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Nathan Schnellenberger, President

TO: School Corporations that Fund Long Term Disability Benefits Through the
ISTA Insurance Trust

FROM: Ed Sullivan, Sole Trustee of the ISTA Insurance Trust

DATE: June 2, 2009

RE: Future of ISTA Trust's Long Term Disability Program

I am the newly appointed sole trustee of the ISTA Insurance Trust. In this capacity, I have the authority to make all decisions regarding the operation of the ISTA Insurance Trust. As I believe most of you are aware, all of the self-funded employee benefit programs offered through the ISTA Insurance Trust are being impaired by a lack of liquidity. As a result, the ISTA Insurance Trust has been seeking to convert these programs to fully insured arrangements with major insurance carriers. The ISTA Insurance Trust was successful in transferring the medical program to a fully insured arrangement, and is seeking to develop a similar arrangement for its long term disability program. I am writing today to describe the ISTA Insurance Trust's progress in this latter regard.

As a result of the ISTA Insurance Trust's immediate cash flow problems, July 2009 will be the last month for which the current long term disability program funding arrangement through the ISTA Insurance Trust will be made available to Indiana school corporations or any other employers. Accordingly, the ISTA Insurance Trust does not intend to accept contributions from school corporations to fund long term disability coverage for months after July 2009.

During the next few weeks, the ISTA Insurance Trust will be actively seeking proposals from major insurance carriers to provide fully insured long term disability coverage to a pool of Indiana school corporations commencing on August 1, 2009. If the ISTA Insurance Trust is successful in securing such pooled coverage, I will provide promptly to each of you the information necessary to permit you to determine if your school corporation wishes to subscribe to the pooled insurance coverage. If the ISTA Insurance Trust is not successful in securing pooled long term disability coverage to which school corporations may subscribe beginning in August 2009, each school corporation would need to make its own arrangements for long term disability coverage.

I do not anticipate that participants who have filed long term disability benefit claims before August 2009 would be insured through any new pooled insurance coverage arrangement with a major carrier. And, because of the ISTA Insurance Trust's liquidity problem, there does not at the moment appear to be sufficient cash available in the ISTA Insurance Trust to pay long term disability benefits to pre-August 2009 claimants after July 2009. I am in consultation with governmental officials and legal advisors about ways to resolve this problem. In this regard, I am prepared to vigorously enforce, through litigation and otherwise, any rights that participants in the ISTA Insurance Trust's long term disability program may have against anyone involved with the ISTA Insurance Trust. Any recoveries that might be obtained would be used to offset any liabilities that remain outstanding, although I do not know whether sufficient recoveries to offset all of the outstanding liabilities can ultimately be obtained. At this time I do know, however, that the cash currently available to the ISTA Insurance Trust does not appear to be sufficient to pay long term disability benefits after July 2009.

I also wish to inform you of another pertinent recent event. On May 20, 2009, a class action lawsuit was filed in the United States District Court in Indianapolis by certain individuals covered under programs funded through the ISTA Insurance Trust. This lawsuit names as defendants certain former trustees of the Trust and a former investment advisor who advised the Trust regarding its investments, as well as two investment firms for which the former investment advisor worked. The suit seeks, on behalf of all participants of programs funded through the Trust, to restore the assets of the Trust.

One final note. The ISTA Insurance Trust's liquidity problem affects only programs that continue to be funded through the ISTA Insurance Trust, such as the long term disability benefits program. As noted previously, the medical program funded through the ISTA Insurance Trust has been transferred to a major insurance carrier. And, the liquidity problem has no impact on the ISTA-related programs that are not funded through the ISTA Insurance Trust—such as the programs made available under the ISTA Welfare Benefit Plan Trust, which are provided through the Metropolitan Life Insurance Company. Those programs will continue without interruption.

I will keep you informed of relevant developments.