

WOOSTER GROWTH CORPORATION

FINANCIAL STATEMENTS  
for the  
YEAR ENDED DECEMBER 31, 2000  
and  
INDEPENDENT AUDITORS' REPORT





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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Wooster Growth Corporation

We have reviewed the Independent Auditor's Report of the Wooster Growth Corporation, Wayne County, prepared by Long, Cook & Samsa, Inc., for the audit period January 1, 2000 through December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Wooster Growth Corporation is responsible for compliance with these laws and regulations.

JIM PETRO  
Auditor of State

October 23, 2001

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Wooster Growth Corporation  
Wooster, Ohio

We have audited the balance sheet of Wooster Growth Corporation as of December 31, 2000, and the related statements of revenues, expenses, and changes in fund balance and of cash flows for the year then ended. These financial statements are the responsibility of Wooster Growth Corporation's management. Our responsibility is to express an opinion on the financial statements based on our audit.

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 financial statements referred to above present fairly, in all material respects, the financial position of Wooster Growth Corporation as of December 31, 2000, 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.

*Long, Cook & Samsa, Inc.*

Long, Cook & Samsa, Inc.

October 5, 2001  
(except for Note 3, as to  
which the date is June 28, 2001)

WOOSTER GROWTH CORPORATION  
Balance Sheet  
December 31, 2000

ASSETS

Cash	\$ 132,671
Interest receivable	294
Fixed assets:	
Land	1,402,474
Building	965,680
Construction in progress	1,248,412
Allowance for asset impairment	<u>(1,251,440)</u>
Net fixed assets	<u>2,365,126</u>
Total Assets	<u>\$ 2,498,091</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 1,433
Note payable	1,357,396
Accrued interest	10,380
Due to agent upon disposition of property	<u>1,116,686</u>
Total Liabilities	2,485,895
Fund Balance	<u>12,196</u>
Total Liabilities and Fund Balance	<u>\$ 2,498,091</u>

See independent auditors' report and accompanying notes which are an integral part of these financial statements.

WOOSTER GROWTH CORPORATION  
Statement of Revenues, Expenses and Changes in Fund Balance  
For the Year ended December 31, 2000

Revenue:		
Rental income	\$	400
Interest		<u>737</u>
Total Revenue		1,137
Expense:		
Professional fees		<u>631</u>
Total Expense		<u>631</u>
Excess of Revenue over Expense		506
Fund Balance - Beginning of Year		<u>11,690</u>
Fund Balance - End of Year	\$	<u><u>12,196</u></u>

See independent auditors' report and accompanying notes which are an integral part of these financial statements.

WOOSTER GROWTH CORPORATION  
Statement of Cash Flows  
For the Year Ended December 31, 2000

Cash Flows from Operating Activities:	
Cash received from rental tenant	\$ 400
Cash received from bank interest	443
Cash paid for professional fees	<u>(631)</u>
Net Cash Provided by Operating Activities	212
Cash Flows from Investing Activities:	
Cash paid for capital asset construction	<u>(1,236,616)</u>
Net Cash Used by Investing Activities	(1,236,616)
Cash Flows from Financing Activities:	
Cash received from construction loan proceeds	<u>1,357,396</u>
Net Cash Provided by Financing Activities	<u>1,357,396</u>
Increase in Cash	120,992
Cash - Beginning of Year	<u>11,679</u>
Cash - End of Year	<u><u>\$ 132,671</u></u>

Non-Cash Transactions:

During 2000, Wooster Growth Corporation acquired real property in exchange for incurring a liability in the amount of \$ 1,116,686



WOOSTER GROWTH CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000

Note 1: Summary of Significant Accounting Policies

Nature of Activities

Wooster Growth Corporation is a non-profit entity designated by the City of Wooster as the Organization for industrial, commercial, distribution, and research development, pursuant to section 1724.10 of the Ohio Revised Code. The Organization acts as an agent of the City to attract, promote, and coordinate new business and industrial interest in the greater Wooster area. It has two primary properties, the Freedlander property and the Long Road land. It acquired the Freedlander property in 1989 and has worked to maintain Freedlander's as a full service department store in downtown Wooster. The City of Wooster granted the Long Road land to the Organization in 2000 and the Organization has developed the property to attract manufacturing and publishing facilities to Wooster.

Basis of Accounting

The financial statements of Wooster Growth Corporation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Deposits and Investments

Cash balances of the Organization are held partially in an interest bearing checking account and partially by the City of Wooster serving as fiscal agent for the Organization in relation to the TekFor, Inc. construction project. At year-end, the Organization's checking account bank balance was \$ 9,669. In addition, The City of Wooster held Wooster Growth Corporation funds totaling \$ 123,002.

For the year ended December 31, 2000, the interest bearing checking account earned interest totaling \$238. The funds held and managed by the City of Wooster earned interest of \$499.

There were no other investments.

Donated Property

Donations of property are recorded as contributions at their estimated fair market value at the date of donation. Such donations are reported as increases in unreserved fund balance unless the donor has restricted such assets for specific purposes.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with its administrative activities. Management has not estimated the value of such services.

WOOSTER GROWTH CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000

Estimates

The preparation of financial statements in accordance with accounting principles 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.

Income Tax Status

The Internal Revenue Code (IRC) provides tax-exempt status for various types of organizations, most of which are described in IRC Section 501. The Organization applied for tax-exempt status as other than a private foundation under Section 501(c) (3) as pertains to its Section 509 (a)(3) supporting organization role in 1994 and received approval by the Internal Revenue Service in 1995.

Property

All acquisitions of property are capitalized. Property acquired by donation is recorded at its estimated fair market value at the date of donation. All other property acquisitions are recorded at cost, including construction period interest costs for constructed assets. Properties are not recorded at more than their net recoverable amount.

In accordance with Financial Accounting Standards Board No. 121, annually management determines whether properties have been impaired based on the sum of expected future undiscounted cash flows from operating activities. If the estimated net cash flows are less than the carrying amount of such assets, the Company will recognize an impairment loss in an amount necessary to write down the assets to a fair value as determined from expected future discounted cash flows. The Freedlander property was deemed impaired prior to January 1, 2000, and accordingly is reported at fair market value at date of donation, less an allowance for impairment.

In accordance with Ohio Revised Code Section 1724.10<C>, upon sale of property donated to the Organization by the City of Wooster, sale proceeds in excess of cost, less expenses of the sale, are required to be returned to the City of Wooster. A liability has been established to reflect the obligation of Wooster Growth Corporation to return sales proceeds in excess of cost to the City of Wooster.

Risk Management and Concentration of Risk

Wooster Growth Corporation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. This risk is minimized in relation to the Freedlander property since the triple-net lease agreement requires the lessee to maintain insurance coverage. For the Tek-For, Inc. construction project, the construction contractor is responsible for obtaining builders risk insurance to protect the property while under construction. Wooster Growth

## WOOSTER GROWTH CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2000

#### Risk Management and Concentration of Risk (Cont'd)

Corporation, however, did not have insurance coverage related to the Long Road land as of December 31, 2000.

Wooster Growth Corporation is subject to a concentration of risk because the majority of material financial transactions undertaken at December 31, 2000, and anticipated subsequent to December 31, 2000, are directly or indirectly associated with one entity, TekFor, Inc.

#### Note 2 – Other Agreements and Significant Events

##### Freedlander Property

In 1989, the H. Freedlander Company, donated its downtown Wooster retail department store building to the City of Wooster. Shortly thereafter, the City passed Ordinance No. 1989-43 granting title of the property to Wooster Growth Corporation. The property's fair market value at the date of gift was approximated at \$ 1,251,450 based upon valuations provided by the Wayne County Auditor's Office. On September 7, 1989, Wooster Growth Corporation entered into a lease agreement with L.H.B., Inc. by which L.H.B., Inc. pays a nominal annual rental for use of the property (L.H.B., Inc. operates the Freedlander's Department Store). The intent of the nominal rental is to insure the continuance of the retail establishment's contribution to the vitality of downtown Wooster. Based on historical performance, it is unlikely that the Freedlander property will produce material cash inflows for the Wooster Growth Corporation. Accordingly, the property is considered impaired and an allowance equal to the market value at date of gift has been recorded.

The agreement extends for five years with the options to renew by L.H.B., Inc. for up to six, five-year lease periods. The first five-year renewal was entered into September, 1994. L.H.B. continues to occupy the premises as of December 31, 2000. However, a second five-year renewal contract, due to be executed during September 1999, remains un-signed and is under negotiation. Renewals are subject to change regarding the calculation base for annual rentals, which have historically been based on the federal taxable income of L.H.B., Inc. Taxes, insurance, maintenance and repairs, and utilities are the responsibility of L.H.B., Inc. Costs associated with major structural alterations or improvements to the property will be born by L.H.B., Inc., and only undertaken after obtaining the consent of Wooster Growth Corporation.

##### The Long Road Land

On May 30, 2000, the City of Wooster purchased 147.97 acres of land located near Long Road (formerly known as the Besancon Farm). The purchase agreement specified five (5) installment payments payable directly to F & L Besancon Farm, Ltd., to be secured by a first mortgage on the property conveyed. Seller agrees to execute partial mortgage releases in favor of the buyer upon receipt of each installment payment. On July 10, 2000, the City passed Ordinance No. 2000-33 authorizing the transfer of 25 acres of such property to Wooster Growth Corporation. On September 18, 2000, the City

## WOOSTER GROWTH CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2000

#### The Long Road Land (Cont'd)

passed Ordinance No. 2000-43 authorizing all remaining Long Road acreage, with the exception of 18.567 acres, be transferred to Wooster Growth Corporation in exchange for the county recorder fee of \$18. Accordingly, Wooster Growth Corporation holds title, subject to the seller's security interest, to 129.403 acres of the property as of December 31, 2000. Fair market value of the acreage at date of conveyance is estimated at \$ 1,116,686.

#### Construction Contract with Campbell Construction, Inc.

On September 7, 2000, Wooster Growth Corporation entered into a contract with Campbell Construction, Inc. for the construction of a 102,500 square foot facility to be used by TekFor, Inc. and located on a 13.945 acre section of the Long Road property. TekFor, Inc. is not a named party to this contractual agreement. As of December 31, 2000, TekFor, Inc. had not yet signed a lease or purchase agreement with Wooster Growth Corporation for the above-mentioned facility under construction at year-end.

#### Commitment Letter with Bank One

On November 9, 2000, Bank One issued a commitment letter – a one-year standby letter of credit - in the amount of \$3.1 million naming Wooster Growth Corporation as borrower. The purpose of such commitment letter being to support the State of Ohio 166 Loan application intended to serve as end financing for the construction of a factory building to be occupied and leased by TekFor, Inc. TekFor, Inc. and parent company Neumayer GmbH. are guarantors of the standby letter of credit.

#### TekFor Promissory Note

On October 16, 2000, Wooster Growth Corporation entered into an agreement with TekFor, Inc., whereby TekFor, Inc. agreed to advance up to \$4 million to Wooster Growth Corporation. Such indebtedness represents advances made pursuant to the construction project undertaken with Campbell Construction, Inc. The note, bearing interest at 8.5% per annum based on actual cash advances made is due and payable on the earlier of either May 15, 2001, or the date the State of Ohio disburses the anticipated Section 166 Loan Funds on the Construction Project. Total advances of \$ 1,357,396 were received as of December 31, 2000. Interest accrued at December 31, 2000, totaled \$ 10,380.24.

#### Agency Account – City of Wooster

In anticipation of managing monies designated for the TekFor, Inc. construction project, an agreement was executed October 24, 2000, whereby the City of Wooster will perform financial management services, including the establishment of one or more agency accounts, at no cost to the Wooster Growth Corporation. The balance in this agency account at December 31, 2000 was \$ 123,002.

WOOSTER GROWTH CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000

Note 3 - Subsequent Events

Ohio Department of Development Loan

On March 26 2001, Wooster Growth Corporation received notice that they had been granted a \$3.1 million low-interest (Chapter 166) loan by the Ohio Department of Development. Such loan was characterized as a direct loan to Wooster Growth Corporation for the purpose of assisting in the construction and equipping of a commercial facility to be subsequently leased to TekFor, Inc. The loan is to bear interest at 3% annually with an additional monthly service fee equal to 1/12 of 1/4 %, and is payable in monthly installments over a fifteen-year period roughly mirroring the lease term described in the previous note.

Swap of Land with The Gerstenslager Company

On March 29, 2001, Wooster Growth Corporation executed an agreement with Worthington Industries, parent company of The Gerstenslager Company, whereby Wooster Growth Corporation will trade a 50-acre parcel of the Long Road property to The Gerstenslager Company in exchange for a 35-acre parcel. The Organization estimates the two parcels are of comparable value.

Promissory Note – Bank One

On May 31, 2001, Wooster Growth Corporation, in the capacity of borrower, entered into a loan agreement in the principal amount of \$ 532,000 with Bank One. This is the “equity loan” referenced in the TekFor, Inc. lease agreement of June 11, 2001. Variable-rate interest, based on “British Bankers Assoc. Interest Settlement Rates” will be payable quarterly as it accrues beginning August 31, 2001. Principal is payable in (19) nineteen quarterly installments of \$ 8,867 commencing August 31, 2001, and continuing until paid in entirety no later than the loan maturity date of May 31, 2006.

TekFor, Inc. Lease Agreement

On June 11, 2001, a lease agreement, with option to purchase, was executed between Wooster Growth Corporation and TekFor, Inc. The term of such lease is for fifteen years retroactively commencing on May 15, 2001. Monthly lease payments will be computed by combining 1) the monthly cost and fees associated with the State of Ohio Section 166 loan, 2) the monthly cost of the equity loan from Bank One, and 3) and a monthly administrative fee of 1/12 of 1/4 % of the outstanding principal of the two loans. In exchange for a nominal non-refundable payment, the lease also provides for an exclusive right and option for TekFor, Inc. to purchase the leased premises with such option expiring May 15, 2016. The purchase price upon execution of the option will include the remaining balance of the principal amounts of the above-mention loans, plus all accrued interest and expenses of such financing as of the date of the property’s transfer.

## WOOSTER GROWTH CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2000

#### TekFor, Inc. Lease Agreement (Cont'd)

Also executed on June 11, 2001, between Wooster Growth Corporation and TekFor, Inc. was a real estate purchase option providing TekFor, Inc. the exclusive right and option to purchase an additional 6.2 acres of vacant land situated adjacent to the primary facility described above. Such option, granted in exchange for a nominal non-refundable payment, will likewise expire on May 15, 2016. Purchase price for this 6.2-acre tract is \$ 96,800.

#### Bank One Irrevocable Standby Letter of Credit

On June 12, 2001, Bank One issued an irrevocable standby letter of credit on behalf of Wooster Growth Corporation in the maximum amount of \$3.1 million in accordance with the requirements of the Ohio Department of Development Chapter 166 loan of the same amount granted March 26, 2001. Accordingly, the standby letter of credit authorizes the named beneficiary, The Ohio Department of Development, to draw upon Bank One to satisfy the account of Wooster Growth Corporation in relation to the Chapter 166 loan. The initial letter of credit will expire on June 12, 2002, but at the discretion of Bank One, will automatically extend for an additional year. In conjunction with the TekFor, Inc. lease agreement dated June 11, 2001, Wooster Growth Corporation does not anticipate the use of this standby letter of credit.

#### Agreement to Sell Acreage to Dix Communications

On June 15, 2001, Wooster Growth Corporation tentatively agreed to sell approximately 15 acres of the land acquired in the March 29, 2001, Gerstenslager Company swap to Dix Communications, parent company of The Daily Record and several other Ohio newspapers. The proposed agreement calls for a sales price of \$20,000 an acre totaling approximately \$300,000. Dix Communications plans to invest an estimated \$14.05 million to construct and equip a 48,960 square foot printing facility on the acreage.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**WOOSTER GROWTH CORPORATION**

**WAYNE COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 8, 2001**