INDIANA COMMUNITY BUSINESS
CREDIT CORPORATION

4181 East 96th Street
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Indianapolis,
Indiana
46240
(317) 843-9704
Fax (317) 844-9815

May 3, 2012

Mr. John Ross, Executive Director
Legislative Services Agency
200 W. Washington, #301
Indianapolis, IN 46204-2789

Dear Mr. Ross:

In accordance with Section 22 of IC 23-6-4, the Indiana Business Development Credit Corporation Law, the enclosed 2011Annual Report, along with the following narrative, is respectfully presented as the required Annual Report of Condition of the Indiana Community Business Credit Corporation.

In 2011, the Credit Corporation funded 4 loans for a total of $1,250,000 of direct loans to Indiana small businesses. This was an integral part of over $11,483,500 of total small business project financing, including Member Bank participation. Since its inception, the Credit Corporation has provided loans to 131 Indiana Companies for over $55 million which has been an important part of over $267 million of total project financing, including Member Bank participation. These Indiana small businesses would not have had access to this capital without the participation of the Credit Corporation.

Membership in the Credit Corporation now stands at 31 Indiana Banks (this number reflects mergers and acquisitions for many banks) with a total fund-pool of $30 million available to loan to Indiana small businesses.

The Indiana Community Business Credit Corporation is proud of its accomplishments in 2011 and looks forward to an even more successful year in 2012. Please feel free to contact our office if you have any questions or need additional information.

Sincerely,

Jean Wojtowicz

Jean Wojtowicz

JW/dk

Enclosure

CC: Mike Newbold
Lt. Governor Becky Skillman

INDIANA COMMUNITY BUSINESS CREDIT CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

CPAs / ADVISORS

blue

INDIANA COMMUNITY BUSINESS CREDIT CORPORATION

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DECEMBER 31, 2011 AND 2010

CPAs | ADVISORS

blue

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Indiana Community Business Credit Corporation
Indianapolis, Indiana

We have audited the accompanying balance sheet of Indiana Community Business Credit Corporation (the Company) as of December 31, 2011, and the related statements of income, changes in shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company as of, and for the year ended, December 31, 2010, were audited by other auditors whose report dated March 8, 2011, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 financial statements referred to above present fairly, in all material respects, the financial position of Indiana Community Business Credit Corporation as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Blue & Co., LLC

May 1, 2012

INDIANA COMMUNITY BUSINESS CREDIT CORPORATION

BALANCE SHEETS
DECEMBER 31, 2011 AND 2010

ASSETS

	2011	2010
Cash	$ 425,238	$ 10,651
Commercial loans	6,400,489	7,180,071
Less allowance for loan losses	(483,336)	(574,844)
Commercial loans, net	5,917,153	6,605,227
Accrued interest receivable, net of allowance for doubtful accounts of $439,360 (2011) and $335,139 (2010)	42,433	43,711
Loan fees, net	14,362	16,236
Income taxes receivable	32,759	71,878
Deferred income taxes	426,962	426,420
Other assets	462	-0-
	$ 6,859,369	$ 7,174,123

LIABILITIES AND SHAREHOLDERS' EQUITY

	2011	2010
Liabilities:		
Accrued interest payable	$ 27,613	$ 27,036
Accounts payable and other liabilities	42,600	20,450
Accrued management fees	191,036	92,395
Deferred transaction fees	27,093	28,626
Notes payable	3,624,708	4,092,574
Total liabilities	3,913,050	4,261,081
Shareholders' equity:		
Common stock, no par value; 2,000 shares authorized, 611 shares issued, 608 shares outstanding	1,306,846	1,306,846
Retained earnings	1,640,523	1,607,246
Treasury stock, 3 shares at cost	(1,050)	(1,050)
Total shareholders' equity	2,946,319	2,913,042
	$ 6,859,369	$ 7,174,123

See accompanying notes to financial statements.

INDIANA COMMUNITY BUSINESS CREDIT CORPORATION

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Interest Income		
Interest income on loans	$ 544,333	$ 709,867
Variable transaction fees	326,952	468,244
Total interest income	871,285	1,178,111
Interest expense	131,368	159,707
Net interest income	739,917	1,018,404
Provision for loan losses, net of recovery	410,416	572,500
Net interest income after provision for loan losses	329,501	445,904
Noninterest expenses		
Management fees	285,876	311,930
Professional fees	3,471	60,123
Total noninterest expenses	289,347	372,053
Income before income taxes	40,154	73,851
Income tax expense	6,877	10,721
Net income	$ 33,277	$ 63,130

See accompanying notes to financial statements.

INDIANA COMMUNITY BUSINESS CREDIT CORPORATION

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2011 AND 2010

	Common Stock			Treasury Stock		
	Outstanding Shares	Amount	Retained Earnings	Shares	Amount	Total
Balances, December 31, 2009	608	$ 1,306,846	$ 1,544,116	3	$ (1,050)	$ 2,849,912
Net income	-0-	-0-	63,130	-0-	-0-	63,130
Balances, December 31, 2010	608	1,306,846	1,607,246	3	(1,050)	2,913,042
Net income	-0-	-0-	33,277	-0-	-0-	33,277
Balances, December 31, 2011	608	$ 1,306,846	$ 1,640,523	3	$ (1,050)	$ 2,946,319

See accompanying notes to financial statements.

INDIANA COMMUNITY BUSINESS CREDIT CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Operating activities		
Net income	$ 33,277	$ 63,130
Adjustments to reconcile net income to net cash flows from operating activities:		
Deferred income taxes	(542)	40,750
Provision for loan losses	410,416	572,500
Changes in operating assets and liabilities:		
Accrued interest receivable, net	1,278	10,495
Loan fees, net	1,874	7,086
Income taxes receivable/payable	39,119	(117,461)
Other assets	(462)	-0-
Accrued interest payable	577	(15,634)
Accounts payable and other liabilities	22,150	9,490
Accrued management fees	98,641	(48,621)
Deferred transaction fees	(1,533)	(18,783)
Net cash flows from operating activities	604,795	502,952
Investing activities		
Loans made to customers	(1,377,500)	(930,742)
Principal collected on loans	1,655,158	2,337,347
Net cash flows from investing activities	277,658	1,406,605
Financing activities		
Proceeds from notes payable	2,403,800	1,805,000
Principal payments on notes payable	(2,871,666)	(3,765,000)
Net cash flows from financing activities	(467,866)	(1,960,000)
Net change in cash	414,587	(50,443)
Cash, beginning of year	10,651	61,094
Cash, end of year	$ 425,238	$ 10,651
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 130,791	$ 175,341
Cash paid (refunded) during the year for income taxes	$ (31,700)	$ 87,283

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Indiana Community Business Credit Corporation (the Company) is owned by Indiana banks (Member Banks) and provides secondary and supplemental financing to small and medium-sized Indiana companies. All loans require participation by a Member Bank in an amount at least as great as the Company's participation. The Company typically takes a collateral position which is secondary to the Member Bank's position. All of the Company's notes payable, accrued interest payable, and interest expense are to Member Banks. The Company's offices are located in Indianapolis, Indiana.

The significant accounting policies followed by the Company in the preparation of its financial statements are summarized below:

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The estimate that is most susceptible to material change in the near term is the allowance for loan losses.

Cash

The Company maintains its cash at high quality financial institutions. Balances may at times exceed federally insured limits.

Commercial Loans

Commercial loans are reported at the principal balance outstanding.

Interest income from loans is recognized when earned unless collection is doubtful. Loans are typically placed on non-accrual when they become 90 days past due or full repayment of principal and interest becomes doubtful, unless the loan is well secured and in the process of collection. Past due status for all loans is based on the contractual terms of the loan. Any accrued interest is charged against interest income when the loan is placed on non-accrual status. Interest continues to legally accrue on these non-accrual loans, but no income is recognized for financial statement purposes. Both principal and interest payments received on non-accrual loans are applied to the outstanding principal balance, until the remaining balance is considered collectible, at which time interest income may be recognized when received. Loans will be returned to accrual status when they are deemed collectible.

The Company can receive additional income from its borrowers to supplement interest income on loans receivable through provisions in loan agreements for variable transaction fees. The amount of these fees is determined by the timing of payment and the financial success of the borrower. Transaction fees are recognized when the fee amount becomes fixed and determinable and collection is assured.

Allowance for Loan Losses

The allowance for loan losses represents an amount that the loan review team estimates is adequate to provide for probable incurred losses in its loan portfolio. It is measured by a grading system using various factors as determined by the loan review team and approved by the Board of Directors. The loan review team consists of representatives from Member Banks.

The allowance for loan losses is established through provisions for loan losses charged against income. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance for loan losses. While management may periodically allocate portions of the allowance to specific loans, the whole allowance is available for any loan charge-offs that occur.

The ultimate outcome of this estimate is not known. Due to this uncertainty, it is at least reasonably possible that actual losses may be significantly different.

Loans are considered impaired if full principal or interest payments are not anticipated. A portion of the allowance for loan losses is allocated to impaired loans.

Fair Value

The *Fair Value Measurements* topic of the FASB Accounting Standards Codification provides a comprehensive framework for measuring fair value and includes required disclosures concerning fair value measurements. Specifically, this standard sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs.

This standard defines levels within the hierarchy of inputs as follows:

- Level 1 – Unadjusted quoted prices for identical assets and liabilities in active markets
- Level 2 – Quoted prices for similar assets and liabilities in active markets (other than those included in Level 1) which are observable for the asset or liability, either directly or indirectly

- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value of impaired loans with specific allocations of the allowance for loan losses is measured on a non-recurring basis using level 3 inputs. Impaired loans are carried at the present value of expected cash flows discounted at the loan's effective interest rate or at the fair value of the collateral if the loan is collateral-dependent.

Because of the inherent uncertainty in level 3 inputs, the values of assets required to be valued in this manner are subject to a higher degree of uncertainty and variability.

Loan Fees

Loan fees are deferred and amortized on a straight-line basis over the life of the loan as a part of interest expense.

Transaction Fees

Transaction fees, net of direct origination costs, are deferred and amortized on a straight-line basis over the life of the loan as a part of interest income.

Income Taxes

Deferred income taxes arise from temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. The principal temporary differences relate to the allowance for loan losses and the allowance for doubtful accounts on accrued interest receivable.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Company and recognize a tax liability if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Company, and has concluded that as of December 31, 2011 and 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

The Company has filed its federal and state income tax returns for periods through December 31, 2010. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Subsequent Events

The Company evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through May 1, 2012, which is the date the financial statements were available to be issued.

Reclassifications

Certain amounts from 2010 have been reclassified herein in order to conform to the 2011 presentation.

2. COMMERCIAL LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans were to companies in the following industries at December 31:

	2011	2010
Services	35.1%	40.9%
Manufacturing	30.6%	29.2%
Retail/other	26.5%	18.4%
Contractors	7.8%	11.5%
	100.0%	100.0%

At December 31, 2011, the Company had unfunded commitments to originate loans of $247,458.

The allowance for loan losses consists of the following at December 31:

	2011	2010
Balance, January 1	$ 574,844	$ 711,906
Provision for loan losses	410,416	572,500
Charge-offs	(501,924)	(709,562)
Balance, December 31	$ 483,336	$ 574,844

At December 31, 2011 and 2010, the balance of impaired loans totaled $476,000 and $605,710, respectively. The amount of interest not recorded on impaired loans approximated $79,000 and $84,000 for the years ended December 31, 2011 and

2010, respectively. Of the total allowance for loan losses, $250,000 and $145,122 have been allocated to impaired loans at December 31, 2011 and 2010, respectively. The average balance of impaired loans during 2011 and 2010 was $540,855 and $504,519, respectively.

The change in impaired loans is as follows for the year ended December 31, 2011:

Balance, beginning of year	$ 605,710
Additional loans impaired	476,000
Payments received	(51,666)
Loans removed from impaired status	(397,382)
Charge-offs	(156,662)
Balance, end of year	$ 476,000

As required during 2011, the Company adopted the Financial Accounting Standards Board Accounting Standards Update No. 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, which was effective for fiscal years ending on or after December 15, 2011. The remaining disclosures in Note 2 are provided for 2011 to comply with this standard.

At December 31, 2011, the balance of non-accrual loans totaled $1,736,026, and there were no loans past due over 90 days still on accrual.

At December 31, 2011, the balance of loans 30 to 89 days past due totaled $125,542, and the balance of loans 90 days or more past due totaled $1,295,494.

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis is performed by the loan review team on a semi-annual basis, and loans are monitored by management on a monthly basis. The Company uses the following definitions for risk ratings:

- **Special Mention** – Credits which are currently protected, but potentially weak, which warrant more than normal management and officer attention. Risk could increase if favorable expectations do not materialize.

- **Substandard** – Credits involving more than normal risk with inadequate financial and repayment protection. There is a strong possibility of future loss if the deficiencies are not reacted to and corrected promptly.

- **Doubtful** – Credits for which collection in full is highly questionable and unlikely on the basis of current facts, conditions and values. The probability of loss is high but not readily quantifiable.

Loans not meeting the above criteria are considered pass rated loans. At December 31, 2011, and based on the most recent analysis performed, the risk rating of the loans by class of loan is as follows:

Pass	$ 777,000
Special mention	2,805,353
Substandard	2,342,136
Doubtful	476,000
	$ 6,400,489

3. NOTES PAYABLE

Notes payable consist of the following at December 31:

	2011	2010
Unsecured revolving credit notes with Member Banks. The interest rate is variable based on the Indiana Base Rate (3.25% at December 31, 2011 and 2010) and is payable semiannually. Upon written notice, a credit line may be terminated by either the Company or the Member Bank and would be due within three years after termination. Unused portions of the lines of credit were approximately $22,319,000 and $24,355,000 at December 31, 2011 and 2010, respectively.	$ 2,944,916	$ 3,172,574
Unsecured credit note with Member Bank. The interest rate is variable based on the Indiana Base Rate (3.25% at December 31, 2011) and is payable semiannually. The principal balance is due on July 13, 2014.	379,792	-0-
Unsecured warehouse line of credit with a Member Bank. The interest rate was variable based on the bank's prime rate (3.25% at December 31, 2010) and was payable monthly. The unused portion of the line of credit was $2,080,000 at December 31, 2010. The facility was replaced in 2011.	-0-	920,000
Unsecured warehouse lines of credit with three Member Banks maturing in May and June 2012. The interest rate is variable based on the banks' prime rate (3.25% at December 31, 2011) and is payable monthly or semiannually. The unused portion of the lines of credit was $2,200,000 at December 31, 2011.	300,000	-0-
	$ 3,624,708	$ 4,092,574

4. MANAGEMENT FEES

The Company has an agreement with Cambridge Capital Management Corp. (Cambridge) to provide staffing services. The agreement automatically renews each year. The staffing services include consulting, loan packaging and servicing, office administration, and general and administrative expenses. The contract provides for basic compensation payable monthly to Cambridge, with that amount increasing annually on January 1, at a rate equal to the Consumer Price Index. Cambridge also receives additional compensation of 0.50% of loans approved and disbursed by the Company. The agreement also provides for a fee of 20% of variable transaction fees collected by the Company.

5. INCOME TAXES

Income tax expense (benefit) consists of the following:

	2011	2010
Federal:		
Current	$ 7,419	$ (30,029)
Deferred	(3,798)	37,860
	3,621	7,831
State:		
Deferred	3,256	2,890
	$ 6,877	$ 10,721

The difference between the actual income tax expense and the amount obtained by applying the Federal statutory rate to income before income taxes relates primarily to the effects of Federal graduated tax rates and state income taxes.

The deferred income tax asset components are as follows at December 31:

	2011	2010
Allowance for loan losses	$ 205,418	$ 244,310
Allowance for doubtful accounts on accrued interest	186,728	142,430
Net state operating loss carryforwards	30,202	34,410
Loan fees, net	4,614	5,270
	$ 426,962	$ 426,420

At December 31, 2011, the Company had available unused state net operating loss carryforwards totaling approximately $355,000, which expire in various years beginning in 2028.