maintain contracts could have the effect of reducing the market share of the Hospital Facility and the Hospital Facility’s gross patient services revenue. Conversely, participation may maintain or increase the patient base but could result in lower net income or operating losses to the Hospital if it is unable to adequately contain its costs.

Many preferred provider organizations, or PPOs, and health maintenance organizations, or HMOs, currently pay hospital on a negotiated fee-for-service basis or on a fixed rate per day of care, which, in each case, usually is discounted from the typical charges for the care provided. The discounts offered to HMOs and PPOs may result in payment to a hospital that is less than its actual cost for some services. Additionally, the volume of patients directed to a hospital may vary significantly from projections, and/or changes in the utilization of certain services offered by the hospital may be dramatic and unexpected, thus further jeopardizing the hospital’s ability to contain costs.

Some HMOs employ a “capitation” payment method under which hospitals are paid a predetermined periodic rate for each enrollee in the HMO who is “assigned” or otherwise directed to receive care at a particular hospital. In a capitation payment system, the hospital assumes a financial risk for the cost and scope of care given to the HMO’s enrollees. In some cases, the capitated payment covers total hospital patient care provided. However, if payment under an HMO or PPO contract is insufficient to meet the hospital’s costs of care or if utilization by enrollees materially exceeds projections, the financial condition of the hospital could erode rapidly and significantly.

As a consequence of the above factors, the effect of managed care on the Hospital’s financial condition is difficult to predict and may be different in the future than the financial statements for the current periods reflect.

Regulatory Environment

Licensing, Surveys, Investigations and Audits. Health facilities 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 Conditions of Participation, requirements for participation in Medicaid, state licensing agencies, private payors and the accreditation standards of The Joint Commission or the Healthcare Facilities Accreditation Program. Renewal and continuation of certain of these licenses, certifications and accreditations are based on inspections, surveys, audits, investigations or other reviews, some of which may require affirmative actions by the Hospital.

The inability of the Hospital to renew or continue currently-held licenses, certifications or accreditations could result in the loss of utilization or revenues, or the ability of the Hospital to operate all or a portion of its health care facilities, and, consequently, could have a material and adverse effect on the Hospital.

Negative Rankings Based on Clinical Outcomes, Cost, Quality, Patient Satisfaction and Other Performance Measures. Health plans, Medicare, Medicaid, employers, trade groups and other purchasers of health services, private standard-setting organizations and accrediting agencies increasingly are using statistical and other measures in efforts to characterize, publicize, compare, rank and change the quality, safety and cost of health care services provided by hospitals and physicians. Published rankings such as "score cards," "pay for performance" and other financial and non-financial incentive programs are being introduced to affect the reputation and revenue of hospitals and the members of their medical staffs and to influence the behavior of consumers and providers such as the Hospital. Currently prevalent are measures of quality based on clinical outcomes of patient care, reduction in costs, patient satisfaction and investment in health information technology. Measures of performance set by others that characterize a hospital negatively may adversely affect its reputation and financial condition.

Civil and Criminal Fraud and Abuse Laws and Enforcement. Federal and state health care fraud and abuse laws regulate both the provision of services to government program beneficiaries and the methods and requirements for submitting claims for services rendered to beneficiaries. Under these laws, individuals and organizations can be penalized for submitting claims for services that are not provided, billed in a manner other than as actually provided, not medically necessary, provided by an improper person, accompanied by an illegal inducement to utilize or refrain from utilizing a service or product, or billed in a manner that does not otherwise comply with applicable government requirements.

Federal and state governments have a range of criminal, civil and administrative sanctions available to penalize and remediate healthcare fraud and abuse, including exclusion of the provider from participation in the Medicare/Medicaid programs, fines, civil monetary penalties and suspension of payments and, in the case of individuals, imprisonment. Fraud and abuse may be prosecuted by one or more government entities and/or private individuals, and more than one of the available penalties may be imposed for each violation.

Laws governing fraud and abuse apply to all individuals and healthcare enterprises with which a hospital does business, including other hospitals, home health agencies, long term care entities, infusion providers, pharmaceutical providers, insurers, health maintenance organizations, preferred provider organizations, third party administrators, physicians, physician groups and physician practice management companies. Fraud and abuse prosecutions can have a catastrophic effect on a provider and potentially a material adverse impact on the financial condition of other entities in the healthcare delivery system of which that entity is a part.

Based upon the prohibited activity in which the provider has engaged, governmental agencies and officials may bring actions against providers under certain civil or criminal laws and regulations including the False Claims Act, and other statutes prohibiting referrals for compensation or fee-splitting, such as "Stark law," which prohibits certain referrals by a physician to certain organizations with which the physician has a financial relationship. The civil and criminal monetary assessments and penalties may be substantial. Additionally, the provider may be denied participation in the Medicare and/or Medicaid programs. If and to the extent the Hospital engaged in a prohibited activity and judicial or administrative proceedings concluded adversely to the Hospital, the outcome could materially affect the Hospital.

The Hospital has internal policies and procedures and has developed and implemented a compliance program that management believes will effectively reduce exposure for violations of these laws. However, because the government's enforcement efforts presently are widespread within the industry and may vary from region to region, there can be no assurance that the compliance program will significantly reduce or eliminate the exposure of the Hospital to civil or criminal sanctions or adverse administrative determinations.

False Claims Act. The False Claims Act, or FCA, makes it illegal to submit or present a false, fictitious or fraudulent claim to the federal government and may include claims that are simply erroneous. FCA investigations and cases have become common in the health care field and may cover a range of activity from intentionally inflated billings, to highly technical billing infractions, to allegations of inadequate care. Violation or alleged violation of the FCA most often results in settlements that require multi-million dollar payments and compliance agreements. The FCA also permits individuals to initiate civil actions on behalf of the government in lawsuits called "qui tam" actions. Qui tam plaintiffs, or "whistleblowers," share in the damages recovered by the government or recovered independently if the government does not participate. The FCA has become one of the government's primary weapons against health care fraud. FCA violations or alleged violations could lead to settlements, fines, exclusion or reputation damage that could have a material adverse impact on a hospital.

Anti-Kickback Statute. The federal "Anti-Kickback Statute" is a criminal statute that prohibits anyone from knowingly or willfully soliciting, receiving, offering or paying any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, in return for a referral (or to induce a referral) for any item or service that is paid by any federal or state health care program. A number of regulatory Anti-Kickback Statutes "safe harbors" exist. If a transaction or relationship qualifies for safe harbor protection, that transaction or relationship will be deemed not to violate the Anti-Kickback Statute. However, the mere failure of a transaction or relationship to qualify for safe harbor protection does not mean that it violates the Anti-Kickback Statute. It simply means that such an arrangement will be reviewed within the context of the law to determine if the prohibited intent to pay or receive remuneration in exchange for referrals is present. The Anti-Kickback Statute applies to many common health care transactions between persons and entities with which a hospital does business, including hospital-physician joint ventures, medical director agreements, physician recruitment agreements, physician office leases and other transactions. The Health Care Reform Act amended the Anti-Kickback Statute to provide that a claim that includes items or services resulting from a violation of the Anti-Kickback Statute now constitutes a false or fraudulent claim for purposes of the FCA.

Violation or alleged violation of the Anti-Kickback Statute most often results in settlements that require multi-million dollar payments and mandatory compliance agreements that typically include costly audit requirements. The Anti-Kickback Statute can be prosecuted either criminally or civilly. Violation is a felony, subject to a fine of up to $250,000 for each act (which may be each item or each bill sent to a federal program), imprisonment and exclusion from the Medicare and Medicaid programs. In addition, civil monetary penalties of $10,000 per item or service in noncompliance (which may be each item or each bill sent to a federal program) or an "assessment" of three times the amount claimed may be imposed. The IRS has taken the position that hospitals which are in violation of Anti-Kickback Statute may also be subject to revocation of their tax-exempt status.

Stark Self-Referral Law. The federal Stark Law provides that unless an exception is met, where a physician (or physician's immediate family member) has a direct or indirect financial relationship with an entity (such as a hospital), the physician may not refer to the entity for the provision of certain "designated health services" ("DHS") payable under Medicare or Medicaid, which include inpatient and outpatient hospital services. The prohibition applies regardless of the reasons for the financial relationship and the referral; that is, no finding of intent to violate the law is required. The term "financial relationship" is broad and includes almost any remuneration, in cash or in kind, whether paid directly or indirectly. The Stark Law also prohibits a hospital furnishing DHS from billing Medicare, or any other payor or individual, for services performed pursuant to a prohibited referral. Sanctions for violating the Stark Law imposed on the billing entity include the denial of payment, refund of amounts already received, and civil monetary penalties of up to $15,000 for each claim presented pursuant to a prohibited referral, and up to $100,000 for circumvention schemes. Physicians can be excluded from these government health care programs for Stark Law violations. The government does not need to prove that the entity knew that the referral was prohibited to establish a Stark Law violation. If certain substantive and technical requirements are not met, many ordinary business practices and economically desirable arrangements between hospitals and physicians will likely constitute "financial relationships" within the meaning of the Stark Law, thus triggering the prohibition on referrals and billing. Most providers of DHS with physician relationships have some exposure to liability under the Stark Law.

Medicare may deny payment for all services related to a prohibited referral and a hospital that has billed for prohibited services is obligated to notify and refund the amounts collected from the Medicare program. For example, if an office lease between a hospital and a large group of heart surgeons is found to violate Stark, the hospital could be obligated to repay CMS for the payments received from Medicare for all of the heart surgeries performed by all of the physicians in the group for the duration of the lease; a potentially significant amount. The government may also seek substantial civil monetary penalties, and in some cases, a hospital may be liable for fines up to three times the amount of any monetary penalty, and/or be excluded from the Medicare and Medicaid programs. Potential repayments to CMS, settlements, fines or exclusion for a Stark violation or alleged violation could have a material adverse impact on a hospital.

Patient Records and Patient Confidentiality. The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") addresses the confidentiality of individuals' health information. The use and disclosure of certain broadly defined protected health information is prohibited unless expressly permitted under the provisions of the HIPAA statute and regulations or authorized by the patient. HIPAA's confidentiality provisions extend not only to patient medical records, but also to a wide variety of health care clinical and financial settings where patient privacy restrictions often impose new communication, operational, accounting and billing restrictions. These add costs and create potentially unanticipated sources of legal liability.

HIPAA imposes civil monetary penalties for violations and criminal penalties for knowingly obtaining or using individually identifiable health information. The civil monetary penalties are $100 per violation, up to $50,000 per HIPAA standard violated subject to a calendar year maximum of $1,500,000. The criminal penalties range from $50,000 to $250,000 in fines and/or imprisonment for up to ten years if the information was obtained or used with the intent to sell, transfer or use the information for commercial advantage, personal gain or malicious harm.

The HITECH Act significantly changes the landscape of federal privacy and security law with regard to individually identifiable health information. The HITECH Act (i) extended the reach of HIPPA, (ii) imposed a breach notification requirement on HIPPA covered entities, (iii) limited certain uses and disclosures of individually identifiable health information, (iv) increased individuals' rights with respect to individually identifiable health information and (v) increased enforcement of, and penalties for, violations of privacy and security of individually identifiable health information. Many of the HITECH Act's provisions became effective on February 17, 2010, but other provisions require implementing regulations that may become effective at some point in 2012 or thereafter.

Any violation of the HITECH Act is subject to HIPPA civil and criminal penalties. Additionally, the HITECH Act also creates a tiered approach to civil monetary penalties for violations of HIPPA and the HITECH Act. The new tiered approach under the HITECH Act provides for civil monetary penalties of up to $1.5 million for violations during a calendar year.

Security Breaches and Unauthorized Releases of Personal Information. Federal and state authorities are increasingly focused on the importance of protecting the confidentiality of individuals' personal information, including patient health information. Many states, including Indiana, have enacted laws requiring businesses to notify individuals of security breaches that result in the unauthorized release of personal information. In some states, notification requirements may be triggered even where information has not been used or disclosed, but rather has been inappropriately accessed. State consumer protection laws may also provide the basis for legal action for privacy and security breaches and frequently, unlike HIPAA, authorize a private right of action. In particular, the public nature of security breaches exposes health organizations to increased risk of individual or class action lawsuits from patients or other affected persons, in addition to government enforcement. Failure to comply with restrictions on patient privacy or to maintain robust information security safeguards, including taking steps to ensure that contractors who have access to sensitive patient information maintain the confidentiality of such information, could damage a health care provider's reputation and materially adversely affect business operations.

Patient Transfers. The Emergency Medical Treatment and Active Labor Act ("EMTALA"), a federal "anti-dumping" statute, imposes certain requirements that must be met before transferring a patient to another facility. Failure to comply with EMTALA can result in exclusion from the Medicare and/or Medicaid programs as well as civil and criminal penalties. Failure of the Hospital to meet its responsibilities under EMTALA could adversely affect the financial conditions of the Hospital.

Environmental Laws and Regulations. The Hospital's health care operations generate medical waste that must be disposed of in compliance with federal, state and local environmental laws, rules and regulations. The Hospital's operations, as well as the Hospital's purchases and sales of facilities, if any, also are subject to compliance with various other environmental laws, rules and regulations.

Certain Business Transactions

Physician Relations. The primary relationship between a hospital and physicians who practice in it is through the hospital's organized medical staff. Medical staff bylaws, rules and policies establish the criteria and procedures by which a physician may have his or her privileges or membership curtailed, denied or revoked. Physicians who are denied medical staff membership or certain clinical privileges, or who have membership or privileges curtailed, denied or revoked often file legal actions against hospitals. Such action may include a wide variety of claims, some of which could result in substantial uninsured damages to a hospital. In addition, failure of a hospital governing body to adequately oversee the conduct of the medical staff may result in hospital liability to third parties. All hospitals are subject to such risk.

Physician Contracting. The Hospital may contract with physician organizations (such as independent physician associations and physician-hospital organizations) to arrange for the provision of physician and ancillary services. Because physician organizations are separate legal entities with their own goals, obligations to shareholders, financial status and personnel, there are risks involved in contracting with the physician organizations.

The success of the Hospital will be partially dependent upon its ability to attract physicians to join the Hospital's medical staff as an employee of the Hospital or to join the physician organizations and to participate in their networks, and upon the ability of the physicians, including the employed physicians, to perform their obligations and deliver high quality patient care in a cost-effective manner. There can be no assurance that the Hospital will be able to attract and retain the requisite number of physicians, or that physicians will deliver high quality health care services. Without paneling a sufficient number and type of providers, the Hospital could fail to be competitive, could fail to keep or attract payor contracts, or could be prohibited from operating until its panel provided adequate access to patients. Such occurrences could have a material adverse effect on the business or operations of the Hospital.

Long-Term Care Facilities. The Hospital currently operates 14 long-term care facilities throughout the State of Indiana (the "Long-Term Care Facilities"), which are separately leased from and managed by various unrelated third parties (each, a "Manager"). All employees at all Long-Term Care Facilities are employees of the respective Managers, and the Hospital reimburses the Managers for all associated personnel expense. The long-term care activities support the mission of the Hospital to provide quality health care and services to elderly and disabled people. Such Long-Term Care Facilities are separate from the nursing facilities owned and operated by the Hospital. The leases pursuant to which the Hospital leases these Long-Term Care Facilities are subject to termination by the Managers or the Hospital without cause upon ninety (90) days written notice. The management agreements pursuant to which these Long-Term Care Facilities are managed are subject to termination by the Managers or the Hospital upon ninety (90) days written notice, or sooner in the event of certain defaults outlined in the management agreements. These transactions could be adversely affected by legislative or regulatory actions. Any termination of these long-term care activities could have a material adverse effect on the business or operations of the Hospital.

Affiliations, Merger, Acquisition and Divestiture. The Hospital may evaluate and pursue potential acquisition, merger and affiliation candidates as part of the overall strategic planning and development process. As part of its ongoing planning and property management functions, the Hospital reviews the use, compatibility and business viability of many of its operations, and from time to time the Hospital may pursue changes in the use of, or disposition of, some facilities. Likewise, the Hospital occasionally receives offers from, or conducts discussions with, third parties about the potential acquisition of operations and properties of the Hospital, or about the potential sale of some of the operations or property which are currently conducted or owned by the Hospital. Discussions with respect to affiliation, merger, acquisition, disposition or change of use of facilities, including those which may affect the Hospital, are held from time to time with other parties. These may be conducted with acute care hospital facilities and may be related to potential affiliation with the Hospital. As a result, it is possible that the current organization and assets of the Hospital may change from time to time.

In addition to relationships with other hospitals and physicians, the Hospital may consider investments, ventures, affiliations, development and acquisition of other health care-related entities. These may include home health care, long-term care entities or operations, infusion providers, pharmaceutical providers, and other health care enterprises that support the overall operations of the Hospital. In addition, the Hospital may pursue transactions with health insurers, HMOs, preferred provider organizations, third-party administrators and other health insurance-related businesses. Because of the integration occurring throughout the health care field, management will consider these arrangements if there is a perceived strategic or operational benefit for the Hospital. Any initiative may involve significant capital commitments and/or capital or operating risk (including, potentially, insurance risk) in a business in which the Hospital may have less expertise than in hospital operations. There can be no assurance that these projects, if pursued, will not lead to material adverse consequences to the Hospital.

Antitrust. Enforcement of 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. While the application of federal and state antitrust laws to health care is still evolving, enforcement activities by federal and state agencies appear to be increasing. Violators of antitrust laws could be subject to criminal and civil liability by both federal and state agencies, as well as by private litigants.

Professional Liability Claims and Liability Insurance

In recent years, the number of professional and general liability suits and the dollar amounts of damage recoveries have increased nationwide, resulting in substantial increases in malpractice insurance premiums. Professional liability and other actions alleging wrongful conduct and seeking punitive damages often are filed against health care providers. Litigation may also arise from the corporate and business activities of the Hospital and affiliates, employee-related matters, medical staff and provider network matters, and denials of medical staff and provider network membership and privileges. As with professional liability, many of these risks are covered by insurance, but some are not. For example, some antitrust claims, business disputes and workers' compensation claims are not covered by insurance or other sources and, in whole or in part, may be a liability of the Hospital and its affiliates if determined or settled adversely. Claims for punitive damages may not be covered by insurance under certain state laws. Although the Hospital currently carries malpractice and general liability insurance, management is unable to predict the availability, cost or adequacy of such insurance in the future.

PLAN OF FINANCING

The Bond Bank will use a portion of the proceeds of the Series 2012 D Bonds to purchase the Series 2012 D Qualified Obligations identified in Appendix B of this Official Statement. The Qualified Entity issuing the Series 2012 D 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 2012 D Qualified Obligations to the Bond Bank to advance refund the Adams County Hospital Association Lease Rental Revenue Bonds, Series 2003, outstanding on the date hereof in the aggregate principal amount of $34,710,000 (the "Refunded Qualified Obligations"), all as identified in its Authorizing Instrument.

Upon the delivery of the Series 2012 D Qualified Obligations and receipt of the net proceeds therefor from the Bond Bank, the Qualified Entity will transfer a portion of the proceeds from the sale of the Series 2012 D Qualified Obligations to the Qualified Entity Escrow Agent, which proceeds will be used, together with other legally available funds of the Qualified Entity, to purchase certain non-callable direct U.S. Government Obligations (the "Governmental Obligations"), which will be held in an irrevocable escrow account established under the Qualified Entity Escrow Agreement (as defined in Appendix H), to provide funds for the payment when due of the principal of, redemption premium and arbitrage rebate liability, if any, and interest on the Refunded Qualified Obligations through and including the date of redemption thereof on July 15, 2013, thereby resulting in a discharge of the Prior

Qualified Entity Indenture (as defined in Appendix H) and an advance refunding of the Refunded Qualified Obligations.

As a result of the establishment of the Qualified Entity Escrow Account and the deposit of the Governmental Obligations therein, the Refunded Qualified Obligations will constitute pre-refunded municipal bonds within the meaning of the term "Governmental Obligations," as defined in the Prior Bond Bank Indenture. Consequently, contemporaneously with the issuance of the Series 2012 D Bonds, the issuance of the Series 2012 D Qualified Obligations and the establishment of the Qualified Entity Escrow Account, the Bond Bank will immediately transfer (or direct the Prior Bond Bank Trustee to transfer) the Refunded Qualified Obligations to the Bond Bank Escrow Agent, which obligations will be used to establish the Bond Bank Escrow Account in an amount sufficient to pay the principal of, interest on and redemption price of the Refunded Bonds through and including the redemption date thereof on August 1, 2013, thereby resulting in a discharge of the Prior Bond Bank Indenture and an advance refunding of the Refunded Bonds.

APPLICATION OF PROCEEDS OF THE SERIES 2012 D BONDS

Set forth below is a summary of the *estimated* sources and uses of the proceeds of the Series 2012 D Bonds, which will be deposited pursuant to the terms of the Indenture:

Sources:	
Principal amount	$ 34,385,000
Net Premium	1,593,992
Remaining Funds from Prior Bond Bank Indenture	145,374
Total	$ 36,124,366
Uses:	
Acquisition of Series 2012 D Qualified Obligations[1]	$ 35,350,076
Net deposit to Bond Bank General Account	1,905
Costs of issuance[2]	364,500
Underwriter's discount	257,888
Purchase of the Series 2012 D Debt Service Reserve Fund Credit Facility	149,997
Total	$36,124,366

[1] The Qualified Entity will use a portion of this amount ($35,239,576) to fund the Qualified Entity Escrow Account (together with other legally available funds of the Qualified Entity), and will deposit the remaining portion of $110,500 into the Costs of Issuance Fund established under the Authorizing Instrument.

[2] Such amounts will pay costs of issuance on the Series 2012 D Bonds other than Underwriter's discount and the premium for the Series 2012 D Debt Service Reserve Fund Credit Facility.

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 September 1, 2012, an aggregate principal amount of approximately $1,932,129,740 in separate program obligations not secured by the Indenture, approximately $474,460,000 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 2012 D 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 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, Treasurer of the State, February 10, 2007 to present and Chairman Ex Officio. Residence: Evansville, Indiana. President, R.E. Mourdock and Associates, LLC, 2001 to present; Executive, Koester Companies, 1984-2000; Senior Geologist, Standard Oil Company, 1979-1984, Geologist, Amax Coal Company, 1974-1979.

Kendra York, Public Finance Director of the State, January 17, 2011 to present. Residence: Bargersville, Indiana. Indiana Finance Authority, Chief Operating Officer and General Counsel, 2007 to 2011; previously, attorney, of counsel, with Ice Miller LLP, municipal finance section, licensed to practice law in the state of Indiana and California.

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

Patrick F. Carr, Director; term expired July 1, 2011. Residence: Indianapolis, Indiana. President & Chief Financial Officer, Golden Rule Insurance Company, United Healthcare, 2010 to present; Golden Rule, Senior Vice President, Chief Financial Officer, 2005 to 2010; Mayflower Transit, Inc., President and CEO, 1995-2005; President of the Board, American Medical Insurance Company, 2006 to present; Treasurer of the Board, Center for Leadership, 2006 to present; Chairman of the Investment Committee, Catholic Community Foundation, 2009 to present; Board of Advisors, Langham Logistics, 2008 to present; Treasurer of Board of Directors, Legatus of Indiana, 1995 to present; Member of the Indiana CPA Society, American Institute of CPAs, and Financial Executive Institute.

Philip C. Belt, Director; term expires June 30, 2013. Residence: Indianapolis, Indiana. Senior Vice President and Chief Operating Officer, VMS BioMarketing, 2011 to present; Vice President, Private Equity, Credit Suisse, 2009 to 2011; Eli Lilly and Company, 1997 to 2009, Senior Director, Global Product Communications, 2008 to 2009; Senior Director, Corporate Communications, 2004 to 2008; Senior Director, Mergers and Acquisitions, 2000 to 2004; Director, Investor Relations, 1998 to 2000; Financial Manager/Financial Analyst, various roles, 1993 to 1997; Member of the Board of Elders, Church at the Crossing, 2004 to 2007.

Marni McKinney, Director, term expired July 1, 2004. Residence: Indianapolis, Indiana. Chairman, 2008 to present, Indiana Community Bank Advisory Board, M&I Marshall & Ilsley Bank; Vice President, 1984 to 1989, and Chairman of the Board, 1999 to 2008, First Indiana Bank; Vice Chairman and Chief Executive Officer, 1999 to 2005, and Chairman of the Board, 2005 to 2008, First Indiana Corporation; President and CEO, 1995 to 2000, The Somerset Group; Board of Directors, Fairbanks Hospital, Inc.; Board of Directors, Indiana State Symphony Society; Member, Advisory Panel of the Butler Business Accelerator; Member, Central Indiana Community Foundation Investment Committee; Member, Housing Trust Fund Advisory Committee of the City of Indianapolis.

J. Scott Davison, Director; term expired July 1, 2012. Residence: Zionsville, Indiana. Chief Financial Officer, One America Financial Partners, Inc., June 1, 2004 to present; Senior Vice President, Corporate Planning, July I, 2002 to June I, 2004; Vice President, Corporate Planning, December 1, 2000 to July 1, 2002; Senior Vice President and Chief Financial Officer, AUL Reinsurance Management Services, January 15, 2000 to December 1, 2000; Senior Vice President and Chief Financial Officer, Duncanson & Holt, Inc., October 1997 to January 15, 2000. Vice Chair, Indiana Sports Corporation, January 1, 2008 to present; Member of the Clarian Health Subcommittee on Investments, April 1, 2009 to present; Chairman of the Board for Camptown Inc., January I, 2008 to present.

Although the expiration date of the term of four Directors has passed, the Act provides that a Director's term will not expire until the Director's successor is appointed and qualified. No such successors have been appointed and qualified.

The Board is authorized to appoint and fix the duties and compensation of an Executive Director, who serves as both secretary and treasurer of the Board. Lisa Cottingham was appointed Executive Director of the Indiana Bond Bank effective July 28, 2010. Ms. Cottingham previously served as Controller for the Indiana Department of Corrections and was Executive Director of the Bond Bank from January, 1992 to July, 1995.

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 2012 D 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 or provides for the continuation of 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 2012 D Bonds, Revenues and Other Receipts

On the date of delivery of the Series 2012 D Bonds, the Trustee will deposit the proceeds from the sale of the Series 2012 D Bonds, together with other moneys made available by the Bond Bank, as follows:

(a) Into the Bond Issuance Expense Account of the General Fund, the amount of $364,500 in order to pay the Costs of Issuance (other than the Underwriter's discount retained by the Underwriter and the premium for the Series 2012 D Debt Service Reserve Fund Credit Facility paid by Underwriter to Assured Guaranty); and

(b) Into the General Account of the General Fund, the sum of $35,351,981, a portion of which in the amount of $35,350,076 which will be used to purchase the Series 2012 D Qualified Obligations.

The Qualified Entity will utilize the proceeds of the Series 2012 D Qualified Obligations to establish the Qualified Entity Escrow Account for the purpose of providing for the advance refunding of the Refunded Qualified Obligations, thereby effecting an advance refunding of the Refunded Bonds. See "PLAN OF FINANCING" herein.

The Trustee will deposit all Revenues and all other receipts (except the proceeds of the Series 2012 D Bonds, and moneys received by the Bond Bank from the sale or redemption prior to maturity of the Series 2012 D 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 2012 D 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 2012 D 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 2012 D 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 2012 D 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. By no later than the date with is 90 days following the issuance date of the Series 2012 D Bonds, 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 Registrar 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 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. See the caption "DEBT SERVICE RESERVE FUND CREDIT FACILITY."

Under the Indenture, the provider of any such Debt Service Reserve Fund Credit Facility, whether an insurer, a bank or a trust company, must have its long-term debt obligations rated at the time of issuance of such Debt Service Reserve Fund Credit Facility in one of the three highest rating categories.

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 2012 D 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.

Investment of Funds

Moneys held as a part of any Fund or Account under the Indenture will be invested and reinvested at all times as fully as reasonably possible by the Trustee in investments defined to be Investment Securities under the Indenture and in accordance with the provisions of the Act and the terms and conditions of the Indenture.

The Bond Bank will direct the Trustee (with such direction to be confirmed in writing) in the investment of such moneys. The Bond Bank will so direct the Trustee, and the Bond Bank and the Trustee will make all such investments of moneys under the Indenture, in accordance with prudent investment standards reasonably expected to produce the greatest investment yields while seeking to preserve principal. The Bond Bank may direct the Trustee to invest all moneys held in the General Account relating to the Series 2012 D Bonds pursuant to the provisions of an investment agreement.

All investments will be a part of the Fund or Account from which moneys were used to acquire such investments and all income and profits on such investments will be deposited as received in the General Account. Any investment income, gains or losses will be charged to the Fund or Account from which moneys were employed to invest in the Investment Security, and the Trustee will not be liable for any investment losses so long as the Trustee complies with the provisions of the Indenture. Moneys in any Fund or Account will be invested in Investment Securities with maturity dates (or redemption dates determinable at the option of the owner of such Investment Securities) coinciding as nearly as practicable with the times at which moneys in such Funds or Accounts will be required for transfer or disbursement under the Indenture. The Trustee will sell and reduce to cash at the best price reasonably obtainable sufficient amounts of such Investment Securities in the respective Fund or Account as may be necessary to make up a deficiency in any amounts contemplated to be disbursed from such Fund or Account.

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 Bond Bank.

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 2012 D Bonds; seeking to prohibit any transactions contemplated by the Indenture; or in any way contesting or affecting the validity of the Series 2012 D Bonds or the Series 2012 D Qualified Obligations or any proceedings of the Bond Bank taken with respect to the issuance or sale of the Series 2012 D 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 2012 D Bonds or the Series 2012 D 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 2012 D Qualified Obligations or the Lease or prohibiting the Qualified Entity from delivering the Series 2012 D Qualified Obligations to the Bond Bank or in any way contesting or affecting the validity of the Series 2012 D Qualified Obligations or the Lease, the payments to be made pursuant to the Series 2012 D Qualified Obligations, 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 2012 D Qualified Obligations.

TAX MATTERS

In the opinion of Barnes & Thornburg LLP, Indianapolis, Indiana, ("Bond Counsel"), under existing law, interest on the Series 2012 D 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 2012 D Bonds (the "Code"). The opinion of Bond Counsel is based on certain certifications, covenants and representations of the Bond Bank, the Qualified Entity, the Hospital and the County and is conditioned on their continuing compliance therewith. In the opinion of Bond Counsel, under existing laws, interest on the Series 2012 D 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 2012 D Bonds as a condition to the excludability of interest on the Series 2012 D Bonds from gross income for federal income tax purposes. Noncompliance with such requirements may cause interest on the Series 2012 D 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 2012 D Bonds bear interest that is not excluded from gross income for federal income tax purposes, the market value of the Series 2012 D Bonds would be materially and adversely affected. It is not an event of default under the Indenture or the Authorizing Instrument if interest on the Series 2012 D Bonds or the Series 2012 D Qualified Obligations, respectively, is not excludable from gross income for federal income tax purposes pursuant to any provision of the Code which is not in effect on the date of issuance of the Series 2012 D Bonds.

The interest on the Series 2012 D Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, interest on the 2012 D Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

The Series 2012 D 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 2012 D Bonds is excludable from gross income for federal income tax purposes and exempt from certain State income tax, the accrual or receipt of interest on the Series 2012 D 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 2012 D Bonds should consult their own tax advisors with regard to other tax consequences of owning the Series 2012 D Bonds.

The foregoing does not purport to be a comprehensive description of all of the tax consequences of owning the Series 2012 D Bonds. Prospective purchasers of the Series 2012 D Bonds should consult their own tax advisors with respect to the foregoing and other tax consequences of owning the Series 2012 D Bonds.

ORIGINAL ISSUE DISCOUNT

The initial public offering price of the Series 2012 D Bonds maturing on February 1 of the years 2025 through 2029 and on February 1, 2033 (collectively, the "Discount Bonds"), is less than the principal amount payable at maturity. As a result, the Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price of the Discount Bonds, as set forth on the inside 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 price of the Series 2012 D Bonds maturing on February 1 of the years 2014 through 2024 (collectively, the "Premium Bonds"), is greater than the principal amount 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 2012 D Bonds upon a default under the Indenture, to the Trustee or the Bond Bank under the Series 2012 D Qualified Obligations, the purchase agreement for the Series 2012 D Qualified Obligations and the Authorizing Instrument, or to any party seeking to enforce the pledges securing the Series 2012 D Bonds or the Series 2012 D 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, the remedies provided (or which may be provided) in the Indenture, the purchase agreement for the Series 2012 D Qualified Obligations, the Series 2012 D 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 2012 D Bonds under the Indenture or over the liens pledged to the owner of the Series 2012 D Qualified Obligations under the Authorizing Instrument.

The various legal opinions to be delivered concurrently with the delivery of the Series 2012 D 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 agreement for the Series 2012 D 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 2012 D Bonds are subject to the approval of Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel, whose approving legal opinion will be delivered with the Series 2012 D Bonds, substantially in the form attached hereto as Appendix F. Certain legal matters will be passed on by Issuer's Counsel, Bose McKinney & Evans LLP, Indianapolis, Indiana, and by Hall, Render, Killian, Heath & Lyman, P.C., Indianapolis, Indiana, counsel for the Underwriter.

RATING

S&P has assigned the rating of "AA" (Stable Outlook) to the Series 2012 D 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. An explanation of the significance of the ratings should be obtained from S&P. Such rating is not a recommendation to buy, sell or hold the Series 2012 D 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 Underwriter has undertaken no responsibility either to bring to the attention of the owners of the Series 2012 D Bonds any proposed revision or withdrawal of the rating of the Series 2012 D 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 2012 D Bonds.

Other than the reporting obligation of the Bond Bank pursuant to the State Undertaking (as defined herein), the Bond Bank, the Qualified Entity, and the Hospital have not undertaken any responsibility to bring to the attention of the owners of the Series 2012 D Bonds any proposed change in or withdrawal of such ratings once received or to oppose any such proposed revision.

UNDERWRITING

The Series 2012 D Bonds are being purchased by the Underwriter set forth on the cover page of this Official Statement. The Underwriter has agreed, subject to certain customary conditions precedent to closing, to purchase the Series 2012 D Bonds at an aggregate purchase price of $35,721,104.15, which represents the par amount of $34,385,000, plus net original issue premium of $1,593,991.65, less the Underwriter's discount of $257,887.50, pursuant to a purchase contract entered into by and among the Bond Bank, the Qualified Entity, the Hospital, the County and the Underwriter. Such purchase contract provides that the Underwriter will purchase all of the Series 2012 D Bonds if any are purchased.

The Underwriter has agreed to make a bona fide public offering of all of the Series 2012 D 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 Underwriter may sell the Series 2012 D Bonds to certain dealers (including dealers depositing Series 2012 D Bonds into investment trusts) and others at prices lower than the offering prices set forth inside the cover page hereof.

On April 2, 2012, Raymond James Financial, Inc. ("RJF"), the parent company of Raymond James & Associates, Inc. ("Raymond James"), acquired all of the stock of the Underwriter from Regions Financial Corporation. The Underwriter and Raymond James are each registered broker-dealers. Both the Underwriter and Raymond James are wholly owned subsidiaries of RJF and, as such, are affiliated broker-dealer companies under the common control of RJF, utilizing the trade name "Raymond James | Morgan Keegan" that appears on the cover of this Official Statement. It is anticipated that the businesses of Raymond James and Morgan Keegan will be combined.

The Underwriter has entered into a distribution arrangement with Raymond James for the distribution of the Series 2012 D Bonds at the original issue prices. Such arrangement generally provides that the Underwriter will share a portion of its underwriting compensation or selling concession with Raymond James.

VERIFICATION OF MATHEMATICAL CALCULATIONS

The accuracy of certain mathematical computations showing that payments on the Series 2012 D Qualified Obligations, together with other available revenues, have been structured to be sufficient to pay principal of and interest on the Series 2012 D Bonds when due will be verified by Crowe Horwath LLP, independent certified public accountants, Indianapolis, Indiana. Such verifications shall be based upon certain information and assumptions supplied by the Bond Bank and the Underwriter.

The accuracy of certain mathematical computations showing that (a) amounts deposited in the Qualified Entity Escrow Account pursuant to the terms of the Qualified Entity Escrow Agreement will be sufficient to pay principal of, interest on and the redemption price for the Refunded Qualified Obligations when due, and (b) amounts deposited into the Bond Bank Escrow Account pursuant to the terms of the Bond Bank Escrow Agreement will be sufficient to pay principal of, interest on and the redemption price for the Refunded Bonds when due, will be verified by London Witte Group, LLC, Indianapolis, Indiana.

FINANCIAL ADVISOR

Crowe Horwath LLP, independent certified public accountants, Indianapolis, Indiana, has served as financial advisor (the "Financial Advisor") to the Bond Bank in connection with the issuance of the Series 2012 D Bonds. Although the Financial Advisor has assisted in the preparation of this Official Statement, the Financial Advisor was not and is not obligated to undertake, and has not undertaken to make, an independent verification of the accuracy, completeness or fairness of the information contained in this Official Statement.

SERIES 2012 D 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, 2012, 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 2012 D Bonds or the owners of the Series 2012 D Qualified Obligations and available financial and statistical information regarding the Bond Bank and the Qualified Entity. 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, as amended (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC"), and the terms of the Continuing Disclosure Undertaking Agreement (the "State 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 Series 2012 D Bonds (or until such time as the Series 2012 D Bonds may be defeased or paid in full, all as more fully set forth in the State Undertaking):

1. Audited Financial Statements. To the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access system ("EMMA"), 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, 2012, 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, 2012, 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 through EMMA, within 220 days of the close of the fiscal year of the State, beginning with the fiscal year ended June 30, 2012, 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 "State Annual Information.")

Pursuant to the terms of the State 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 through EMMA, the following event notices, within ten (10) business days following the occurrence thereof.

- principal and interest payment delinquencies;
- non-payment related defaults, if material (with such determination of materiality to be made by the State or the Bond Bank in accordance with federal securities laws);
- 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, issued by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2012 D Bonds;
- modifications to rights of owners of the Series 2012 D Bonds, if material (with such determination of materiality to be made by the State or the Bond Bank in accordance with federal securities laws);
- Series 2012 D Bond calls, if material (with such determination of materiality to be made by the State or the Bond Bank in accordance with federal securities laws), and tender offers;
- defeasances;
- release, substitution or sale of property securing repayment of the Series 2012 D Bonds, if material (with such determination of materiality to be made by the State or the Bond Bank in accordance with federal securities laws);
- rating changes;
- bankruptcy, insolvency, receivership or similar events of the Obligated Person;
- the consummation of a merger, consolidation, or acquisition involving the Obligated Peron or the sale of all or substantially all of the assets of the Obligated Person, other than in the course of ordinary business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms,

if material (with such determination of materiality to be made by the State or the Bond Bank in accordance with federal securities laws); and

- Appointment of a successor or additional trustee or the change of a name of the trustee, if material (with such determination of materiality to be made by the State or the Bond Bank in accordance with federal securities laws);

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 undertaking agreement (the "Qualified Entity Continuing Disclosure Agreement"), while the Series 2012 D 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 2012 D Qualified Obligations, within five (5) business days following the occurrence thereof, and has agreed to provide the following information to the Bond Bank, which the Bond Bank shall then, pursuant to the terms of the State Undertaking, provide to the MSRB through EMMA ((1) through (4) below collectively, the "Qualified Entity Annual Information" and together with the State Annual Information, the "Annual Information"):

(1) When and if available, the audited financial statements of the Hospital as prepared and examined by the State Board of Accounts for each twelve (12) month period ending on December 31, commencing with the year ending December 31, 2011, 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;

(2) 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, 2011, 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) 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," "–Summary 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) 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 captions "COUNTY DEBT AND TAXATION –Total Tax Rates," "–Property Taxes Levied and Collected," "–Circuit Breaker Credit," "–Net Assessed Valuation," and "–Ten Largest Taxpayers"; and

(5) If any Qualified Entity Annual Information 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, along with any other Qualified Entity Annual Information required to be provided under the Qualified Entity Continuing Disclosure Agreement, shall satisfy the undertaking to be provided by such Qualified Entity Annual Information. To the extent available, the Bond Bank shall cause to be filed along with the other Qualified Entity Annual Information operating data similar to that which can no longer be provided.

Failure to Disclose

In a timely manner, the Trustee (as Counterparty under the State Undertaking) shall notify the MSRB through EMMA, of any failure on the part of the State to provide the State Annual Information. If any information relating to the State 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 to the MSRB through EMMA, along with the State Annual Information required as specified above and containing such information as is still available, will satisfy the State's Undertaking to provide the State Annual Information. To the extent available, the State will cause to be filed along with the State Annual Information, operating data similar to that which can no longer be provided.

In a timely manner, the Bond Bank shall notify the MSRB through EMMA, of any failure on the part of the Hospital or the County to provide the Qualified Entity Annual Information. If any information relating to the Hospital or the County can no longer be provided because the operations to which they relate have been materially changed or discontinued, a statement to that effect, provided by the Bond Bank to the MSRB through EMMA, along with the Qualified Entity Annual Information required as specified above, will satisfy the Hospital's or County's, as the case may be, undertaking to provide Qualified Entity Financial Information.

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. The audited financial statements of the County and the Hospital will be audited and prepared pursuant to accounting and reporting policies conforming in all material respects to generally accepted accounting principles as applicable to governments with such changes as may be required from time to time in accordance with State law.

Remedies

The State 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 Underwriter), 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 State Undertaking shall be for specific performance of the State's disclosure obligations under the State Undertaking. Failure on the part of the State to honor its covenants thereunder shall not constitute a breach or default of the Series 2012 D 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 Series 2012 D Bonds who may seek specific performance by court order to cause the State to comply with its disclosure obligations under the State Undertaking.

Modification of State Undertaking

The Bond Bank, State and the Trustee may, from time to time, amend or modify any provision of the State Undertaking without the consent of the holders or the beneficial owners of the Series 2012 D 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 State Undertaking, as so amended or modified, would have complied with the requirements of the Rule on the date of the State 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 Series 2012 D 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 State Undertaking) is permitted by law or the Rule, as then in effect.

The State Annual Information for the fiscal year during which any such amendment or modification occurs that contains the amended or modified State 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 State Undertaking are available from the Bond Bank upon request.

Modification of Qualified Entity Continuing Disclosure Agreement

The Hospital or the County may, from time to time, amend any provision of the Qualified Entity Continuing Disclosure Agreement without the consent of the holders or the beneficial owners of the Series 2012 D 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 Qualified Entity Continuing Disclosure Agreement, as so amended, would have complied with the requirements of the Rule on the date of the 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 2012 D Bonds, as determined either by (A) any person selected by the 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 2012 D 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, neither the Bond Bank nor the State have failed to comply in any material respects with any previous undertakings in a written contract or agreement that either of them entered into pursuant to subsection (b)(5) of the Rule.

In the previous five years, the Hospital and the County have, from time to time, failed to fully comply with previous undertakings in a written contract or agreement entered into pursuant to subsection (b)(5) of the Rule. In order to address such noncompliance, and to provide the Underwriter with a reasonable basis for relying on the Hospital's and the County's promise to provide certain continuing disclosure information set forth in the Qualified Entity Continuing Disclosure Agreement, the Hospital and the County have each covenanted to provide the Qualified Entity Annual Information in a timely manner to the Bond Bank who will, under the terms of the State Undertaking, further disclose those items to the MSRB through EMMA.

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 2012 D Bonds, the security for the payment of the Series 2012 D 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 the Underwriter. Following delivery of the Series 2012 D 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 2012 D 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 Underwriter and the purchasers or owners of any Series 2012 D 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

TABLE OF CONTENTS

SCHEDULE OF TABLES

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 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.

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, Indiana Public Retirement System and Deferred Compensation Plan and is a Trustee of the Indiana State Police Pension Trust.

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 and the Indiana Public Retirement System.

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. For example, the Indiana Office of Technology and the State Personnel Department provide centralized resources to state agencies.

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 (the "Forecast Committee"). Starting with the December 2008 forecast, Global Insight, Inc. provided 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 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 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 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

The Office of Management and Budget ("OMB") directs 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 Indiana Public Retirement System 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.

2011 Financial Report

The Indiana Comprehensive Annual Financial Report For Fiscal Year Ended June 30, 2011 (the "2011 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, 2011, as set forth therein. The 2011 Financial Report, which is available to the public on the Municipal Securities Rulemaking Board's Internet Web site, is included in this Appendix A by specific reference.

A copy of the 2011 Financial Report is available from the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") System. In addition, the 2011 Financial Report may be found at: http://www.in.gov/auditor/.

The 2011 Financial Report speaks only as of its date. The inclusion of the 2011 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

Property Tax Reform

In 2008, the General Assembly enacted significant property tax legislation, P.L. 146-2008. 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. The caps were subject to state-wide user referendum, which was overwhelmingly approved to be incorporated into the State of Indiana Constitution on November 2, 2010.

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.

Corporate Adjusted Gross Income Tax. The corporate adjusted gross income tax is applicable to corporations doing business in the State. The corporate adjusted gross income tax rate is 8.5% of apportioned Indiana adjusted gross income (AGI). P.L 172-2011 reduced the corporate AGI tax rate from 8.5% to 6.5% in 0.5% increments over four years beginning on July 1, 2012. The phase-in of the tax rate reduction will be complete on July 1, 2015. 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 and is imposed at a rate of 1.4%. 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. Riverboat gambling operations are permitted to implement flexible scheduling, enabling patrons to gamble while a riverboat is docked. Riverboats that adopt flexible scheduling are required to pay a graduated tax currently 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.

In addition, 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 the 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 million in a Fiscal Year. Interest revenue deposited in the fund does not count against the $250 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.

In 2011, the General Assembly enacted P.L 172-2011 that provides that the graduated slot machine wagering tax applies to 99% of the adjusted gross receipts received beginning July 1, 2012.

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. Beginning January 1, 2009, the wagering taxes are deposited in 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. The current cigarette tax is $0.995 per pack.

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. Currently, the annual distributions of wagering tax revenue to the BIF is 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* "STATE BUDGET PROFILE AND FINANCIAL RESULTS OF OPERATIONS - 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. For Fiscal Year 2011, the Hoosier Lottery changed the revenue transfer schedule from quarterly to monthly, thus accelerating two months of profits transferred to state funds. As a result, $35 million was transferred to the Teachers' Retirement Fund and $35 million was transferred to the local Police and Fire Pension Fund (for a total of $70 million in Fiscal Year 2011). The Hoosier Lottery continued the monthly transfer schedule in Fiscal Year 2012 and plans to do so in future years. 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; $236.4 million was appropriated for Fiscal Year 2012.

As shown below, gaming revenue totaling $964.4 million was collected by the State in Fiscal Year 2012. These numbers include revenue deposited in the state and local funds but does not include riverboat admissions tax revenue distributed in Fiscal Year 2012 to state and local units in the amount of $75.1 million. The $747.7 million for wagering taxes includes $117.5 million in revenues from slot machine operations allowed at Indiana horse racing facilities under P.L. 233-2007.

Type of Tax	FY 2012
Wagering Taxes	$747.7
Lottery	$207.6
Charity Gaming	$5.6
Horse Racing	$3.1
Type II Gambling	$0.4
Total	$964.4

Source: State Budget Agency

P.L 233-2007, enacted in 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. Beginning January 1, 2009, the wagering taxes are deposited in the General Fund.

Revenue History

Annual percentage changes for each component of Operating Revenue are reflected in Table 1. The table also includes actual revenue for prior Fiscal Years as well as projected revenue for Fiscal Year 2013.

Table 1
State Operating Revenue
(Millions of Dollars)

	FY 2007(1)	FY 2008(1)	FY 2009(1)	FY 2010(1)	FY 2011(1)	FY 2012(2)	FY 2013(2)
Sales Tax	5,379.1	5,686.0	6,153.2	5,914.7	6,217.5	6,621.8	6,864.6
Changes from Prior Year	2.92%	5.71%	8.22%	-3.88%	5.12%	6.50%	3.67%
Individual Income	4,615.6	4,837.5	4,313.8	3,875.6	4,585.6	4,765.5	5,084.0
Change from Prior Year	6.78%	4.81%	-10.83%	-10.16%	18.32%	3.92%	6.68%
Corporate Income(3)	987.1	909.5	839.0	592.2	704.8	958.8	784.9
Change from Prior Year	6.67%	-7.86%	-7.75%	-29.42%	19.01%	36.04%	-18.14%
Wagering Tax	625.3	582.9	608.2	658.9	660.3	614.1	567.1
Change from Prior Year	6.00%	-6.78%	4.34%	8.34%	0.21%	-7.00%	-7.65%
Other(4)	1,019.1	1,066.3	1,021.1	1,145.4	1,106.0	1,164.9	1,131.4
Change from Prior Year	2.28%	4.63%	-4.24%	12.17%	-3.44%	5.33%	-2.88%
Total(5)(6)	12,626.2	13,082.2	12,935.3	12,186.7	13,274.2	14,125.1	14,432.0
Change from Prior Year	4.69%	3.61%	-1.12%	-5.79%	8.92%	6.41%	2.17%

(1) Actual, but unaudited, Operating Revenue.
(2) Revenues are as projected by the Technical Forecast Committee on December 14, 2011. Revenues exclude Disproportionate Share Hospital (DSH), Quality Assessment Fee (QAF), Hospital Assessment Fee (HAF), and other miscellaneous revenues excluded from the forecast such as Marion County Juvenile Arrearage payments and dedicated statewide cost allocation plan revenues.
(3) Corporate Income Tax collections were under-reported in FY 2007 through FY 2011 as the result of a programming error. The amounts listed above should be increased by $4.7 million for FY 2007, $29.6 million for FY 2008, $56.2 million for FY 2009, $58.3 million for FY 2010, and $139.2 million for FY 2011. This revenue is reflected in Table 4 as "Prior Year Corporate Income Tax (e-check).
(4) See "General Fund Revenue Sources – Other Operating Revenue
(5) "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.
(6) Excluding P.L. 156-2008, total revenues increased by 2.4% in Fiscal Year 2008, and then decreased by 7.4% in Fiscal Year 2009. Excluding P.L. 146-2008, wagering tax revenues decreased by 6.4% in Fiscal Year 2009. Excluding P.L. 146-2008, other revenues decreased by 7.6%in Fiscal Year 2009.

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 (as of FY 2009) 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 2007 through 2013.

Table 2
Expenditures
(Millions of Dollars)

	FY 2007[1]	FY 2008[1]	FY 2009[1]	FY 2010[1]	FY 2011[1]	FY 2012[2]	FY 2013[2]
Local School Aid[3]	4,628.8	4,795.6	5,673.1	7,147.2	7,249.0	7,269.4	7,452.7
Change from Prior Year	2.48%	3.60%	18.30%	25.98%	1.42%	0.28%	2.52%
Property Tax Relief[4]	2,211.6	2,346.4	1,660.0	0.0	0.0	0.0	0.0
Change from Prior Year	1.94%	6.10%	-29.25%	-100.00%	N/A	N/A	N/A
Higher Education[5]	1,589.8	1,704.8	1,756.3	1,711.7	1,703.1	1,691.1	1,701.7
Change from Prior Year	1.35%	7.23%	3.02%	-2.54%	-0.50%	-0.70%	0.63%
Medicaid[6]	1,514.6	1,583.2	1,321.8	1,259.9	1,436.0	1,856.4	2,023.8
Change from Prior Year	4.09%	4.53%	-16.51%	-4.68%	13.98%	29.28%	9.02%
Correction	589.2	615.7	634.8	652.4	647.5	638.3	672.4
Change from Prior Year	0.89%	4.50%	3.10%	2.77%	-0.75%	-1.42%	5.34%
Other[7][8]	1,712.8	1,834.0	2,005.9	2,143.8	2,001.5	2,123.4	2,242.2
Change from Prior Year	7.04%	7.08%	9.37%	6.87%	-6.64%	6.09%	5.59%
Total	12,246.8	12,879.7	13,051.9	12,915.0	13,037.1	13,578.6	14,092.8
Change from Prior Year	2.96%	5.17%	1.34%	-1.05%	0.95%	4.15%	3.79%

(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 also exclude Education Stabilization Funds provided under AARA.
(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; the vast majority of these funds have been distributed.
(6) Medicaid figures for Fiscal Years 2009, 2010, and 2011 exclude federal stimulus funds provided under the ARRA in the form of increased federal medical assistance percentages.
(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.
(8) Figures exclude Automatic Taxpayer Refund and statutory distributions of "excess" reserves to various pension funds.

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 – Governor's Property Tax Reform Legislation" 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 expenditures for Fiscal Year 2010 were $7,147.2 million, excluding ARRA funds. Expenditures for local school aid from the General Fund for Fiscal Year 2011 were $7,249.0 million. General Fund expenditures for local school aid for Fiscal Year 2012 were $7,269.4 million. Estimated General Fund expenditures for local school aid for Fiscal Year 2013 are $7,452.7 million. These figures represent increases of 0.3% and 2.5% following an increase of 1.4% in Fiscal

Year 2011 for the General Fund (excluding ARRA funds). *See* "STATE BUDGET PROFILE AND FINANCIAL RESULTS OF OPERATIONS - 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 PTR Fund. 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 PTR Fund 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 $690 million 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 from the General Fund for Fiscal Year 2011 were $1,703.1 million, a decrease of 0.5% from Fiscal Year 2010. Expenditures for higher education from the General Fund for Fiscal Year 2012 were $1,691.1 million, a decrease of 0.7% from Fiscal Year 2011. Estimated expenditures for higher education from the General Fund are $1,701.7 million for Fiscal Year 2013. These figures exclude 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. *See* "STATE BUDGET PROFILE AND FINANCIAL RESULTS OF OPERATIONS -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.

Table 3 sets forth the aggregate principal amount of bonds and notes outstanding as of June 30, 2012, for each State university and college eligible for Fee Replacement Appropriations and the amount of Fee Replacement Expenditures for Fiscal Year 2012 and Fee Replacement Appropriations for Fiscal Year 2013.

Table 3
Schedule of Fee Replacement Debt

	Estimated Amount of Debt Outstanding June 30, 2012	Fiscal Year 2012 Fee Replacement Expenditures	Fiscal Year 2013 Fee Replacement Appropriations
Ball State University	$119,715,000	$14,028,860	$14,678,487
Indiana University	$411,423,344	$51,441,340	$48,295,727
Indiana State University	$62,859,308	$8,160,595	$8,906,871
Ivy Tech Community College	$285,600,000	$29,817,233	$30,805,687
Purdue University	$252,883,175	$29,009,414	$32,183,531
University of Southern Indiana	$82,001,544	$10,998,766	$12,134,116
Vincennes University	$39,828,125	$4,066,883	$4,869,491
Total	**$1,254,310,496**	**$147,523,092**	**$151,873,910**

(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.
(3) Totals may not add due to rounding.

Source: State Budget Agency

Medicaid. Medicaid is a state/federal shared fiscal responsibility with the State supporting 32.94% of the total program through a combination of State General Fund and dedicated funds over the biennium. Federal funding accounts for the remaining 67.06%. The federal share increased during Fiscal Years 2009, 2010, and 2011 as a result of the ARRA. For Fiscal Year 2010, State General Fund Medicaid expenditures totaled $1,259.9 million. In Fiscal Years 2011 and 2012, State General Fund Medicaid expenditures totaled $1,436.0 million and $1,856.4 million, respectively. Enrollment was estimated to be 998,156 at the end of Fiscal Year 2012 and is expected to reach 1,038,737 by the end of Fiscal Year 2013 (these figures exclude the Children's Health Insurance Program and the Healthy Indiana Program). Indiana's base federal reimbursement rate equaled 66.96% for the first quarter of Fiscal Year 2012 and 67.16% for the remaining three quarters of Fiscal Year 2012 and the first quarter of Fiscal Year 2013. State General Fund Medicaid appropriations for Fiscal Years 2012 and 2013 were set as $1,857.8 million and $2,023.8 million, respectively. All figures above exclude ARRA funds and only represent the State General Fund expenditures or appropriations.

Correction. Appropriations for the Department of Correction, payable almost entirely from the General Fund, include funds for incarceration and rehabilitation of adult and juvenile offenders, as well as parole programs. Correction expenditures were $647.5 million for Fiscal Year 2011 and $638.3 million for Fiscal Year 2012. General Fund appropriations for Fiscal Year 2013 total $672.4 million.

Offender population is the most significant driver of Correction expenditures. The total offender population, including those in jail and contract beds, increased slightly to 28,915 in Fiscal Year 2012.

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 expenditures for Fiscal Year 2009 from the General Fund totaled $2,005.9 million, an increase of 9.4% over Fiscal Year 2008. This increase was 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. Other categories of General Fund expenditures totaled $2,143.8 million for Fiscal Year 2010 and $2,001.5 million for Fiscal Year 2011. Other categories of expenditures for Fiscal Year 2012 ($2,123.4 million) and Fiscal Year 2013 ($2,242.2 million) increase for a number of reasons including the full phasing-in of costs associated with the levies assumed by the State under P.L. 146-2008 and the complete phasing-out of ARRA funding.

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 well 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 2012 and 2013 to be 2.4% and 2.8%, 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%. An automatic withdrawal of $370.9 million from the Rainy Day Fund occurred in Fiscal Year 2010, and automatic deposits from the General Fund into the Rainy Day Fund occurred in Fiscal Years 2011 and 2012 ($53.5 million and $291.0 million, respectively.). In addition, 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. The General Assembly has also authorized money in the Rainy Day Fund to be used to make loans to local governments from time to time. *See* "STATE BUDGET PROFILE AND FINANCIAL RESULTS OF OPERATIONS - 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. The Budget Agency ordered net transfers of $945.7 million from the State Tuition Reserve Fund to the General Fund during Fiscal Year 2010 to support tuition support appropriations.

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. The Budget Agency transferred $57.6 million from the Medicaid Reserve to the General Fund during Fiscal Year 2010 to support Medicaid obligations. *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 –Property Tax Reform" for a summary of P.L. 146-2008.

Financial Results of Operations

The State closed Fiscal Year 2012 with combined balances of $1,803.4 million in the General Fund, which was 15.1% of that Fiscal Year's operating revenue.

Fiscal Year 2012 was highlighted by continued fiscal restraint and solid state revenue growth. The Governor caused approximately $316 million of reversions to the General Fund, following $1,124 million of reversions in Fiscal Year 2011.

Revenue Forecast for Fiscal Year 2013

The Forecast Committee last updated the forecast of State revenue for Fiscal Years 2012 and 2013 on December 14, 2011. Fiscal Year 2011 State revenue increased by $1,087.5 million (or 8.9%) over 2010 revenues and Fiscal Year 2012 revenue increased by $850.9 million (or 6.4%) over 2011 revenues. Revenue growth of 2.2% ($306.9 million) is projected for Fiscal Year 2013.

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 2011 Financial Report or the Auditor of State's comprehensive annual financial reports for other Fiscal Years. Forecasted revenue is developed by the 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 Year 2013.

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

	Actual FY2009	Actual FY2010	Actual FY2011	Estimated FY2012	Estimated FY2013[1]
Resources:					
Working Balance on July 1	592.5	54.9	830.7	1,124.3	1,803.4
Current Year Resources:					
Forecast Revenue	12,935.3	12,186.7	13,274.2	14,125.1	14,432.0
Miscellaneous Revenue	21.8	38.7	12.2	18.4	15.0
DSH Revenue	60.1	57.9	58.2	10.1	-
Hospital Assessment Fee	-	-	-	154.1	170.0
Quality Assessment Fee	34.4	33.3	39.6	23.6	59.2
Prior Year Corporate Income Tax (E-check)	-	-	-	288.0	-
2012 Outside Acts	-	-	-	-	-13.3
FY 2011 LOIT Adjustment	-	-	-	-70.6	-
Transfer from Medicaid Reserve to General Fund	-	57.6	-	-	-
Transfer from Rainy Day Fund to General Fund	-	370.9	-	-	-
Transfer from General Fund to Rainy Day Fund	-	-	-53.5	-291.0	-
Transfer from General Fund to State Tuition Reserve	-536.4	-73.6	-	-	-
Transfer from State Tuition Reserve to General Fund	-	1,019.3	-	-	-
Total Current Year Resources	12,515.2	13,690.8	13,330.7	14,257.7	14,662.9
Total Resources	13,107.7	13,745.7	14,161.4	15,382.0	16,466.3
Uses: Appropriations, Expenditures and Reversions:					
Appropriations					
Budgeted Appropriations	14,549.5	13,571.4	14,113.0	13,980.7	14,317.6
2012 Session: As Passed Appropriations	-	-	-	6.0	19.6
Enrolled Acts 2008 (excluding P.L. 146-2008)	4.9	-	-	-	-
Total Appropriations	14,554.4	13,571.4	14,113.0	13,986.7	14,337.2
Other Expenditures and Transfers					
Augmentations and Expenditure Adjustments[2]	27.7	125.8	33.5	17.7	99.5
Local Option Income Tax Distributions	8.7	11.6	1.6	-	-
PTRC and Homestead Credit Adjustments	-23.5	26.2	-14.0	-11.2	-
Adjustment for Stadium/Convention Center Appropriation	-	-40.0	-42.0	-112.1	-111.0
Judgments and Settlements(3)	5.3	4.7	8.0	13.5	8.7
HEA 1072 Loans (Net of Repayments)	-	-	-	-	6.1
Statutory Distribution to Pension Stabilization Fund	-	-	-	-	360.6
Automatic Taxpayer Refund	-	-	-	-	360.6
Total Appropriations and Expenditures	14,572.6	13,699.7	14,100.1	13,894.6	15,061.7
Payment Delays					
Property Tax Replacement Credit	-105.5	-	-	-	-
Reversions	-1,414.2	-784.7	-1,063.0	-316.0	-247.7
Total Net Uses	13,052.9	12,915.0	13,037.1	13,578.6	14,814.0
General Fund Reserve Balance at June 30	54.9	830.7	1,124.3	1,803.4	1,652.2
Reserved Balances					
Medicaid Reserve	57.6	0.0	0.0	0.0	0.0
Tuition Reserve	941.7	0.0	0.0	0.0	0.0
Rainy Day Fund[4]	365.2	0.0	57.2	351.6	355.1

Total Combined Balances	**1,419.4**	**830.7**	**1,181.5**	**2,155.0**	**2,007.3**
Payment Delay Liability	0.0	0.0	0.0	0.0	0.0
Combined Balance as a Percent of Operating Revenue	10.9%	6.7%	8.8%	15.0%	13.7%

(1) Revenues are those projected by the Technical Forecast Committee on December 14, 2011; appropriations are those authorized by the 2011 General Assembly for Fiscal Year 2013.

(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) 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* "STATE INDEBTEDNESS - 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 "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, each 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* "STATE INDEBTEDNESS - 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. As of June 30, 2012, there is no commercial paper outstanding.

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."

APPENDIX B

SERIES 2012 D QUALIFIED OBLIGATIONS, THE QUALIFIED ENTITY AND THE LEASE

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APPENDIX B

SERIES 2012 D QUALIFIED OBLIGATIONS, THE QUALIFIED ENTITY AND THE LEASE

Introduction

Adams County Hospital Association (the "Qualified Entity" or the "Association") is issuing its Lease Revenue Refunding Bonds, Series 2012 (the "Series 2012 D Qualified Obligations") pursuant to a Trust Indenture dated as of September 1, 2012 (the "Authorizing Instrument" or the "Qualified Obligation Indenture") between the Association and The Huntington National Bank, as trustee (the "Qualified Obligation Trustee"). The Series 2012 D Qualified Obligations are payable from lease rental revenues (the "Lease Rentals") received by the Qualified Entity under a lease agreement dated as of December 11, 2002 (the "Original Lease"), between the Qualified Entity, as lessor, and Adams County, Indiana (the "County"), acting through its Board of Commissioners (the "Commissioners") and The Board of Trustees of Adams County Memorial Hospital (the "Hospital"), as lessees (collectively, the "Lessee"), as amended by an Addendum to Lease dated as of March 26, 2003, by and between the Qualified Entity and the Lessee (the "Original Addendum"), and as further amended by a First Amendment to Lease dated as of October 4, 2012 by and between the Qualified Entity and the Lessee (the "First Amendment to Lease") (the Original Lease, as amended by the Original Addendum and the First Amendment to Lease is hereinafter referred to as the "Lease"). Following is information regarding the Qualified Entity, and the sources for payment of the Lease Rentals and payments on the Series 2012 D Qualified Obligations.

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

The Qualified Entity

The Association was created in 2002 pursuant to the provisions of 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 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 Association has no taxing power.

Indiana Code 16-22-6 provides that the Association shall consist of a five member board of directors appointed by the Commissioners of the County for staggered terms of four years each. All Association directors must be residents of the County. All 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 Association elect a president, vice president, treasurer and secretary to serve for one year terms.

Sources of Payment and Security for the Series 2012 D Qualified Obligations

Special Obligations of Association

The Series 2012 D Qualified Obligations will be special obligations of the 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 Rentals to be paid by the Lessee under the Lease.

The Lease

Pursuant to the Lease, the Lessee has agreed to make payments directly to the Qualified Obligation 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 2012 D Qualified Obligations. The payments due under the Lease are payable from (i) a pledge by the County and the Cities and Towns (both as hereinafter defined) of a portion of their Economic Development Income Tax (the "Pledged EDIT Revenues") as described in the Revenue Deposit Agreement (the "Revenue Deposit Agreement") among the Qualified Entity, the County, the Hospital and The Huntington National Bank, as deposit trustee (the "Deposit Trustee"), (ii) net revenues of the Hospital ("Hospital Revenues"); and (iii) to the extent the Pledged EDIT Revenues and the Hospital Revenues are insufficient, ad valorem taxes required by law to be levied by the County upon all taxable property within the jurisdiction of the County (the "Property Tax Revenues"). The County and Hospital anticipate that the full Lease Rentals will be paid from Pledged EDIT Revenues and Hospital Revenues, 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 "Department"), to ascertain that the levy, after taking a credit for Hospital Revenues and Pledged EDIT Revenues, is sufficient to raise the amount required to pay the Lease Rentals.

Pursuant to terms of the Original Lease, as amended by the First Addendum, full Lease Rental payments commenced on June 30, 2006. Each installment of rent due pursuant to the Lease is payable in advance for the following six month period on June 30 and December 31. A revised payment schedule will be included in the First Amendment to Lease and such revised Lease Rentals are expected to commence with the payment due on December 31, 2012.

Pursuant to the Lease, the Association has leased the Leased Premises (as defined in the Lease) to the Lessee. In the event of physical loss, or damage to, the Leased Premises, rendering the Leased Premises unsuitable for use by the Lessee, the Lessee is not obligated to pay rent. However, the Qualified Obligation Indenture requires the Association to: (i) provide, or cause to be provided, insurance against this risk in the form of two (2) years of rental value insurance (the "Rental Value Insurance"), and (ii) provide insurance on the Lease Premises against physical loss or damage thereto, however caused, with such exceptions as are ordinarily required by insurers of buildings or facilities of a similar type, which insurance shall be in an amount at least equal to the greater of (a) the option to purchase price set forth in the Lease (the amount required to pay all indebtedness related to the Leased Premises), and (b) one hundred percent (100%) of the full replacement cost of the Premises as certified by an architect, engineer, or insurance consultant (the "Casualty Insurance"). By the terms of the Lease, the Hospital is required to carry the Rental Value Insurance and the Casualty Insurance. Additionally, pursuant to the Lease, the Hospital has covenanted to carry combined bodily injury insurance, including accidental death, and property damage covering the Leased Premises, in an amount not less than Three Million Dollars ($3,000,000) combined single limit on account of each occurrence with one or more good and responsible insurance companies. Pursuant to the Qualified Obligation Indenture, such insurance shall be for the benefit, as their interests shall appear, of the Qualified Obligation Trustee, the Association and other persons having an insurable interest in the insured property. Such policies shall clearly indicate that any proceeds under the policies relative to the Leased Premises shall be payable to the Qualified Obligation Trustee, and the Qualified Obligation Trustee is authorized by the Qualified Obligation Indenture to demand, collect and receipt for and recover any and all insurance moneys which may become due and payable under any of said policies of insurance and to prosecute all necessary actions in the courts to recover any such insurance moneys. The Qualified Obligation Trustee may, however, accept any settlement or adjustment which the officers of the Association may deem it advisable to make with the insurance companies.

TO THE EXTENT POSSIBLE, IT IS THE INTENT OF ALL PARTIES TO THE LEASE TO HAVE LEASE RENTALS PAID ENTIRELY FROM HOSPITAL REVENUES AND PLEDGED EDIT REVENUES.

Revenue Deposit Agreement

Funds for payment of the Lease Rentals due under the Lease will be collected and deposited under the Revenue Deposit Agreement**.** The Revenue Deposit Agreement creates a mechanism for the periodic payment of the Pledged EDIT Revenues, the Hospital Revenues and the Property Tax Revenues directly to the Qualified Obligation Trustee in satisfaction of the Lease Rental obligations under the Lease.

The Revenue Deposit Agreement establishes a Lease Rental Reserve Fund (the "Lease Rental Reserve Fund") to be held by the Deposit Trustee. The Lease Rental Reserve Fund shall be invested pursuant to the Investment Agreement, dated as of March 26, 2003, between Natixis Funding Corp. (formerly known as IXIS Funding Corp., formerly known as CDC Funding Corp.), a subsidiary of CDC Finance – CDC IXIS, a bank (société anonyme) governed by French law (the "Existing Investment Agreement Provider") and U.S. Bank National Association (as successor to National City Bank of Indiana) (and, upon the issuance of the Series 2012 D Bonds, The Huntington National Bank, as Deposit Trustee) (the "Existing Investment Agreement"). If in the future the Lease Rental Reserve Fund is not invested pursuant to the Existing Investment Agreement, the Deposit Trustee shall invest funds on deposit in the Lease Rental Reserve Fund in Qualified Investments (as defined in the Qualified Obligation

Indenture) as directed in writing by the Hospital. For a discussion of the risk associated with the investment of the Lease Rental Reserve Fund in the Existing Investment Agreement see "GENERAL RISKS TO OWNERS OF THE SERIES 2012 D BONDS – Investment Risks" in the forepart of this Official Statement.

Pursuant to the terms of the Revenue Deposit Agreement on the date of execution of the Revenue Deposit Agreement the County and the Hospital will deposit funds in the Lease Rental Reserve Fund an amount equal to the least of (i) the maximum annual debt services on the Series 2012 D Qualified Obligations, (ii) ten percent of the original stated principal amount of the Series 2012 D Qualified Obligations, or (iii) 125 percent of average annual debt service on the Series 2012 D Qualified Obligations (the "Lease Rental Reserve Fund Reserve Requirement"). As of the date of issuance of the Series 2012 D Qualified Obligations, the Lease Rental Reserve Fund Reserve Requirement will be fully funded. The Deposit Trustee is required to maintain the Lease Rental Reserve Fund and to disburse the funds held under the Lease Rental Reserve Fund solely for the payment of Lease Rentals, and only to the extent that moneys in the Lease Rental Sinking Fund (as hereinafter defined) are insufficient to pay Lease Rentals. If moneys in the Lease Rental Reserve Fund are used to pay Lease Rentals, the Lease Rental Reserve Fund shall be restored to the Lease Rental Reserve Fund Requirement from the next distribution or distributions of Pledged EDIT Revenues.

The Revenue Deposit Agreement establishes a Lease Rental Sinking Fund (the "Lease Rental Sinking Fund") to be held by the Deposit Trustee. Immediately after making any required deposit of Pledged EDIT Revenues into the Lease Rental Reserve Fund, the County is required to deposit the remainder of such Pledged EDIT Revenues into the Lease Rental Sinking Fund, along with any Other County Funds (as defined in the Lease) which the County desires to be used to pay Lease Rentals. On the last business day of each calendar month, the Hospital is required to deposit in the Lease Rental Sinking Fund moneys from the Lease Rental Revenue Fund (as defined in the Lease) or other moneys of the Hospital in an amount equal to one-sixth (1/6) of the Hospital Portion (as defined in the Lease) due on June 30 and December 31 of the calendar year of such month. The County is required to deposit Property Tax Revenues into the Lease Rental Sinking Fund to the extent Pledged EDIT Revenues and Hospital Revenues deposited in the Lease Rental Sinking Fund are not sufficient to make any Lease Rental Payment. On each June 30 and December 31, the Deposit Trustee is required to disburse to the Trustee funds held in the Lease Rental Sinking Fund, or if amounts in the Lease Rental Sinking Fund are insufficient, the Lease Rental Reserve Fund, in an amount sufficient to pay Lease Rentals due under the Lease on such June 30 or December 31. The Trustee shall treat all amounts disbursed from the Lease Rental Reserve Fund or the Lease Rental Sinking Fund as Lease Rental payments made by or on behalf of the Lessee under the Lease and shall deposit such amounts in the Sinking Fund (as defined in the Qualified Obligation Indenture) as are required pursuant to Section 3.02 of the Qualified Obligation Indenture.

The County Economic Development Income Tax

The Pledged EDIT Revenues consist of a portion of the County's share of each monthly distribution of EDIT receipts, including part of the shares of each of the Cities of Berne and Decatur (the "Cities") and the Towns of Geneva and Monroe (the "Towns"), of each such monthly distribution for which the County has been designated as the recipient, during each calendar year for so long as the Lease Rental remains payable. The Cities and Towns have irrevocably designated the County as the recipient of a part of their share of each monthly distribution of EDIT revenues, during each calendar year for so long as any bonds issued or leases entered into in order to finance or refinance the Leased Premises, including the Lease, remain outstanding. Pursuant to the Revenue Deposit Agreement, distributions of Pledged EDIT Revenues are distributed to the Deposit Trustee for deposit first into the Lease Rental Reserve Fund to restore the Lease Rental Reserve Fund to the Lease Rental Reserve Fund Requirement, in the event of a depletion in the balance of such fund, with the remainder of such distribution being deposited into the Lease Rental Sinking Fund.

Counties are authorized to levy county income taxes (COIT or CAGIT) as well as EDIT taxes, all of which are collected at the state level and remitted to the county that levies the income tax. The county auditor distributes EDIT proceeds to the county and to units in the county that have adopted a plan. There are limitations on the income tax level which may be imposed in each county. The combined COIT and EDIT may not exceed 1.00%. The County Income Tax Council has currently in force a COIT tax of .6% and an EDIT tax of .4% which places the County at the limit of its income taxing authority. Two-tenths of one percent (.2%) of the four-tenths of one percent

(.4%) County EDIT tax, including such amounts designated to be received by the County for such purposes by the Cities and the Towns, have been pledged to the payment of rentals under the Lease.

Property Assessment, Tax Levy and Collection

Real and personal property in the State of Indiana (the "State") is assessed each year as of March 1. Mobile homes assessed as personal property are generally assessed on the following January 15. On or before August 1 each year, each county auditor must submit to each underlying political subdivision located within that county a statement containing: (1) information concerning the assessed valuation of the political subdivisions for the next calendar year; (2) an estimate of the taxes to be distributed to the political subdivision during the last six months of the current calendar year; (3) the current assessed valuation as shown on the abstract of charges; (4) the average growth in assessed valuation in the political subdivision over the preceding three budget years, excluding years in which a general reassessment occurs, determined according to procedures established by the Indiana Department of Local Government Finance (DLGF); and (5) any other information at the disposal of the county auditor that might affect the assessed value as shown on the most recent abstract of property. The estimated value is based on property tax lists delivered to the County Auditor by the County Assessor on or before July 1.

By statute, the budget, tax rate and levy of a local political subdivision must be established no later than November 1. The budget, tax levy and tax rate are subject to review, revision, reduction or increase by the DLGF. The DLGF may increase the tax rate and levy if the tax rate and levy imposed 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 of the immediately succeeding calendar year.

On or before March 15, each county auditor prepares and delivers to the Auditor of State and the county treasurer the final abstract of property taxes within that county. The county treasurer mails tax statements the following April (but mailing may be delayed due to reassessment or other factors). Property taxes are due and payable to the county treasurer in two installments on May 10 and November 10. 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, however, that so long as the installment is completely paid within 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 11 and November 11 of each year after one year of delinquency, 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. Real property becomes subject to tax sale procedures on July 1 if a delinquency then exists with respect to an installment due on or before May 10 of the prior year. With respect to delinquent personal property taxes, each county treasurer shall serve a demand upon each county resident who is delinquent in the payment of personal property taxes after November 10, but before August 1 of the succeeding year. Each county auditor distributes property taxes collected to the various political subdivisions on or before the June 30 or December 31 after the due date of the tax payment.

Under State law, personal property is assessed at its actual historical cost less depreciation, whereas real property assessed after February 28, 2011, must be assessed in accordance with the 2011 Real Property Assessment Manual (the "Manual") and the Real Property Assessment Guidelines for 2011 (the "Guidelines"), both published by the DLGF, pursuant to 50 Indiana Administrative Code 2.4 (the "Rule"). The purpose of the Rule is to accurately determine "true tax value" as defined in the Manual and the Guidelines, not to mandate that any specific assessment method be followed. The Manual defines "true tax value" for all real property, other than agricultural property, as "the market value in use of a property for its current use, as reflected by the utility received by the owner or a similar user from that property." In the case of agricultural land, true tax value shall be the value determined in accordance with the Guidelines and certain provisions of the Indiana Code. 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 in administration and the uniformity of the assessments produced by that method. The Guidelines were adopted to provide assessing officials with an acceptable appraisal methodology, although the Manual makes it clear that assessing officials are free to select from any number of appraisal methods, provided that they are capable of producing accurate and uniform values throughout the jurisdiction and across all classes of real property. The Manual specifies the standards for accuracy and validation that the DLGF will use to determine the acceptability of any alternate appraisal method.

The intent of the DLGF is that an assessment determined by an assessing official in accordance with the Rule and the Manual and Guidelines shall be presumed to be correct. Any evidence relevant to the true tax value of the real property as of the assessment date may be presented to rebut the presumption of correctness of the assessment. Such evidence may include an appraisal prepared in accordance with generally recognized appraisal standards; however, there is no requirement that an appraisal be presented either to support or to rebut an assessment. Instead, the validity of the assessment shall be evaluated on the basis of all relevant evidence presented. Whether an assessment is correct shall be determined on the basis of whether, in light of the relevant evidence, it reflects the real property's true tax value.

There are certain credits, deductions and exemptions available for various classes of property. For instance, real property may be eligible for certain deductions for mortgages, solar energy heating or cooling systems, wind power devices, hydroelectric power devices and geothermal energy heating or cooling devices and if such property is owned by the aged. Residential real property may be eligible for certain deductions for rehabilitation. Real property that is the principal residence of the owner thereof is entitled to certain deductions and may be eligible for additional deductions, and if such owner is blind or disabled, such property may also be eligible for additional deductions. Buildings designed and constructed to systematically use coal combustion products throughout the building may be eligible for certain deductions. Tangible property consisting of coal conversion systems and resource recovery systems may be eligible for certain deductions. Tangible property or real property owned by disabled veterans and their surviving spouses may be eligible for certain deductions. Commercial and industrial real property, new manufacturing equipment and research and development equipment may be entitled to economic revitalization area deductions. Government-owned properties and properties owned, used and occupied for charitable, educational or religious purposes may be entitled to exemptions from tax. "Assessed value" or "assessed valuation" means an amount equal to the true tax value of property, which represents the gross assessed value of such property, less any deductions, credits and exemptions applicable to such property, and is the value used for taxing purposes in the determination of tax rates.

Changes in assessed values of real property occur periodically as a result of general reassessments scheduled in accordance with Indiana law, as well as when changes occur in the property due to new construction or demolition of improvements. The most recent scheduled reassessment became effective as of the March 1, 2002 assessment date, and affected taxes payable beginning in 2003. The next scheduled reassessment will be effective as of the March 1, 2012 assessment date, and will affect taxes payable beginning in 2013. The assessed value of real property will be annually adjusted to reflect changes in market value, based, in part, on comparable sales data, in order to account for changes in value that occur between general reassessments. This process is generally known as "Trending."

When a change in assessed value occurs, a written notification is sent to the affected property owner. If the owner wishes to appeal this action, the owner must first request in writing a preliminary conference with the county or township official who sent the owner such written notification. That request must be filed with such official within 45 days after the written notification is given to the taxpayer. That preliminary conference is a prerequisite to a review of the assessment by the county property tax assessment board of appeals. While the appeal is pending: (1) any taxes on real property which become due on the property in question must be paid in an amount based on the immediately preceding year's assessment, or it may be paid based on the amount that is billed; and (2) any taxes on personal property which become due on the property in question must be paid in an amount based on the assessed value reported by the taxpayer on the taxpayer's personal property tax return, or it may be paid based on the amount billed.

Prior to February 15 of each year for taxes to be collected during that year, the DLGF is required to review the proposed budgets, tax rates and tax levies of each political subdivision, including the County, and the proposed appropriations from those levies to pay principal of and interest on each political subdivision's funding, refunding, judgment funding or other outstanding obligations, to pay judgments rendered against the political subdivision and to pay the political subdivision's outstanding lease rental obligations (collectively "bond and lease obligations") to be due and payable in the next calendar year. If it determines that the proposed levies and appropriations are insufficient to pay the bond and lease obligations, the DLGF may at any time increase the tax rate and tax levy of a political subdivision to pay such bond and lease obligations.

Circuit Breaker Tax Credit

The electors of the State, at the general election held on November 2, 2010, approved an amendment to the State Constitution (the "Amendment"), which provides taxpayers with a tax credit for all property taxes in an amount that exceeds a percentage of the gross assessed value of real and personal property eligible for the credit (the "Circuit Breaker Tax Credit"). As a result of such approval, the Amendment has become a part of the State Constitution.

In particular, under the Amendment, with respect to property taxes first due and payable in 2012 and thereafter, the State General Assembly will be required to limit a taxpayer's property tax liability as follows:

(1) A taxpayer's property tax liability on tangible property, including curtilage, used as a principal place of residence by an:

(a) owner of property;

(b) individual who is buying the tangible property under a contract; or

(c) individual who has a beneficial interest in the owner of the tangible property (collectively, "Tangible Property");

may not exceed 1% of the gross assessed value of the property that is the basis for the determination of property taxes.

(2) A taxpayer's property tax liability on other residential property may not exceed 2% of the gross assessed value of the property that is the basis for the determination of property taxes.

(3) A taxpayer's property tax liability on agricultural property may not exceed 2% of the gross assessed value of the property that is the basis for the determination of property taxes.

(4) A taxpayer's property tax liability on other real property may not exceed 3% of the gross assessed value of the property that is the basis for the determination of property taxes.

(5) A taxpayer's property tax liability on personal property (other than personal property that is Tangible Property or personal property that is other residential property) within a particular taxing district may not exceed 3% of the gross assessed value of the taxpayer's personal property that is the basis for the determination of property taxes within the taxing district.

The Amendment provides that, with respect to property taxes first due and payable in 2012 and thereafter, property taxes imposed after being approved by the voters in a referendum will not be considered for purposes of calculating the limits to property tax liability under the provisions of the Amendment described in the preceding paragraphs. In addition, pursuant to statute, certain senior citizens with annual income below specified levels or their surviving spouses may be entitled to credits in addition to the Circuit Breaker Tax Credit with respect to their property tax liability attributable to their homesteads.

The application of 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. Except for referendum tax levies approved by voters for the benefit of school corporations, 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. The application of the Circuit Breaker Tax Credit has resulted in a reduction of property taxes collected by the County. For information relating to the impact of the application of the Circuit Breaker Tax Credit on the property taxes collected by the County for the years payable 2009 through 2012, see Appendix E "COUNTY DEBT AND TAXATION – Circuit Breaker Credit."

Political subdivisions are required by law to fully fund the payments of their debt obligations in an amount sufficient to pay any debt service or lease rentals on outstanding obligations, regardless of any reduction in property tax collections due to the application of the Circuit Breaker Tax Credit. If the amount deposited in a fund from which Debt Service Obligations (as defined herein) of the political subdivision are paid is reduced as a result of the application of the Circuit Breaker Tax Credit below the amount needed to meet the Debt Service Obligations of a political subdivision as such Obligations become due, the political subdivision may transfer funds from one or more of the other funds of the political subdivision. "Debt Service Obligations" of a political subdivision means (1) the principal and interest payable during a calendar year on bonds and (2) lease rental payments payable during a calendar year on leases of such political subdivision, which are payable from ad valorem property taxes. 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.

Upon the failure of a political subdivision to pay any of the political subdivision's Debt Service Obligations during a calendar year when due, the Treasurer of State, upon being notified of the failure by a claimant, shall pay the unpaid Debt Service Obligations that are due from money in possession of the State that would otherwise be available for distribution to the political subdivision under any other law, deducting such payment from the amount distributed

TO THE EXTENT POSSIBLE, IT IS THE INTENT OF ALL PARTIES TO THE LEASE TO HAVE LEASE RENTALS PAID ENTIRELY FROM HOSPITAL REVENUES AND PLEDGED EDIT REVENUES.

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APPENDIX C

DESCRIPTION OF THE HOSPITAL

The information contained in this APPENDIX C has been provided by The Board of Trustees of Adams County Memorial Hospital and other sources identified herein deemed to be reliable.

TABLE OF CONTENTS

THE HOSPITAL

Description of the Refunding and the Prior Project

Proceeds of the Series 2012 D Qualified Obligations will provide for (i) the advance refunding of the Adams County Hospital Association Lease Rental Revenue Bonds, Series 2003, presently outstanding in the principal amount of $34,710,000 (the "Refunded Qualified Obligations") and (ii) payment of a portion of the costs of issuance related thereto. The Refunded Qualified Obligations provided funds which were applied to the cost of construction of a replacement facility for Adams County Memorial Hospital (which now operates under the name of Adams Memorial Hospital), which facility is leased by the Adams County Hospital Association to The Board of Trustees of Adams County Memorial Hospital, as further described in Appendix B to this Official Statement.

Description of the Hospital

The Board of Trustees of Adams County Memorial Hospital, a body corporate and politic of the State of Indiana (the "Hospital"), is the legal entity which owns and operates certain health care and senior living facilities, including Adams Memorial Hospital (the "Hospital Facility"), located in Decatur, Indiana, which is the county seat of Adams County (the "County"), located approximately 20 miles southeast of Fort Wayne in northeastern Indiana. The Hospital Facility is a county hospital established under Chapter 133, Acts of 1917 of the State of Indiana, currently codified at Indiana Code 16-22-2, and is a critical access hospital. It is the only acute care general hospital located in the County, with a licensed capacity of 35 beds (consisting of 25 acute care and 10 behavioral health).

The Hospital began operations in 1923. As the services of the Hospital expanded over the years, various additions were made to the original location on High Street in Decatur. By the late 1990s and early 2000s, it became evident that a new facility was necessary if the Hospital was to remain independent and thrive in the future. The new hospital facility was built on donated land at 1100 Mercer Avenue in Decatur and opened in 2005. The present campus is of sufficient size to allow for future growth. In 2004, the Hospital Facility began doing business as Adams Memorial Hospital.

Effective October 1, 2005, the Hospital Facility was designated as a critical access hospital. This designation allowed the Hospital to receive cost reimbursement from Medicare, which improved the Hospital's financial position as Medicare DRG/APC-based reimbursement did not cover the cost of services to Medicare patients (which made up 60% of the Hospital Facility's inpatient payor mix in fiscal year 2011).

The Hospital owns and operates certain health care and senior living facilities which operate under the "Adams Health Network" name. Adams Health Network (the "Network") is the umbrella financial reporting entity established for purposes of Medicaid/Medicare cost reporting which accumulates and assigns shared costs such as administrative and executive services to each of the members of the Network, all of which are owned and operated by the Hospital. The Hospital, established pursuant to Indiana Code 16-22, is the legal entity which owns and operates the Hospital Facility and the other Network facilities. Other facilities comprising the Network are Adams Woodcrest and Adams Heritage. Adams Woodcrest ("Woodcrest") is a continuing care retirement community located adjacent to the Hospital Facility campus. Woodcrest consists of independent living apartments (48) and villas (42), assisted living apartments (34), and a nursing facility (143 Medicare/Medicaid beds). Effective January 1, 2012, the Hospital Facility closed its extended care unit and relocated those beds to Woodcrest. Adams Heritage ("Heritage") is a 61-bed (Medicare/Medicaid) nursing facility located 15 miles north of the Hospital Facility in the Town of Monroeville, in southeastern Allen County. In addition, the Hospital owns seven physician office buildings throughout Adams County, four in which space is leased to physicians in independent practice and the remaining three buildings house Hospital-employed physicians.

While licensed for 25 acute care and 10 psychiatric beds, the Hospital Facility's bed capacity, including nursery bassinets, is outlined in the following table:

Type of Service	Beds
Medical/Surgical	21
Intensive Care	4
OB/GYN	4
Total, Acute Care Beds[1]	29
Psychiatric	10
Nursery Bassinets	7
Total Beds	46

[1] The total number of acute care beds occupied at any given time cannot exceed the Hospital Facility's licensed capacity of 25.

Employees

As of July 2012, the Hospital employed a combined total of approximately 600 full-time, part-time and temporary employees and had approximately 80 volunteers. The Hospital provides a range of benefits that are competitive with other health care facilities in the northeastern Indiana market place. None of the Hospital's employees are represented by a labor organization.

Services

Today the Hospital Facility operates as a critical access hospital providing an array of medical services, such as general surgery, neurology, obstetrics, oncology, orthopedics and behavioral health. Ancillary and support services offered by the Hospital Facility include the following:

- Anticoagulation Clinic
- Cardiopulmonary
- Corporate Medical
- Dietary Services
- Direct Access Lab Testing
- Emergency Care
- EMS
- Infection Control
- Laboratory
- P&R Medical Connection
- Patient Care Services
- Pharmacy
- Primary Care Clinic
- Pulmonary Rehab
- Radiology
- Sleep Lab
- Stat Care
- Physical/Occupational/Speech Therapy
- Worthman Fitness Center

Organization

A five-member Board of Trustees (the "Board of Trustees"), appointed by the Board of Commissioners of Adams County, governs the Hospital. Administrative functions are carried out by executive management and staff members.

A foundation was also created which operates under the control of the Hospital. An organization structure of the Hospital and affiliated entities are described below:

The Board of Commissioners of Adams County (3 members)	-	elected by County voters
The Board of Trustees of Adams County Memorial Hospital (5 members)	-	appointed by the Board of Commissioners of Adams County
Adams County Memorial Hospital Education and Development Foundation	-	Hospital Board of Trustees serve as the Foundation Trustees

The Adams County Memorial Hospital Education and Development Foundation (the "Foundation") is organized as a charitable foundation whose assets are utilized for the benefit of the Hospital. The Foundation had total assets and net worth of approximately $110,134 and $110,134, respectively, at December 31, 2011.

Governance

The Board of Commissioners of Adams County (the "Commissioners") appoint the five members of the Hospital's Board of Trustees to serve staggered four-year terms. The Commissioners are required to appoint at least two members from both major political parties. The current members of the Hospital's Board of Trustees including their occupations are as follows:

Members of the Board of Trustees	Occupation	Term Expires December 31
Robert Judge, M.D. (Chairman)	Physician	2013
Russell Flueckiger (Vice Chairman)	President, Bixler Insurance	2012
Dennis Bieberich (Secretary)	President, First Merchants Bank	2014
Larry Macklin	Executive Director, Adams County Economic Development	2015
Louise Ray	Owner, Don Ray Drive-A-Way	2014

The Hospital has a conflict of interest policy for its trustees and officers. The bylaws of the Hospital permit the Hospital to transact business with an organization in which a trustee or officer has a financial interest, provided that the fact is disclosed to or is known by the Hospital and that the person having such conflict does not participate in any decision of the Hospital involving the other organization. In this way, any individual who might derive personal, financial or other type of benefit from a Hospital decision is removed from the decision-making process.

Executive Management

Thomas J. Nordwick, FACHE, *President and Chief Executive Officer.* Mr. Nordwick joined the Hospital in July 2011 as President and Chief Executive Officer. Prior to that, he was CEO of Memorial Hospital of Converse County in Douglas, Wyoming from 2001 to 2011. From 1995 to 2001, Mr. Nordwick was employed by Avera McKennan as Vice President of Special Projects (1999-2000) and President and CEO of Avera Holy Family Hospital in Estherville, Iowa (1995-1999). From 1989 to 1995, he was CEO of Sheridan Memorial Hospital and Nursing Home in Plentywood, Montana. Mr. Nordwick received a Bachelor's degree (Major: Business Administration) from Northern Montana College and a Master of Science in Administration (Emphasis: Health Care Administration) from Central Michigan University. He is a Fellow of the American College of Healthcare Executives.

Dane E. Wheeler, CPA, *Chief Financial Officer.* Mr. Wheeler joined the Hospital as Chief Financial Officer in 2009. Previously he was employed by Clifton Gunderson LLP in Indianapolis, Indiana where he was Partner (2004-2009) and Senior Associate/Manager/Senior Manager (1994-2004). Mr. Wheeler received a Bachelor of Arts in Accounting from Hillsdale College and an MBA from University of Indianapolis. He is a CPA in Indiana and Ohio and is also a Certified Fraud Examiner. Mr. Wheeler is a member of Healthcare Financial Management Association, American College of Healthcare Executives, Indiana CPA Society and Association of Certified Fraud Examiners.

Jo-Ellen M. Eidam, FACHE, *Chief Operating Officer*. Ms. Eidam has been employed by the Hospital for over 20 years and has served in the capacity of Chief Operating Officer since 2009. Prior to this position, she was Assistant Executive Director of Professional Services from 1991-2009, and during prior tenures with the Hospital served as Manager, Laboratory & Cardio-Pulmonary and Manager, Laboratory. Ms. Eidam received a B.S. in Laboratory Science Medical Technology from Purdue University and an M.S. in Management from Indiana Wesleyan University. She is a Fellow of the American College of Healthcare Executives and holds Medical Technologies (MT) and American Society for Clinical Pathology (ASCP) credentials.

Accreditation and Affiliation

The Hospital received its current three-year accreditation from the Healthcare Facilities Accreditation Program (HFAP) in March 2010. It is licensed to operate by the Indiana State Department of Health. The Hospital is a member of the American Hospital Association, Indiana Hospital Association, Indiana Rural Health Association and the Indiana Statewide Rural Health Network.

Medical Staff

The medical staff of the Hospital Facility is divided into two categories: Active and Consulting. Approximately 98% of all Hospital Facility admissions are generated by Active medical staff. Consulting medical staff accounts for 2% of Hospital Facility admissions. Board Certification has been attained by 92% of the combined medical staff. The following table presents a profile of the Hospital Facility's medical staff.

Medical Staff Profile

Specialty	Number of Physicians	Average Age	% Board Certified	Admissions	% of Total Discharges
Family and Internal Medicine	28	49	96%	1513	70.00%
Cardiology	26	52	100%	1	0.05%
Radiology	35	49	100%	0	0
Pathology	5	52	80%	0	0
General Surgery	3	63	100%	223	10.32%
Orthopedics	3	43	100%	31	1.42%
Anesthesia	1	37	100%	1	0.05%
Emergency Care	10	39	50%	0	0
Infectious Care	4	39	100%	0	0
Otorhinolaryngology	2	46	100%	0	0
OBGYN	2	55	100%	18	0.83%
Psychiatry	6	60	67%	386	17.70%
Occupational Medicine	1	57	0%	0	0
Sleep Study	1	44	100%	0	0
Podiatry	2	51	50%	0	0
Pediatrics	2	39	100%	0	0
Ophthalmology	1	56	100%	0	0
Totals	132	49	92%	2173	100%

Medical Staff Status
Year Ended December 31, 2011

Status	Number of Physicians	Average Age	% Board Certified	Admissions	% of Total Admissions
Active	37	47	93%	2136	98%
Consulting	95	50	91%	37	2%
Totals/Averages	132	49	92%	2173	100%

A profile of the Hospital Facility's admitting physicians for the calendar year 2011 is presented in the following table:

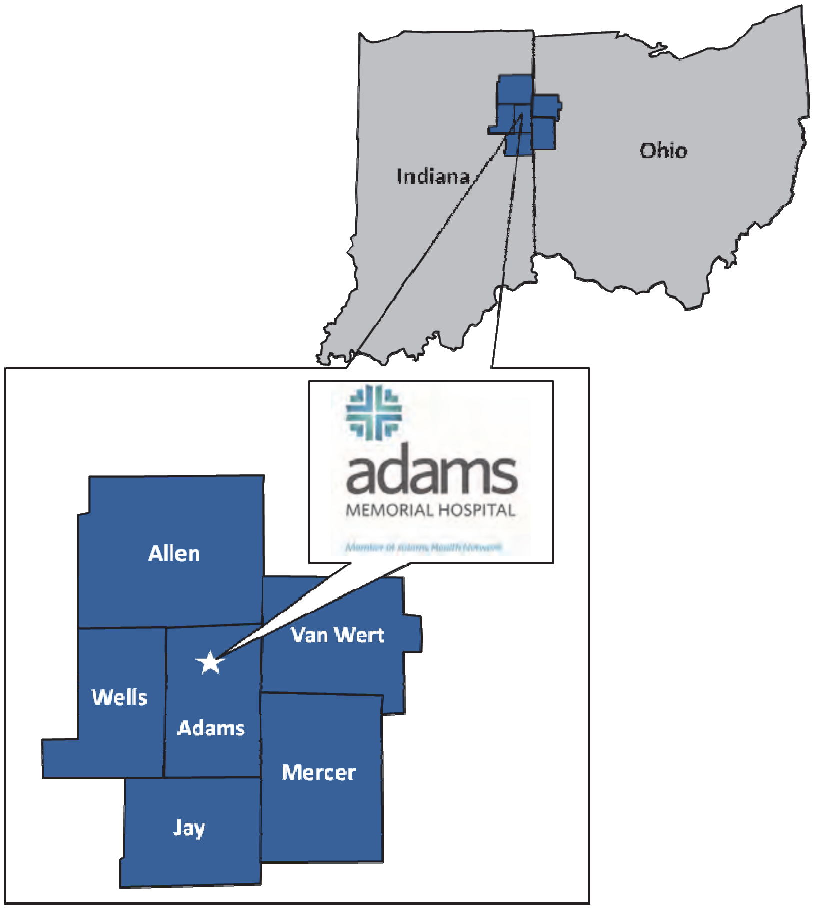
Number	Specialty	Age	Board Certified	2011 Admissions	% of 2011 Admissions
1	Psychiatry	51	Yes	372	17.12%
2	Family Medicine	56	Yes	360	16.57%
3	Family Medicine	43	Yes	281	12.93%
4	Family Medicine	46	Yes	207	9.53%
5	Internal Medicine	40	Yes	158	7.27%
6	Surgery	71	Yes	147	6.76%
7	Family Medicine	54	Yes	143	6.58%
8	Family Medicine	33	Yes	117	5.38%
9	Family Medicine	63	Yes	90	4.14%
10	Internal Medicine	57	Yes	82	3.77%
11	Surgery	55	Yes	76	3.50%
12	Family Medicine	31	Yes	39	1.79%
13	Orthopedics	34	Yes	31	1.43%
14	Family Medicine	29	Yes	29	1.33%
15	OBGYN	49	Yes	18	0.83%
16	Psychiatry	61	Yes	13	0.60%
17	Family Medicine	58	Yes	4	0.18%
18	Family Medicine	43	Yes	3	0.14%
19	Psychiatry	74	Yes	1	0.05%
20	Cardiology	63	Yes	1	0.05%
21	Anesthesia	37	Yes	1	0.05%
	Totals/Averages	50		2173	100.00%

The above-listed physicians accounted for 100% of the Hospital Facility's admissions from January 1, 2011 to December 31, 2011. The average age of these physicians is 50 years.

Market Area Analysis

The Hospital Facility's service area is defined on the basis of geography and patient origin statistics that are tracked across a six-county region. The Hospital Facility's service area is comprised of all of Adams County, and portions of Allen, Wells and Jay Counties in Indiana and Van Wert and Mercer Counties in Ohio.

Service Area Map



The Hospital Facility's service area accounted for 95% of the Hospital Facility's 2011 discharges, with 80% of its discharges originating from Adams County, as shown in the following table.

Patient Origin Data
2011 Discharges

	Percent of Hospital Facility Totals
Service Area:	
Adams County (IN)	80.0%
Wells County (IN)	4.0%
Jay County (IN)	3.5%
Allen County (IN)	3.3%
Van Wert County (OH)	3.2%
Mercer County (OH)	1.3%
Total Service Area	95.3%
All Others	4.7%
Total	100.0%

Source: Adams Memorial Hospital Records

Competing Medical Facilities

The following table sets forth service area inpatient market share data for the Hospital Facility and its significant competitors, based on patients originating from Adams County.

Service Area
Inpatient Market Share

Hospital	Miles from Adams Memorial Hospital	Staffed Beds	2011 Market Share[1]
Adams Memorial Hospital	n/a	35	50%
Lutheran Hospital (Allen Co, IN)	32	403	19%
Parkview Hospital (Allen Co, IN)	24	553	8%
Bluffton Regional Medical Center (Wells Co, IN)	20	63	8%
Other	(various)	(various)	15%
Total			100%

(1) Based on patients originating from Adams County only.

Source: Indiana Hospital Association

Service Area Characteristics

Since Adams County accounts for the majority of the Hospital Facility's discharges, the service area characteristics and demographic information herein are presented for Adams County only. The 2010 census shows that the population of the County was 34,387 compared to 33,625 in 2000, an increase of 2.3%. The County is predominantly a residential and agricultural community.

Major employers in Adams County as of July 2012 were as follows:

Employer	Type of Business	Number of Employees
Fleetwood RV, Inc.	Recreational Vehicles	1,035
Adams Health Network	Healthcare	600
Swiss Village Inc.	Retirement Community	370
Smith Brothers of Berne	Furniture Manufacturing	315
Red Gold Products	Food Industry	310
Thunderbird Products, Inc.	Formula Boats	250
Bunge North America	Agribusiness	230
FCC (Adams), LLC	Automotive Transmission	220
Gold Shield of America	Fiberglass	190
Dolco Packaging (Tekni-Plex)	Foam and Food Containers	185

Source: Adams County Economic Development Corporation

Unemployment

Employment data for calendar year 2011 (except as otherwise indicated):

	Adams County	Adams, Allen, Jay and Wells Counties Combined[1]	Indiana
Labor Force	15,014	219,504	3,188,260
Employed	13,755	199,884	2,901,084
Unemployed	1,259	19,620	287,176
Unemployment Rate (Annual)	8.4%	8.9%	9.0%
June 2012 Unemployment Rate	7.9%	7.7%	8.3%

(1) Indiana counties within the Hospital Facility's service area

Source: www.stats.indiana.edu

Historical Utilization

Various utilization statistics for inpatient and ancillary services of the Hospital Facility are presented in the following table:

Category	2009	2010	2011
Beds in Service -Adult	35	35	35
Adult Patient Days	8,379	8,567	8,306
Adjusted Patient Days	23,890	23,743	24,665
Adult Inpatient Admission	2,051	2,113	1,983
Newborn Days	378	366	378
Deliveries	189	187	191
Adult Average Length of Stay	4.1	4.0	4.1
Occupancy Percentage -Adult	65.6%	67.1%	65.0%
Average Daily Census-Adult	23	23	23
Emergency Room Visits	11,697	10,994	11,293
Surgical Cases - Inpatient	180	255	241
Surgical Cases - Outpatient	1,645	1,731	1,585
Radiology Procedures	31,102	30,284	28,460
Laboratory Procedures	537,920	591,868	620,416

Source: Adams Memorial Hospital Records

Balance Sheet

The following Balance Sheet information for the Hospital as of December 31, 2009, 2010 and 2011 has been derived from the Hospital's audited financial statements for 2009 and 2010 and unaudited financial statements for 2011.

Assets	2009	2010	2011 (Unaudited)
Current assets:			
Cash and cash equivalents	$ 10,311,861	$ 10,908,292	$ 11,440,185
Patient accounts receivable	12,125,484	8,316,412	11,816,264
Allowance for uncollectible accounts	(4,627,144)	(1,672,046)	(2,461,566)
Supplies and other current assets	1,779,349	1,365,054	850,967
Noncurrent cash and investments:			
Internally designated	3,817,989	5,621,830	4,110,537
Held by trustee for debt service	5,714,545	6,241,697	6,232,641
Capital assets:			
Land and construction in progress	823,750	1,060,786	2,478,069
Depreciable capital assets, net of accumulated depreciation	49,469,722	46,171,354	45,977,758
Due from component units	-	-	-
Other assets	14,964	9,972	43,916
Total assets	$ 79,430,520	$ 78,023,351	$ 80,488,771

Liabilities and Net Assets	2009	2010	2011 (Unaudited)
Current liabilities:			
Current maturities of long-term debt	$ 2,883,754	$ 2,847,985	$ 2,610,923
Accounts payable and accrued expenses	936,372	921,234	1,038,246
Estimated third-party payor settlements	508,077	1,008,077	426,971
Due to component units	-	-	-
Other current liabilities	5,184,484	4,733,061	4,572,688
Long-term debt, net of current maturities	40,584,337	37,961,087	38,217,809
Other long-term liabilities	1,036,505	1,120,358	1,119,576
Total liabilities	51,133,529	48,591,802	47,986,213
Net assets:			
Invested in capital assets, net of related debt	6,825,381	6,423,068	7,627,095
Restricted:			
For debt service	5,714,545	6,241,697	6,232,641
Expendable for specific operating activities	31,964	32,395	32,577
Nonexpendable permanent endowments	146,760	146,760	146,760
Unrestricted	15,578,341	16,588,229	18,463,485
Total net assets	28,296,991	29,432,149	32,502,558
Total liabilities and net assets	$ 79,430,520	$ 78,023,951	$ 80,488,771

Summary of Revenues and Expenses

The following summary of revenues and expenses of the Hospital for the years ended December 31, 2009, 2010 and 2011 have been derived from the Hospital's audited financial statements for 2009 and 2010 and unaudited financial statements for 2011.

	2009	2010	2011 (Unaudited)
Operating revenues:			
Net patient service revenue (net of provision for bad debt)	$ 54,839,107	$ 53,320,035	$ 56,381,528
Other	1,278,722	1,255,896	1,413,680
Total operating revenues	56,117,829	54,575,931	57,795,208
Operating expenses:			
Salaries and benefits	32,541,025	32,981,131	33,259,666
Medical supplies and drugs	4,215,822	4,456,878	4,018,566
Insurance	349,619	373,103	126,401
Other supplies	5,649,685	5,590,112	6,255,383
Depreciation and amortization	4,617,145	3,985,179	3,302,461
Other	6,629,337	6,104,212	6,983,160
Total operating expenses	54,002,633	53,490,615	53,945,637
Operating income (loss)	2,115,196	1,085,316	3,849,571
Nonoperating revenues (expenses):			
Investment income	233,650	224,305	192,432
Interest expense	(2,052,259)	(1,942,760)	(1,878,410)
Other	(10,080)	(4,992)	(10,135)
Total nonoperating revenues (expenses)	(1,828,689)	(1,723,447)	(1,696,113)
Excess (deficiency) of revenues over (under) expenses before capital grants and contributions	286,557	(638,131)	2,153,558
Capital grants and contributions	2,001,854	1,773,289	916,851
Increase (decrease) in net assets	2,288,411	1,135,158	3,070,409
Net assets beginning of the year	26,008,580	28,296,991	29,432,149
Net assets end of the year	$ 28,296,991	$ 29,432,149	$ 32,502,558

Management's Discussion of Financial Results

The Hospital's financial results have been in flux over the past three years as the Hospital Facility's service area (Adams and surrounding counties) continues to experience the negative effects of the weak economy. Net patient service revenue has been relatively steady from 2009 through 2011. The Hospital has been able to improve performance by reducing expenses. This has been attributed to improved budgeting, reorganizations, and discontinuing or relocating unprofitable lines of service. The Hospital's home health agency was sold effective June 30, 2011, and the extended care unit at the Hospital Facility was relocated to Adams Woodcrest effective December 31, 2011. In addition, three Hospital physicians became provider-based departments in 2011, which will allow for additional reimbursement revenue.

The full positive financial impact of the discontinued and relocated hospital-based services will not be realized until the settlement of the Hospital's 2012 cost report.

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 gross patient revenue by payor for the fiscal years ended December 31, 2009, 2010 and 2011 are as follows:

Source of Payment	2009	2010	2011
Medicare	45%	46%	45%
Medicaid	10%	9%	7%
HMO's	13%	12%	14%
Other Commercial	9%	9%	9%
Self-Pay	23%	24%	25%
Total	100%	100%	100%

As indicated in the above table, the Hospital Facility's payor mix has remained stable over the past three years.

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Historical and Historical Pro Forma Debt Service Coverage

The following table sets forth historical and historical pro forma coverage of average annual debt service, as derived from the financial statements of the Hospital. The table includes, for the fiscal year 2011, the pro forma average annual debt service as if the Series 2012D Qualified Obligations had been issued in the aggregate principal amount of $34,710,000 and the net proceeds thereof used to refund the Refunded Qualified Obligations and the extent to which income available to pay debt service would have provided coverage of such average annual debt service:

Historical and Historical Pro Forma Debt Service Coverage
For the Fiscal Years Ended December 31

	2009	2010	2011 (Unaudited)	2011 Pro Forma
Excess (Deficiency) of Revenues over Expenses	$ 286,557	$ (638,131)	$2,153,558	
Less: Unrealized Gains (Losses) on Investments	0	0	0	
Plus: Depreciation and Amortization	4,617,145	3,985,179	3,302,461	
Plus: Interest Expense	2,052,259	1,942,760	1,878,410	
Hospital Income Available for Debt Service	6,955,961	5,289,808	7,334,429	
Plus: Pledged EDIT Revenues	1,237,340	1,287,381	896,388	
Total Revenues Available for Debt Service (1)	$ 8,193,301	$ 6,577,189	$ 8,230,817	$8,230,817
Actual Lease Rental Debt Service Requirement (2)	$ 2,695,257	$ 2,689,192	$ 2,689,809	
Other Debt Service Requirement (3)	3,206,491	1,936,885	3,838,550 (4)	
Aggregate Debt Service Requirement	$5,901,748	$4,626,077	$6,528,359	
Aggregate Debt Service Coverage	1.39	1.42	1.26	
Pro Forma Average Annual Debt Service				$6,175,653
Pro Forma Average Annual Debt Service Coverage				1.33

(1) Does not take into account any County property tax levy amounts or any funds in the Debt Service Reserve Fund established pursuant to the Trust Indenture related to the Indiana Bond Bank Special Program Refunding Bonds, Series 2012 D.
(2) Lease Rental Debt Service relates to the Refunded Qualified Obligations.
(3) Represents the Hospital's loans outstanding with various lenders for equipment and/or capital improvements at the Hospital Facility, the nursing facilities and various other facilities owned by the Hospital. Such loans are secured by equipment and/or mortgages on certain facilities of the Hospital other than the Hospital Facility.
(4) Includes a loan prepayment in the amount of $2,000,000.

Source: Adams Memorial Hospital Financial Statements

Certain Business Transactions

The Hospital currently operates 14 long-term care facilities throughout the State of Indiana (the "Long-Term Care Facilities"), which are separately leased from and managed by various unrelated third parties (each, a "Manager"). All employees at all Long-Term Care Facilities are employees of the respective Managers, and the Hospital reimburses the Managers for all associated personnel expense. The long-term care activities support the mission of the Hospital to provide quality health care and services to elderly and disabled people. Such Long-Term Care Facilities are separate from the nursing facilities owned and operated by the Hospital. The Hospital's operation of the Long-Term Care Facilities commenced in 2012. Therefore, the Hospital's financial information for fiscal year 2011 and prior years does not reflect revenues or profits received by the Hospital as a result of its operation of the Long-Term Care Facilities. For a discussion of potential risks related to the Hospital's operation of the Long-Term Care Facilities, see "PARTICULAR RISKS ASSOCIATED WITH THE HOSPITAL – Certain Business Transactions" in the forepart of this Official Statement.

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 provides 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 Indiana 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 $1.5 million. 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.

The Hospital has an in-house risk manager who works closely with representatives of its insurance carriers. Outside legal defense counsel is used to handle any litigation associated with claims against the Hospital. In addition to the State Compensation Fund, the Hospital carries $3,000,000 of comprehensive general liability insurance for liability to patients from fire, lightning, windstorm, hail, explosion, riot and civil commotion, smoke, vandalism, malicious theft and collapse of building. The Hospital also insures certain of its employed physicians in amounts required by the Medical Malpractice Act. Other contract physicians are required to carry their own malpractice insurance and to qualify as health care providers under the Medical Malpractice Act.

The Hospital maintains other insurance coverages (property and casualty, umbrella liability, etc.) in amounts that are customary for health care facilities of a similar size and location.

Litigation

The nature of the Hospital's business generates a certain amount of litigation arising in the ordinary course of business. 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 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.

Corporate Compliance

The mission of the Hospital is to provide quality, cost-effective health care in a positive and productive work environment. In fulfilling this mission, the Hospital is dedicated to adhering to the highest ethical standards and, accordingly, recognizes the importance of compliance with all applicable state and federal laws. To evidence this dedication, the Hospital has adopted, developed and implemented the Corporate Compliance Program.

The Corporate Compliance Program is intended to become a part of the fabric of the Hospital's routine operations. The Hospital endeavors to communicate to all personnel the Hospital's intent to comply with applicable law through the Corporate Compliance Program. The Corporate Compliance Program will:

- Assess the Hospital's business activities and consequent legal risks
- Educate all personnel regarding compliance requirements and train personnel to conduct their job activities in compliance with state and federal law and according to the policies and procedures of the Corporate Compliance Program
- Implement monitoring and reporting functions to measure the effectiveness of the Program and to address problems in an efficient and timely manner.

- Include enforcement and discipline components that ensure that all personnel take their compliance responsibilities seriously.
- Address the seven elements of an effective compliance program
    - Develop Standards of Conduct
    - Designate a Corporate Compliance Officer & Compliance Committee
    - Provide Education and Training
    - Facilitate Reporting and Investigations
    - Conduct Monitoring and Auditing
    - Establish Enforcement & Discipline
    - Develop Response & Prevention

Retirement Plans

Effective December 31, 2011, the Hospital froze its noncontributory defined benefit pension plan (the "Plan") covering substantially all of its employees. Contributions to the Plan were funded as required under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Based on a determination from independent actuaries, net assets available for benefits exceeded the actuarial present value of accumulated plan benefits by $2,828,325 as of January 1, 2012.

The Hospital's defined benefit pension plan was replaced January 1, 2012 with a defined contribution 401a/457b plan.

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APPENDIX D

DESCRIPTION OF ADAMS COUNTY, INDIANA

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DESCRIPTION OF THE COUNTY

Location

Adams County, Indiana (the "County") is located approximately 22 miles southeast of Fort Wayne, Indiana and 110 miles northeast of Indianapolis, Indiana. It consists of twelve civil townships. The City of Decatur, Indiana is the county seat.

Government

The County is governed by the Board of Commissioners consisting of three County Commissioners and a seven-member County Council. The County Commissioners are elected to four-year terms and represent specific districts within the County. The Council members are elected from four separate districts by the voters of the respective districts and three members are elected "at large" by County-wide voting.

Population

	Adams County	Indiana
2010	34,387	6,483,802
2000	33,625	6,080,485
1990	31,095	5,544,159
1980	29,619	5,490,210
1970	26,871	5,195,392

Source: www.stats.indiana.edu ; Indiana State Data Center in cooperation with the U.S. Census Bureau.

Employment

Employment as of December 2011

	Indiana	Adams County	% of Indiana
Labor Force	3,188,260	15,014	0.47 %
Employment	2,901,084	13,755	0.47
Unemployment	287,176	1,259	0.44
Unemployment Rate	9.0%	8.4%	

Source: www.stats.indiana.edu ; Indiana State Data Center in cooperation with the U.S. Census Bureau.

Annual Average Unemployment Rate

	United States	Indiana	Adams County
2011	8.9 %	9.0 %	8.4 %
2010	9.6	10.1	10.6
2009	9.3	10.4	14.8
2008	5.8	5.8	7.6
2007	4.6	4.6	4.3

Source: www.stats.indiana.edu ; Indiana State Data Center in cooperation with the U.S. Census Bureau.

Employment By Industry as of December 2010

	Indiana		Adams County		Indiana
	Employed	% of Total	Employed	% of Total	% of
Accomodation and Food Services	245,711	7.08 %	958	5.35 %	0.39 %
Arts and Entertainment and Recreation	69,798	2.01	184	1.03	0.26
Construction	182,943	5.28	2,116	11.83	1.16
Health Care and Social Services	395,122	11.39	1,210	6.76	0.31
Information	43,538	1.26	305	1.71	0.70
Manufacturing	462,554	13.34	4,383	24.50	0.95
Professional, Tech. Serv.	157,121	4.53	- (1)	- (1)	- (1)
Retail Trade	373,498	10.77	2,228	12.46	0.60
Trans., Warehousing	139,582	4.03	- (1)	- (1)	- (1)
Wholesale Trade	123,364	3.56	487	2.72	0.39
Other	816,677	23.55	3,877	21.67	0.47
Government	457,677	13.20	2,139	11.96	0.47

(1) Data not available due to BEA non-disclosure requirement.

Source: www.stats.indiana.edu ; Indiana State Data Center in cooperation with the U.S. Census Bureau.

Major Employers

The major employers in Adams County and number of employees as of July 2012 were as follows:

Employer	Type of Business	Number of Employees
Fleetwood RV, Inc.	Recreational Vehicles	1,035
Adams County Memorial Hospital Network	Healthcare	680
Swiss Village Inc.	Retirement Community	370
Smith Brothers of Berne	Furniture	315
Red Gold Products	Food Industry	310
Thunderbird Products, Inc.	Formula Boats	250
Bunge North America	Agribusiness	230
FCC (Adams), LLC	Automotive Transmission	220
Gold Shield of Indiana	Fiberglass	190
Dolco Packaging (Tekni-Plex)	Foam and Food Containers	185

Source: Adams County Economic Development Corporation.

Taxes

Assessed Valuation: $1,350,189,214 for taxes payable in 2012.

Property Tax: $2.9218 for taxes assessed in 2011 payable in 2012 per $100 of assessed valuation in the Decatur City-Root Township taxing district in Adams County.

Sales & Use Tax: 7% tangible personal property except food and prescription drugs.

Individual Adjusted Gross Income: 3.4% of earnings - $1,000 annual exemption allowed for taxpayers and each dependent.

Excise Tax: Cigarettes are taxed at 99.5 cents per pack of 20 cigarettes a cents per pack of 25 cigarettes. Gasoline is taxed at 18 cents per gallon.

County Economic Development Income Tax: 0.524% for Adams County Residents.

County Option Income Tax: 0.6% for Adams County Residents.

Automobile Tax: Excise Tax in lieu of personal property tax, based on initial retail price and age of vehicle.

Community Data

Parks and Recreation: The County has many parks located in and around the City of Decatur that provide playgrounds, tennis courts, baseball diamonds, swimming, and scenery.

Police Protection: Adam's County Sheriff's Department, Indiana State Police

Transportation

Railroads: Northeast Indiana is served by two class I freight railroads, CSX and Norfolk Southern.

Highways: U.S. Highways 27, 224, and 33. State Highways 116, 88, 218, and 124.

Air: The Fort Wayne International Airport is within 20 miles of the City of Decatur, IN. Fort Wayne International Airport offers non-stop departures to all the major cities in the United States. The major carriers include Delta, United, American, and Allegiant Air.

Utilities

Electricity: Indiana Michigan Power, Duke Energy, Vectren Energy, and Just Energy

Gas: Northern Indiana Public Service Company

Water/Sewage: Various Municipal Utilities

Telephone: CenturyLink

Education

Public Schools: The County is served by three Community School Corporations, Adams Central Community Schools, North Adams Community Schools, and South Adams Community Schools. The three School Corporations have a combined enrollment of approximately 4,460.

Colleges and Universities: Institutions of higher education in the County include the Indiana Institute of Technology, University of Saint Francis, Taylor University, Indiana Wesleyan University, Huntington University, International Business College, and Indiana University Purdue University Fort Wayne.

Building Permits – Adams County

	2011	2010	2009	2008	2007
Number of Permits (1)	38	44	46	54	102
Construction Cost $	$ 5,936,545	$ 5,325,868	$ 6,359,300	$ 7,964,400	$ 14,234,900

(1) Represents privately owned residential building permits.

Source: U.S. Census Bureau.

Financial Institutions

The following banks have deposits in Adams County, Indiana and total deposits in Indiana as of June 30, 2011:

Institution	Bank Deposits in Adam's County	Market Share	Bank Deposits in State of Indiana
First Bank of Berne	$ 225,892,000	43.06%	$ 291,042,000
Bank of Geneva	110,798,000	21.12	119,267,000
First Merchants Bank National Association	99,972,000	19.06	2,956,357,000
Wells Fargo Bank, National Assocation	62,132,000	11.84	2,831,973,000

The following two banks have deposits in Adams County but account for less than 5% of market share: Fifth Third Bank and Woodforest National Bank.

Source: ww.fdic.gov; FDIC.

Source of Data and Information

Statistical data and other information set forth under the "DESCRIPTION OF ADAMS COUNTY, INDIANA" have been compiled by the Indiana Bond Bank's financial advisor, Crowe Horwath LLP, from sources deemed to be reliable.

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APPENDIX E
COUNTY DEBT AND TAXATION

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ADAMS COUNTY, INDIANA

Direct and Overlapping Debt
(As of August 1, 2012)

	Total Debt		Percent (%) Applicable	Amount Applicable
Direct Debt and Lease Obligation				
Lease Rental Revenue Bonds, Series 2003 (1)	$ 34,710,000		100.00 %	$ 34,710,000
Underlying Debt and Lease Obligations				
Adams Central Community School District	14,159,000		25.38	3,593,554
North Adams Community School District	17,879,569	(2)	45.81	8,190,631
South Adams Community School District	21,325,000		27.46	5,855,845
Berne Public Library Leasing Corporation	170,000		1.35	2,295
Total Underlying Debt and Lease Obligations				17,642,325
Total Direct Debt and Underlying Debt and Lease Obligations				$ 52,352,325

(1) Being refunded by the Series 2012 D Qualified Obligations.
(2) Includes Capital Appreciation Bonds; amounts included represent outstanding amount payable at maturity.

Direct Debt Issuance Limitation

The County is limited to the issuance of direct general obligation debt in an amount not to exceed 2% of one-third of the assessed valuation. **The Bonds being issued herein are not subject to the 2% debt limitation.**

Net Assessed Valuation - 2011 Payable 2012	$ 1,350,189,214
2% of One-Third Thereof	9,001,261
Less Bonds subject to limitation: None	-
Issuance Margin	$ 9,001,261

Per Capita and Debt Ratio Analysis

Population - 2010	34,387
Assessed Valuation - 2011 payable 2012	$ 1,350,189,214

Per Capita and Debt Ratio Analysis (Continued)

Description		Debt Per Capita	Ratio of Debt/ Assessed Valuation
Total Direct Debt	$ 34,710,000	$ 1,009.39	2.57 %
Total Underlying Debt and Lease Obligations	17,642,325	513.05	1.31
Total	$ 52,352,325	$ 1,522.44	3.88 %

Total Tax Rates
Decatur City – Root Township
(Per $100)

	Years Payable				
	2012	2011	2010	2009	2008 (1)
State					$ 0.0024
County					
General	$ 0.4475	$ 0.4510	$ 0.4446	$ 0.4371	0.3502
Reassessment	0.0083	0.0085	0.0095	0.0060	0.0050
Courthouse	0.0038	0.0038	0.0038	0.0038	0.0038
Cum. Bridge	0.0488	0.0488	0.0488	0.0488	0.0488
Health	0.0234	0.0189	0.0143	0.0187	0.0139
Co. Welfare Family and Children					0.1067
County Hosp. Care Indigent					0.0163
Welfare MAW					0.0019
Welfare CSHCN					0.0030
Cum. Jail	0.0300	0.0300	0.0300	0.0300	0.0300
Parks and Recreation	0.0093	0.0092	0.0091	0.0115	0.0117
Cum. Capital Dev.	0.0313	0.0212	0.0212	0.0217	0.0217
Township	0.0139	0.0094	0.0165	0.0155	0.0147
School	1.1810	1.2312	1.2729	1.3394	1.7308
Library	0.1393	0.1351	0.1288	0.1260	0.1058
Corporation	0.9411	0.9144	0.8745	0.8549	0.7653
Special District	0.0441	0.0440	0.0433	0.0429	0.0358
Total	$ 2.9218	$ 2.9255	$ 2.9173	$ 2.9563	$ 3.2678

(1) All tax rates exhibited are before deduction of approximately 19% thereof for property tax relief funds provided from State of Indiana tax sources and before deduction for homestead credits.

Source: Adams County Abstracts for the respective years.

Property Taxes Levied and Collected

Adams County

Collection Year	Certified Levied	Current and Delinquent Collected	% Collected	Abstract Levy	% Collected
2012	$ 8,133,540	$ 4,213,915 (1)	51.81 %	$ 7,878,328	53.49 %
2011	7,744,911	7,491,157	96.72	7,515,535	99.68
2010	7,556,030	7,331,150	97.02	7,341,306	99.86
2009	7,300,403	7,134,979	97.73	7,277,564	98.04
2008	8,938,031	8,591,909	96.13	8,999,554	95.47

(1) Represents June 2012 settlement only.

Source: Departments of Local Government Budget Orders, Adams County Abstracts, and Adams County Form 22 for the respective years.

Ten Largest Taxpayers

Adams County

Taxpayer	Type of Business	Payable 2012 Net Assessed Valuation
Bunge North America	Agribusiness	$ 26,502,150
Porter, Inc	Boats	11,707,530
Central Soya Co., Inc.	Agribusiness	11,443,900
Wal-Mart	Retail	9,909,100
Fleetwood RV, Inc	Recreational Vehicles	7,552,600
Silberline Mfg. Co., Inc.	Inorganic Pigments	5,441,430
Dean Foods of Decatur	Food and Beverage	5,382,670
Camryn Industries LLC	Plastic Material Manufacturing	5,136,420
FCC (Adams), LLC	Fiberglass	4,319,950
Rini Realty Company	Real Estate	4,208,200
Total		$ 91,603,950

Source: Adams County Auditor.

Circuit Breaker Credit

Adams County

Payable Year	Circuit Breaker Credit	
2012	$ 280,452	(1)
2011	262,552	
2010	219,720	
2009	45,778	

(1) Estimated.

Source: Legislative Services Agency Report dated December 31, 2011. See Appendix B under the heading "Circuit Breaker Tax Credit" for addiitonal information regarding circuit breaker credits.

Net Assessed Valuation

Payable Year	Adams County	
2012	$ 1,350,189,214	
2011	1,314,765,115	
2010	1,299,850,333	
2009	1,267,705,752	(1)
2008	1,467,722,110	

(1) Due due to new supplemental homestead deduction effective in Payable 2009.

Source: Adams County Abstracts for the respective years.

Historical Economic Development Income Tax (EDIT) Distributions

Year	Total County Certified Distribution		Adams County Hospital Share	
2012	$ 2,058,717	(1)	$ 600,489	(2)
2011	2,059,471		1,029,737	(3)
2010	2,230,181		1,287,381	
2009	2,426,834		1,237,340	
2008	2,201,685		1,283,586	

(1) The 2012 County Certified Distribution represents a full year's budget amount.
(2) Represents distributions received through July 31, 2012.
(3) The 2011 Distribution includes $133,349 received in April 2012.

Source: Adams County Auditor's Office and the Adams County Hospital.

Source of Data and Information

Statistical data and other information set forth under the "COUNTY DEBT AND TAXATION" have been compiled by the Indiana Bond Bank's financial advisor, Crowe Horwath LLP, from sources deemed to be reliable.

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APPENDIX F

FORM OF BOND COUNSEL OPINION

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APPENDIX F

FORM OF BOND COUNSEL OPINION

Upon the delivery of the Series 2012 D Bonds, Barnes & Thornburg LLP, as bond counsel, proposes to deliver an opinion in substantially the following form:

October 4, 2012

Indiana Bond Bank
Indianapolis, Indiana

Re: Indiana Bond Bank
Special Program Refunding Bonds, Series 2012 D (Adams County Memorial Hospital Project)

Ladies and Gentlemen:

We have acted as bond counsel to the Indiana Bond Bank (the "Issuer") in connection with the issuance by the Issuer of its Special Program Refunding Bonds, Series 2012 D (Adams County Memorial Hospital Project), dated October 4, 2012 (the "Bonds"), in the aggregate principal amount of $34,385,000, pursuant to Indiana Code 5-1.5, as amended, the resolution adopted by the Board of Directors of the Issuer on August 14, 2012, and the Trust Indenture, dated as of September 1, 2012 (the "Indenture"), between the Issuer and The Huntington National Bank, as trustee (the "Trustee"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on representations of the Issuer contained in the Indenture, the certified proceedings and other certifications of public officials furnished to us, and certifications, representations and other information furnished to us by or on behalf of the Issuer, the Series 2012 D Qualified Entity (as defined in the Indenture) and others, including, without limitation, certifications contained in the tax and arbitrage certificate of the Issuer, dated the date hereof, and the tax and arbitrage certificate of the Series 2012 D Qualified Entity, The Board of Trustees of Adams County Memorial Hospital (the "Hospital") and Adams County, Indiana (the "County"), dated the date hereof, without undertaking to verify the same by independent investigation. We have relied upon the legal opinion of Bose McKinney & Evans LLP, Indianapolis, Indiana, special counsel to the Issuer, dated the date hereof, as to the matters stated therein. We have relied on the report of Crowe Horwath LLP, Indianapolis, Indiana, independent certified public accountants, dated the date hereof, as to the matters stated therein, and the reports of London Witte Group, LLC, Indianapolis, Indiana, independent certified public accountants, dated the date hereof, as to the matters stated therein.

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

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

2. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding limited obligations of the Issuer, enforceable in accordance with their terms. The Bonds are payable solely from the Trust Estate (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, the Series 2012 D Qualified Entity, the Hospital and the County 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, Series 2012 D Qualified Entity, the Hospital and the County 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 be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

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

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

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement, dated September 19, 2012, or any other offering material relating to the Bonds.

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

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

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

Very truly yours,

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APPENDIX G

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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APPENDIX G

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. Capitalized terms not otherwise defined in this Official Statement shall have the meanings ascribed thereto in the Indenture.

GENERAL TERMS AND PROVISIONS OF BONDS

Nonpresentment of Bonds

In the event any Bond is not presented for payment when the principal thereof becomes due, either at maturity, or at the date fixed for redemption thereof, or as set forth in any Supplemental Indenture regarding deemed tenders or redemptions or otherwise, and if funds sufficient to pay such Bond have been made available to the Trustee for the benefit of the owner thereof, all liability of the Bond Bank to the owner thereof for the payment of such Bond will forthwith cease, terminate and be completely discharged, and thereupon it will be the duty of the Trustee to hold such funds uninvested for five (5) years, for the benefit of the owner of such Bond, without liability for interest thereon to such owner, who will thereafter be restricted exclusively to such funds, for any claim of whatever nature on his part under the Indenture or on, or with respect to, such Bond.

Any money so deposited with and held by the Trustee in trust for the payment of the principal of and interest on the Bonds and remaining unclaimed by any Bondholder for five (5) years after the due date of such principal or interest, will be applied by the Trustee in accordance with the Unclaimed Property Act, Indiana Code 32-34-1, as amended from time to time. Prior to the transfer of any such moneys to the Attorney General of the State in accordance with the Unclaimed Property Act, the Trustee will conduct searches in an effort to locate lost Bondholders using reasonable care to ascertain the correct addresses of all lost Bondholders in accordance with the rules governing registered transfer agents promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, but only if and so long as the Trustee is a registered transfer agent under those rules. Upon the transfer of such moneys to the Attorney General of the State in accordance with the Unclaimed Property Act, the Bond Bank and the Trustee will have no further responsibility or liability with respect to such moneys, and the Bondholders entitled to such principal or interest must look only to the State for payment, to the extent provided by law, and then only to the extent of the amounts so received by the State, without any interest thereon.

Other Obligations Payable from Revenues

The Bond Bank will grant no liens or encumbrances on or security interests in (other than those created by the Indenture), and, except for the Bonds, will issue no bonds or other evidences of indebtedness payable from, the Trust Estate.

Limitations on Obligations of Bond Bank

The Bonds, together with interest thereon, are limited obligations of the Bond Bank payable solely from the Revenues of the Bond Bank and will be a valid claim of the respective owners thereof only against the Funds and Accounts established under the Indenture and the Qualified Obligations acquired by the Trustee, all of which are assigned and pledged under the Indenture for the equal and ratable payment of the Bonds and will be used for no other purpose than the payment of the Bonds, except as may be otherwise expressly authorized in the Indenture. The Bonds do not constitute a debt or liability of the State or of any political subdivision thereof under the constitution of the State or a pledge of the faith and credit of the State or any political subdivision thereof, but will be payable solely from the Revenues and funds pledged therefor in accordance with the Indenture. The issuance of the Bonds under the provisions of the Act does not directly, indirectly or contingently, obligate the State or any political subdivision thereof to levy any form of taxation for the payment thereof or to make any appropriation for their payment and such Bonds and the interest payable thereon do not now and will never constitute a debt of the State or any political subdivision thereof within the meaning of the constitution of the State or the statutes of the

State and do not now and will never constitute a charge against the credit or taxing power of the State or any political subdivision thereof. Neither the State nor any agent, attorney, member or employee of the State or the Bond Bank, will in any event be liable for the payment of the principal of, and premium, if any, or interest on the Bonds or damages, if any, for the nonperformance of any pledge, mortgage, obligation or agreement of any kind whatsoever which may be undertaken by the Bond Bank. No breach by the Bond Bank of any such pledge, mortgage, obligation or agreement may impose any liability, pecuniary or otherwise, upon the State or any of the State's or the Bond Bank's agents, members, attorneys and employees or any charge upon the general credit of the State or a charge against the taxing power of the State or any political subdivision thereof.

Immunity of Officers and Directors

No recourse will be had for the payment of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement in the Indenture contained against any past, present or future officer, member, director, trustee, agent or employee of the Bond Bank or any officer, member, director, trustee, agent or employee of any successor entities thereto, as such, either directly or through the Bond Bank or any successor entities, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officers, members, directors, trustees, agents or employees as such, is expressly waived and released as a condition of and consideration for the execution of the Indenture and issuance of such Bonds.

BOND BANK COVENANTS

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.

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.

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.

Annual Budget

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 July 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 July 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.

Monitoring Investments.

The Bond Bank covenants and agrees to regularly review the investments held by the Trustee in the Funds and Accounts for the purpose of assuring that the Revenues derived from such investments are sufficient, together with other anticipated Revenues, to provide for the payment of the debt service on Outstanding Bonds.

Cash Flow Certificates.

At any time that the provisions of the Indenture require that a Cash Flow Certificate be prepared, such certificate will set forth:

1. the Revenues expected to be received on all Qualified Obligations purchased with proceeds of the Bonds or with Revenues expected to be available for the purpose of financing the purchase of additional Qualified Obligations;

2. all other Revenues, including the interest to be earned and other income to be derived from the investment of the Funds and Accounts and the rate or yields used in estimating such amounts;

3. all moneys expected to be in the Funds and Accounts (however, with respect to the Debt Service Reserve Fund, only to the extent provided in subparagraph (4) below);

4. the amount, if any, expected to be withdrawn from the Debt Service Reserve Fund, but only if the amount on deposit in the Debt Service Reserve Fund is expected to at least equal the Reserve Requirement immediately after such withdrawal and such withdrawal is permitted by the Indenture;

5. the debt service due on all Bonds expected to be Outstanding during each Fiscal Year; and

6. the amount, if any, of Program Expenses expected to be paid from the Revenues.

In making any Cash Flow Certificate, the accountant or firm of accountants may contemplate the payment or redemption of Bonds for the payment or redemption of which amounts have been set aside in the Redemption Account. The issuance of Bonds, the making of transfers from one Fund to another and the deposit of amounts in any Fund from any other source may be contemplated in a Cash Flow Certificate only to the extent that such issuance, deposit or transfer has occurred prior to or will occur substantially simultaneously with the delivery of such Cash Flow Certificate. The accountant or firm of accountants shall also supply supporting schedules appropriate to show the sources and applications of funds used, identifying particularly amounts to be transferred between Funds, amounts to be applied to the redemption or payment of Bonds and amounts to be used to provide for Costs of Issuance, the debt service reserve and capitalized interest, if any, for the respective Series. In the case of each annual Cash Flow Certificate, the amounts of existing Qualified Obligations, existing Investment Securities and existing cash shall be the amounts as of the last day of the preceding Fiscal Year. In the case of any other Cash Flow Certificate, such amounts shall be the amounts as of the last day of the month preceding the month in which the Cash Flow Certificate is delivered, but will be adjusted to give effect to scheduled payments of principal of and interest on Qualified Obligations, actual payments or proceeds with respect to Investment Securities and actual expenditures of cash expected by the Bond Bank through the end of the then current month.

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 excludable 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.

Notwithstanding any provision of the Indenture to the contrary, the Bond Bank may elect to issue a Series of Bonds, the interest on which is not excludable from gross income for federal tax purposes, so long as such election does not adversely affect the exclusion from gross income of interest for federal tax purposes on any other Series of Bonds, by making such election on the date of delivery of such Series of Bonds. In such case, the tax covenants in the Indenture will not apply to such Series of Bonds.

Debt Service Reserve Fund 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 or amount projected to be required to restore the Debt Service Reserve Fund to its requirement, including any amounts owed or which may become due and owing to the Credit Provider of a Debt Service Reserve Fund Credit Facility, 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. The Bond Bank covenants that any deficiency or amount to be certified pursuant to the Indenture will include any such deficiency or amounts due and owed as a result of a draw on any Debt Service Reserve Fund Credit Facility to pay the final maturity of the Bonds.

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

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 sixty (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 or bankrupt, or makes an assignment for the benefit of creditors, or a liquidator or trustee of the

Bond Bank or any of its property is appointed by court order or takes possession and such order remains in effect or such possession continues for more than sixty (60) days;

(h) The Bond Bank fails to restore the Debt Service Reserve Fund to the applicable Debt Service Reserve Requirement within sixty (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.

Trustee's Rights and Remedies

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 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.

(d) By notice to the Bond Bank and the Attorney General of the State, the Trustee may declare the principal of and accrued interest on all Bonds to be due and payable immediately in accordance with the provisions of the Indenture and the Act.

If an Event of Default has occurred, if requested to do so by the Owners of 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.

Rights and Remedies of Owners of Bonds

No owner of any Bond will have any right to institute any suit, action or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or for any other remedy under the Indenture, unless (a) a 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.

Application of Moneys

All moneys received by the Trustee pursuant to any right or remedy given or action taken under the provisions of the Indenture (including moneys received by virtue of action taken under the provisions of any Qualified Obligation) shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee and any other moneys owed to the Trustee hereunder, be deposited in the General Account and all moneys in the General Account will be applied as follows:

(1) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

FIRST - To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, including interest on any past due principal of any Bond at the rate borne by such Bond, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to such payment ratably, according to the amounts due on such installments, to the persons entitled thereto, without any discrimination or privilege;

SECOND - To the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due either at maturity or pursuant to a call for redemption (other than Bonds called for redemption for the payment of which other moneys are held pursuant to the provisions of this Indenture), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full the principal of Bonds due on any particular date, then to such payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege;

THIRD - To the payment of any amounts due and owing to any Credit Provider pursuant to the terms of any Credit Facility, and, if the amount available shall not be sufficient to pay in full all amounts owing to all Credit Providers, then to such payment ratably, according to the aggregate amount due under all Credit Facilities on such date, to each Credit Provider entitled thereto without any discrimination or privilege; and

FOURTH - To be held for the payment to the persons entitled thereto as the same shall become due of the principal of and interest on the Bonds which may thereafter become due either at maturity or upon call for redemption prior to maturity and, if the amount available shall not be sufficient to pay in full the principal of and interest on Bonds due on any particular date, such payment shall be made ratably according to the amount of principal and interest due on such date to the persons entitled thereto without any discrimination or privilege.

(2) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

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

Whenever all principal of and interest on all Bonds have been paid under the provisions of the Indenture and all expenses and charges of the Trustee have been paid, any balance remaining in the General Account shall be paid as provided in 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 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.

TRUSTEE

By executing the Indenture, the Trustee accepts the trusts and duties imposed upon it by the Indenture and agrees to perform such trusts and duties with the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs, but only upon and subject to the express terms and conditions of the Indenture.

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

The Trustee and any successor Trustee may at any time resign from the trusts created by the Indenture by giving 30 days' written notice by registered or certified mail to the Bond Bank, the owner of each Bond as shown by the list of Bondholders required by the Indenture to be kept at the office of the Trustee. Such resignation will take effect upon the appointment of a successor Trustee and acceptance of such appointment by the successor Trustee.

The Trustee may be removed at any time, with or without cause, by instrument or concurrent instruments in writing delivered to the Trustee and the Bond Bank and signed by the owners of a majority in aggregate principal amount of all Bonds then Outstanding or their attorneys-in-fact duly authorized. Notice of the removal of the Trustee will be given as described in the paragraph above with respect to the resignation of the Trustee. So long as no Event of Default or an event which, with the passage of time would become an Event of Default, has occurred and is continuing, the Trustee may be removed at any time for cause by resolution of the Bond Bank filed with the Trustee.

In case the Trustee resigns or be removed, or is dissolved, or is in the course of dissolution or liquidation, or otherwise becomes incapable of acting the Indenture, or in case it is taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the owners of a majority in aggregate principal amount of all Bonds then Outstanding by an instrument or concurrent instruments in writing signed by such owners, or by their attorneys-in-fact duly authorized, a copy of which will be delivered personally or sent by registered mail to the Bond Bank. Nevertheless, in case of such vacancy, the Bond Bank by resolution may appoint a temporary Trustee to fill such vacancy. Within ninety (90) days after such appointment, the Bondholders may appoint a successor Trustee, and any such temporary Trustee so appointed by the Bond Bank will become the successor Trustee if no appointment is made by the Bondholders within such period, but in the event an appointment is made by the Bondholders, such temporary Trustee will immediately and without further act be superseded by any Trustee so appointed by such Bondholders. Notice of the appointment of a temporary or successor Trustee will be given in the same manner described in the paragraph above with respect to the resignation of a Trustee. Every such Trustee so appointed will be a trust company or bank having its principal place of business in the State, will be duly authorized to exercise trust powers, will be subject to examination by federal or state authority, will have a reported capital and surplus of not less than $75,000,000, if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

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 of the aggregate principal amount of the Bonds then Outstanding which are affected (other than Bonds held by the Bond Bank) will have the right from time to time to consent to and approve the execution by the Bond Bank and the 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 OF CERTAIN TERMS

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APPENDIX H

DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms used in the Official Statement, including its Appendices, and in the Indenture:

"Accounts" means the accounts created pursuant to the Indenture.

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

"Assured Guaranty" means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

"Authorizing Instrument" or "Qualified Obligation Indenture" means the Trust Indenture, dated as of September 1, 2012, between the Qualified Entity and the Qualified Obligation Trustee.

"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.

"Bond Bank Escrow Agreement" means the Escrow Agreement, dated as of September 1, 2012, among the Bond Bank, the Bond Bank Escrow Agent and the Prior Bond Bank Trustee, to provide for the refunding and defeasance of the Refunded Bonds.

"Bond Bank Escrow Account" means the Escrow Account created and established under the Bond Bank Escrow Agreement.

"Bond Bank Escrow Agent" means U.S. Bank National Association, as escrow agent under the Bond Bank Escrow Agreement.

"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 the Indenture.

"Bonds" means the Series 2012 D Bonds and any Refunding Bonds.

"Cash Flow Certificate" means a certificate prepared by an accountant or firm of accountants in accordance with the Indenture 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 the 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 2012 D 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.

“County” means Adams County, Indiana.

“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 the Indenture, the Credit Provider providing such Credit Facility shall be either:

(i) an insurer whose long-term debt obligations are rated (at the time of issuance of such Credit Facility) in one of the three highest Rating Categories by the Rating Agency or Rating Agencies rating the Bonds; or

(ii) a bank or trust company which has an outstanding, unsecured, uninsured and unguaranteed debt issue rated (at the time of issuance of such Credit Facility) in one of the three highest Rating Categories by the Rating Agency or Rating Agencies rating the Bonds.

“Debt Service Reserve Fund” means the fund by that name created and established pursuant to the Prior Bond Bank Indenture and continued pursuant to the Indenture.

“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) owing to a 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 under the Indenture.

“Event of Default” means any occurrence of an event specified in the Indenture.

“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 2012 D Qualified Entity.

“Fiscal Year” means the twelve-month period from July 1 through the following June 30.

“Fitch” means Fitch Ratings, or any successor thereof which qualifies as a Rating Agency hereunder.

“Funds” means the funds created pursuant to the Indenture (other than the Rebate Fund).

"General Account" means the account by that name created by the Indenture.

"General Fund" means the fund by that name created by the Indenture.

"Governmental Obligations" means: (a) United States Treasury Certificates, Notes and Bonds (including State and Local Government Series - "SLGs"); (b) direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities; (c) the interest component of Resolution Funding Corp. strips, which have been stripped by request to the Federal Reserve Bank of New York in book-entry form; (d) pre-refunded municipal bonds rated "AAA" by Moody's or "Aaa" by S&P; provided, however, if the issue is rated only by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct obligations of the United States or obligations guaranteed by the United States, or AAA-rated pre-refunded municipals; and (e) obligations issued by the following agencies, which are backed by the full faith and credit of the United States: (i) United States Export-Import Bank (Eximbank) direct obligations or fully guaranteed certificates of beneficial ownership; (ii) Farmers Home Administration (FmHA) certificates of beneficial ownership; (iii) Federal Financing Bank; (iv) General Services Administration participation certificates; (v) United States Maritime Administration guaranteed Title IX financing; and (vi) United States Department of Housing and Urban Development (HUD) project notes, local authority bonds, new communities debentures - United States government guaranteed debentures, and United States Public Housing Notes and Bonds - United States government guaranteed public housing notes and bonds.

"Hospital" means The Board of Trustees of Adams County Memorial Hospital.

"Hospital Association" means the Adams County Hospital Association, a public body politic and corporate, separate and distinct from the County and the Hospital, organized and existing under and by virtue the provisions of Indiana Code 16-22-6

"Hospital Association Bonds" means the Hospital Association's Lease Rental Revenue Refunding Bonds, Series 2012, dated October 4, 2012.

"Indenture" or "Bond Bank Indenture" means the Trust Indenture, dated as of September 1, 2012, between the Bond Bank and the Trustee, and all supplements and amendments thereto entered into pursuant to the terms thereof.

"Interest Payment Date" means February 1 and August 1 of each year, commencing on February 1, 2013.

"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 million;

(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" (or their equivalent) by S&P, or better;

(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 2011 A 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 (which opinion shall be addressed to the Bond Bank) 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.

"Lease" means the Lease Agreement, dated as of December 11, 2002, as amended by an Addendum to Lease, dated March 26, 2003, and as further amended by a First Amendment to Lease, dated as of October 4, 2012, between the Qualified Entity, as lessor, and the County and the Hospital, as lessees, as the same may be further amended from time to time.

"Moody's" means Moody's Investors Service or any successor thereof which qualifies as a Rating Agency hereunder.

"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 the 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 the 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 of the Indenture; and

(iii) Bonds in lieu of which other Bonds have been authenticated the Indenture.

"Principal Payment Date" means the maturity date or the mandatory sinking fund redemption date of any Bond.

"Prior Bond Bank Indenture" means the Trust Indenture, dated as of March 1, 2003, as supplemented and amended by the First Supplemental Trust Indenture, dated as of September 1, 2012, each between the Bond Bank and the Prior Bond Bank Trustee, pursuant to which the Refunded Bonds were authorized and secured.

"Prior Bond Bank Trustee" means U.S. Bank National Association (ultimate successor to National City Bank of Indiana), as trustee under the Prior Bond Bank Indenture.

"Prior Qualified Entity Indenture" means the Trust Indenture, dated as of March 1, 2003, as supplemented and amended by the First Supplemental Trust Indenture, dated as of September 1, 2012, each between the Qualified Entity and the Prior Qualified Entity Trustee, pursuant to which the Refunded Qualified Obligations were authorized and secured.

"Prior Qualified Entity Trustee" means U.S. Bank National Association (ultimate successor to National City Bank of Indiana), as trustee under the Prior Qualified Entity Indenture.

"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 the Indenture, all to the extent properly allocable to the Program.

"Purchase Contract" means the Bond Purchase Agreement, dated September 19, 2012, among the Bond Bank, the Qualified Entity, the County, the Hospital and the Underwriter, regarding the sale of the Series 2012 D Bonds.

"Qualified Entity" means an entity defined in Indiana Code 5-1.5-1-8, as amended from time to time, including the Series 2012 D Qualified Entity.

"Qualified Entity Escrow Agreement" means the Escrow Agreement, dated as of September 1, 2012, among the Qualified Entity, the Qualified Entity Escrow Agent and the Prior Qualified Entity Trustee, to provide for the refunding and defeasance of the Refunded Qualified Obligations.

"Qualified Entity Escrow Account" means the Escrow Account created and established under the Qualified Entity Escrow Agreement.

"Qualified Entity Escrow Agent" means U.S. Bank National Association, as escrow agent under the Qualified Entity Escrow Agreement.

"Qualified Entity Purchase Agreement" or "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 Obligation" means a Security (as that term is defined in the Act), including the Series 2012 D Qualified Obligations, which has been acquired by the Bond Bank pursuant to the 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 the 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 the 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 the Indenture.

"Qualified Obligation Trustee" means The Huntington National Bank, as trustee under the Authorizing Instrument.

"Rating Agency" or "Rating Agencies" means Fitch, S&P or Moody's, according to which of such rating agencies then rates a Bond; and provided that, if none of such rating agencies then rates a Bond, the term "Rating Agency" or "Rating Agencies" shall refer to any national rating agency (if any) that provides such rating.

"Rating Category" means one of the generic rating categories of the applicable Rating Agency, without regard to any refinements or gradations of such generic rating category by numerical or other modifier.

"Rebate Fund" means the fund by that name created by the Indenture.

"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 the Indenture.

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

"Refunded Bonds" means the Indiana Bond Bank Special Program Bonds, Series 2003 A (Adams County Memorial Hospital Project), dated March 1, 2003, issued in the original aggregate principal amount of $40,385,000 and currently outstanding in the aggregate principal amount of $35,010,00, which were issued under and secured by the Prior Bond Bank Indenture.

"Refunded Qualified Obligations" means the Adams County Hospital Association Lease Rental Revenue Bonds, Series 2003, dated March 1, 2003, issued in the original aggregate principal amount of $40,000,000 and currently outstanding in the aggregate principal amount of $34,710,000, which were issued under and secured by the Prior Qualified Entity Indenture.

"Refunding Bonds" means Bonds issued pursuant to Section 2.05 of the Indenture and any Supplemental Indenture.

"Reserve Requirement" means an amount equal to the maximum annual principal and interest requirements on the Bonds. At the time of issuance of the Series 2012 D Bonds, the Reserve Requirement means an amount equal to $2,727,225, and thereafter, if less than such amount, it shall be the maximum annual principal and interest requirements on the Outstanding Bonds in the then current or any succeeding Fiscal Year.

"Revenues" means the Funds and Accounts and all income, revenues and profits of the Funds and Accounts referred to in the granting clauses of the Indenture, including, without limitation, all Qualified Obligation Payments.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, or any successor thereof which qualifies as a Rating Agency hereunder.

"Series of Bonds" or "Bonds of a Series" or "Series" or words of similar meaning means any Series of Bonds authorized by the Indenture or by a Supplemental Indenture.

"Series 2012 D Bonds" means the Indiana Bond Bank Special Program Refunding Bonds, Series 2012 D (Adams County Memorial Hospital Project), issued pursuant to the Indenture.

"Series 2012 D Debt Service Reserve Fund Credit Facility" means the Debt Service Reserve Fund Credit Facility provided by Assured Guaranty for deposit into the Debt Service Reserve Fund to satisfy the Reserve Requirement with respect thereto. The Series 2012 D Debt Service Reserve Fund Credit Facility constitutes a Debt Service Reserve Fund Credit Facility (as such term is defined and used in the Indenture) at the time of issuance thereof.

"Series 2012 D Qualified Entity" means the Hospital Association.

"Series 2012 D Qualified Obligations" means the Hospital Association Bonds.

"State" means the State of Indiana.

"Supplemental Indenture" means an indenture supplemental to or amendatory of the Indenture, executed by the Bond Bank and the Trustee in accordance with the Indenture.

"Trustee" means The Huntington National Bank, or any successor thereto under the Indenture.

"Trust Estate" means the property, rights and amounts pledged and assigned to the Trustee pursuant to the granting clauses of the Indenture.

"Underwriter" means, with regard to the Series 2012 D Bonds, Morgan Keegan & Company, Inc., or its successor in interest, as representative of itself and any other underwriters named in the Purchase Contract.

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INDIANA BOND BANK • SPECIAL PROGRAM REFUNDING BONDS, SERIES 2012 D (ADAMS COUNTY MEMORIAL HOSPITAL PROJECT)

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