INDIANA COMMUNITY BUSINESS CREDIT CORPORATION

4181 East 96th Street
Suite 200
Indianapolis,
Indiana
46240
(317) 843-9704
Fax (317) 844-9815

March 1, 2010

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 2009 Annual Report, along with the following narrative, is respectfully presented as the required Annual Report of Condition of the Indiana Community Business Credit Corporation.

In 2009, the Credit Corporation funded 3 loans for a total of $1,050,000 of direct loans to Indiana small businesses. This was an integral part of over $6,238,000 of total small business project financing, including Member Bank participation. Since its inception, the Credit Corporation has provided loans to 124 Indiana Companies for over $53 million which has been an important part of over $254 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 33 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 2009 and looks forward to an even more successful year in 2010. Please feel free to contact our office if you have any questions or need additional information.

Sincerely,

Jean Wojtowicz

JW/dk

Enclosure

CC: Al Smith
Lt. Governor Becky Skillman

Professionally
Managed by
Cambridge Capital
Management Corp.

Indiana Community Business Credit Corporation

Financial Statements

Years Ended December 31, 2009 and 2008

BGBC Partners, LLP

Strength in numbers.

Indiana Community Business Credit Corporation

Contents

BGBC Partners, LLP

Certified Public Accountants
and Business Consultants

Independent Auditors' Report

Board of Directors and Shareholders
Indiana Community Business Credit Corporation
Indianapolis, Indiana

We have audited the accompanying balance sheets of **Indiana Community Business Credit Corporation** (the Company) as of December 31, 2009 and 2008, and the related statements of operations, changes in shareholders' equity, and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Indiana Community Business Credit Corporation** as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BGBC Partners, LLP

February 22, 2010

Strength in numbers.

www.bgbc.com

300 N. Meridian St., Suite 1100 • Indianapolis, IN 46204
317-633-4700 • Fax 317-860-1065

Indiana Community Business Credit Corporation

Balance Sheets

December 31, 2009 and 2008

	2009	2008
Assets		
Cash	**$ 61,094**	$ 8,880
Commercial loans	**9,296,238**	9,354,203
Less allowance for loan losses	**(711,906)**	(681,122)
Loans, net (Note 2)	**8,584,332**	8,673,081
Accrued interest receivable, net of allowance for doubtful accounts of $345,148 and $249,226 in 2009 and 2008, respectively	**54,206**	94,207
Loan fees, net	**23,322**	29,568
Income tax receivable	**-**	249,085
Deferred income taxes (Note 3)	**467,170**	425,865
Total assets	**$ 9,190,124**	$ 9,480,686
Liabilities and Shareholders' Equity		
Liabilities:		
Notes payable (Note 4)	**$ 6,052,574**	$ 6,463,105
Accrued interest payable	**42,670**	62,846
Accrued management fees and other liabilities	**151,976**	93,547
Income taxes payable	**45,583**	-
Deferred transaction fees	**47,409**	59,545
Total liabilities	**6,340,212**	6,679,043
Commitments and contingencies (Note 5)		
Shareholders' equity:		
Common stock, no par value; 2,000 shares authorized, 608 shares issued and outstanding at December 31, 2009 and 2008	**1,306,846**	1,306,846
Retained earnings	**1,544,116**	1,495,847
Treasury stock, 3 shares at cost	**(1,050)**	(1,050)
Total shareholders' equity	**2,849,912**	2,801,643
Total liabilities and shareholders' equity	**$ 9,190,124**	$ 9,480,686

See accompanying notes to financial statements.

Statements of Operations

Years Ended December 31, 2009 and 2008

	2009	2008
Interest income:		
Interest income on loans	**$ 795,400**	$ 917,907
Variable transaction fees	**237,348**	467,733
	1,032,748	1,385,640
Interest expense	**203,987**	337,214
Net interest income	**828,761**	1,048,426
Provision for loan losses, net of recovery	**485,790**	1,409,491
Net interest income (loss) after provision for loan losses	**342,971**	(361,065)
Noninterest expenses:		
Management fees	**261,413**	303,648
Professional fees	**29,750**	16,296
Total noninterest expenses	**291,163**	319,944
Income (loss) before income taxes	**51,808**	(681,009)
Income tax expense (benefit) (Note 3)	**3,539**	(261,628)
Net income (loss)	**$ 48,269**	$ (419,381)

See accompanying notes to financial statements.

Indiana Community Business Credit Corporation

Statements of Changes in Shareholders' Equity

Years Ended December 31, 2009 and 2008

	Common Stock		Retained	Treasury Stock		
	Shares	Amount	Earnings	Shares	Amount	Total
Balance, January 1, 2008	607	$ 1,301,584	$ 1,915,228	3	$ (1,050)	$ 3,215,762
Stock subscription	1	5,262				5,262
Net loss	-	-	(419,381)	-	-	(419,381)
Balance, December 31, 2008	608	1,306,846	1,495,847	3	(1,050)	2,801,643
Net income	-	-	48,269	-	-	48,269
Balance, December 31, 2009	608	$ 1,306,846	$ 1,544,116	3	$ (1,050)	$ 2,849,912

See accompanying notes to financial statements.

Statements of Cash Flows

Years Ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Net income (loss)	$ 48,269	$ (419,381)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Deferred income taxes	(41,305)	(108,455)
Provision for loan losses	485,790	1,409,491
Bad debt recovery	33,088	31,271
Changes in assets and liabilities:		
Accrued interest receivable, net	40,001	(22,160)
Income taxes receivable (payable)	294,668	(349,775)
Loan fees, net	6,246	4,510
Accrued interest payable	(20,176)	(44,841)
Accrued management fees and other liabilities	58,429	(82,398)
Deferred transaction fees	(12,136)	(6,171)
Net cash provided by operating activities	892,874	412,091
Cash flows from investing activities:		
Loans made to customers	(1,286,192)	(2,341,639)
Principal collected on loans	856,063	1,916,418
Net cash used in investing activities	(430,129)	(425,221)
Cash flows from financing activities:		
Proceeds from notes payable	1,710,000	2,245,948
Principal payments on notes payable	(2,120,531)	(2,650,000)
Proceeds from stock subscription	-	5,262
Net cash used in financing activities	(410,531)	(398,790)
Net increase (decrease) in cash	52,214	(411,920)
Cash, beginning of year	8,880	420,800
Cash, end of year	$ 61,094	$ 8,880
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 224,163	$ 382,055
Cash paid during the year for taxes	-	196,602

See accompanying notes to financial statements.

1. Description of Business and Summary of Significant Accounting Policies

Indiana Community Business Credit Corporation (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. See Note 4.

The Company has an agreement with Cambridge Capital Management Corp. (CCMC) 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 CCMC, with that amount increasing annually on January 1 at a rate equal to the Consumer Price Index. CCMC 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 payable if current year retained earnings exceed 90% of the previous year's retained earnings.

Effect of FASB Accounting Standards Codification

Effective for annual periods ending after September 15, 2009, the Financial Accounting Standards Board (FASB) has defined a new hierarchy for U.S. generally accepted accounting principles (GAAP) and established the FASB Accounting Standards Codification (ASC) as the sole source for authoritative guidance to be applied by nongovernmental entities. The adoption of the ASC changes the manner in which U.S. GAAP guidance is referenced, but it does not have any impact on the financial position or results of operations.

Interest Income

Interest income from loans is recognized when earned unless collection is doubtful. Interest does not accrue on doubtful accounts. Interest received on such loans is applied as a reduction of the loan principal balance.

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 collected.

Use of 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 amounts reported therein and the disclosures provided. These estimates and assumptions may change in the future, and future results could differ. The estimate that is most susceptible to change in the near term is the allowance for loan losses.

Commercial Loans

The Company has determined the fair value of commercial loans in accordance with ASC 820, *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). Financial assets and liabilities valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using level 3 inputs are valued primarily using management's assumptions that market participants would utilize in pricing the assets.

Commercial loans are unsecured and measured by a grading system using level 3 inputs as determined by a loan review team and approved by the Board of Directors. The loan review team consists of representatives from Member Banks. Factors such as historical and projected financial results, economic conditions, financial condition of investee, and other factors and events subject to change are considered in the determination of fair value. 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.

Allowance for Loan Losses

The allowance for loan losses represents an amount that management estimates is adequate to provide for probable incurred losses in its loan portfolio. 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. Increases in the allowance are recorded as a provision for loan losses and charged to expense. In arriving at a judgment about the adequacy of the allowance, management considers the risk associated with the loans in its portfolio and the historical loan loss trends of similar business development companies. While management may periodically allocate portions of the allowance to specific loans, the whole allowance is available for any loan charge-offs that occur. A loan is charged off by management as a loss when deemed uncollectible, although collection efforts continue and future recoveries may occur.

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

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

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes* (ASC 740). ASC 740 provides for current and deferred tax liabilities and assets using an asset and liability approach. Deferred income taxes arise from temporary differences between income tax and financial reporting and principally relate to the recognition of loan reserves and deferred loan costs and income.

Effective January 1, 2009, the Company adopted certain provisions of ASC 740 related to the accounting for uncertainty in income taxes. As such, the Company recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. In addition, the Company recognizes accrued interest and penalties related to uncertain tax positions in income tax expense in the statement of income. There was no effect to retained earnings at January 1, 2009, or the results of operations in 2009 as a result of this adoption. See Note 3.

Reclassifications

Certain reclassifications have been made to 2008 amounts to conform to the 2009 presentation. These reclassifications have no effect on the total assets, shareholders' equity, or net loss for 2008.

2. Commercial Loans and Allowance for Loan Losses

The allowance for loan losses consists of the following activity:

	2009	2008
Balance, January 1	**$ 681,122**	$ 591,101
Provision for loan losses	**518,878**	1,440,762
Charge-offs	**(488,094)**	(1,350,741)
Balance, December 31	**$ 711,906**	$ 681,122

At December 31, 2009 and 2008, the balance of impaired loans totaled $403,328 and $696,422, respectively. No interest income was recognized for impaired loans during 2009 or 2008. Of the total allowance for loan losses, $176,331 and $458,569 have been allocated to impaired loans at December 31, 2009 and 2008, respectively. The average balance of impaired loans during 2009 and 2008 was $549,875 and $679,834, respectively.

At December 31, 2009 and 2008, the Company had unfunded commitments to originate loans of $132,618 and $192,618, respectively.

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

	2009	2008
Services	**41.2%**	33.0%
Retail/other	**29.6%**	36.6%
Manufacturing	**23.0%**	22.9%
Contractors	**6.2%**	7.5%
	100.0%	100.0%

3. Income Taxes

Income tax expense (benefit) consists of the following:

	2009	2008
Federal:		
Current	**$ 55,583**	$ (163,561)
Deferred	**(55,944)**	(52,335)
	(361)	(215,896)
State:		
Current	**-**	10,388
Deferred	**3,900**	(56,120)
	3,900	(45,732)
	$ 3,539	$ (261,628)

Differences in the income tax expense for 2009 and 2008 from the federal statutory rate are primarily attributable to federal graduated tax rates and state income taxes. The components of deferred income tax assets consist of the following at December 31:

	2009	2008
Allowance for loan losses	**$ 302,560**	$ 289,480
Allowance for doubtful accounts, accrued interest	**146,690**	105,920
Net operating loss carryforwards	**27,830**	43,031
Loan fees, net	**(9,910)**	(12,566)
Total deferred income tax assets	**$ 467,170**	$ 425,865

At December 31, 2009, the Company had available unused state net operating loss carryforwards totaling approximately $327,000 expiring through 2029.

There was no accrued interest or penalties recorded at December 31, 2009 related to uncertain tax positions. The tax years 2006-2009 remain open to examination by the taxing jurisdictions to which the Company is subject. The Company is no longer subject to examination by the taxing jurisdictions for years prior to 2006.

4. Notes Payable

Notes payable consist of the following at December 31:

	2009	2008
Unsecured revolving credit notes with Member Banks. The interest rate is variable based on the Indiana Base Rate (3.25% at December 31, 2009 and 2008) 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 $22,378,000 and $20,949,000 at December 31, 2009 and 2008, respectively.	**$ 4,672,574**	$ 5,873,105
Unsecured revolving demand credit note with a Member Bank The interest rate is variable based on the JPMorgan Chase Bank prime rate (3.25% at December 31, 2009 and 2008) and is payable monthly. The unused portion of the line of credit was $1,620,000 and $2,410,000 at December 31, 2009 and 2008, respectively.	**1,380,000**	590,000
	$ 6,052,574	$ 6,463,105

5. Commitments and Contingencies

From time to time, the Company may be party to claims and litigation arising in the ordinary course of business. There are no claims or actions pending as of December 31, 2009 and 2008.

6. Subsequent Events

Subsequent events were evaluated through February 22, 2010, the date the financial statements were available to be issued.