Campus Partners For Community Urban Redevelopment and Subsidiaries

Consolidated Financial Statements as of and for the Years Ended June 30, 2006 and 2005, Supplemental Information as of and for the Year Ended June 30, 2006, and Independent Auditors' Report

Mary Taylor, CPA
Auditor of State

Board of Trustees
Campus Partners for Community Urban Redevelopment and subsidiaries
2040 Blankenship Hall
901 Woody Hayes Drive
Columbus, Ohio 43210-4016

We have reviewed the *Independent Auditors' Report* of the Campus Partners for Community Urban Redevelopment and subsidiaries, Franklin County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2005 through June 30, 2006. 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 Campus Partners for Community Urban Redevelopment and subsidiaries is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 29, 2007

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CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Campus Partners For Community Urban
Redevelopment:

We have audited the accompanying consolidated statements of net assets of Campus Partners For Community Urban Redevelopment and subsidiaries ("Campus Partners"), a component unit of The Ohio State University, and its discretely presented component unit, as of June 30, 2006 and 2005, and the related consolidated statements of revenues, expenses, and changes in net assets and of cash flows, where applicable, for the years then ended. These consolidated financial statements are the responsibility of Campus Partners' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Campus Partners' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, such consolidated financial statements present fairly, in all material respects, the respective financial position of Campus Partners and its discretely presented component unit as of June 30, 2006 and 2005, and changes in their net assets and their cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the consolidated financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of Campus Partners' management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on Campus Partners' 2006 consolidated financial statements taken as a whole. The consolidating schedules on pages 25 and 26 are presented for the purpose of additional analysis of the 2006 consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities, and are not a required part of the consolidated financial statements. These schedules are the responsibility of Campus Partners' management. Such supplemental information has been subjected to the auditing procedures applied in our audit of the 2006 consolidated financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic 2006 consolidated financial statements as a whole.

In accordance with *Government Auditing Standards,* we have also issued our report dated January 25, 2007, on our consideration of internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte + Touche LLP

January 25, 2007

The following Management's Discussion and Analysis ("MD&A") of Campus Partners For Community Urban Redevelopment's and its subsidiaries ("Campus Partners") financial performance provides an introduction to the consolidated financial statements for the fiscal year ended June 30, 2006, with comparative data for fiscal year 2005 and fiscal year 2004. We encourage readers to consider information presented here in conjunction with Campus Partners' consolidated financial statements. This MD&A focuses on the operations of Campus Partners and not its discretely presented component unit, University District Community Development Entity, LLC ("UDCDE"). Information pertaining to the discretely presented component unit is located in Note 8 to the financial statements. Responsibility for the completeness and fairness of this information rests with Campus Partners' management.

OVERVIEW OF THE BASIC CONSOLIDATED FINANCIAL STATEMENTS

Campus Partners' consolidated financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board ("GASB"). Campus Partners is structured as a not-for-profit community development corporation with revenues recognized when earned and expenses recognized when incurred. Assets are capitalized and are depreciated over their useful lives. See the notes to the consolidated financial statements for a summary of Campus Partners' significant accounting policies.

Following this MD&A are the consolidated financial statements of Campus Partners together with the notes, which are essential to a full understanding of the data contained in the consolidated financial statements. Campus Partners' consolidated financial statements are designed to provide readers with a broad overview of Campus Partners' finances.

The *Consolidated Statements of Net Assets* present information on all Campus Partners' assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of Campus Partners' financial position.

The *Consolidated Statements of Revenues, Expenses, and Changes in Net Assets* present information that shows how Campus Partners' net assets changed during the fiscal year ended June 30, 2006. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

The *Consolidated Statements of Cash Flows* relates to the flows of cash and cash equivalents. Consequently, only transactions that affect Campus Partners' cash accounts are recorded in this statement. A reconciliation of cash flows is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

In 2005, Campus Partners restated its previously issued 2004 financial statements to reflect the capitalization of accrued construction costs.

FINANCIAL POSITION

The following as of June 30, 2006, 2005, and 2004 represents Campus Partners' financial position:

	2006	2005	2004
Assets:			
Current assets	$ 9,643,184	$ 7,996,068	$ 4,578,977
Net property and equipment	49,772,880	34,628,150	25,103,781
Deferred loan costs and other assets	879,070	310,767	
Total assets	$ 60,295,134	$ 42,934,985	$ 29,682,758
Liabilities:			
Current liabilities	$ 3,902,603	$ 16,246,260	$ 4,635,370
Long-term liabilities	60,841,863	20,820,069	18,963,203
Total liabilities	64,744,466	37,066,329	23,598,573
Net (Deficiency) Assets:			
Invested in capital assets—net of related debt	(1,080,339)	11,452,859	4,191,222
Net assets restricted	43,740	1,755,529	
Net (deficiency) assets unrestricted	(3,412,733)	(7,339,732)	1,892,963
Total net assets and liabilities	$ 60,295,134	$ 42,934,985	$ 29,682,758

At June 30, 2006 Campus Partners' liabilities exceeded assets by approximately $4.5 million. The largest portion of Campus Partners' net deficit is related to the South Campus Gateway ("SCG") project retail assets, which are part of a major mixed use project adjacent to The Ohio State University (the "University"). Campus Partners constructed these real estate assets in order to further its primary mission of helping to revitalize the neighborhoods surrounding the University. During 2006, Campus Partners' net property and equipment increased $15.1 million due to the completion of the construction of these assets. Also, in fiscal year 2006, SCG issued notes receivables to tenants of the SCG project for the purpose of constructing tenant improvements ($500 thousand). Total debt increased $28.3 million (current portion decreased by $8.2 million) as a result of refinancing, additional funds borrowed to complete the retail assets in SCG, and the acquisition of debt through a capital distribution related to the Sun-Long's assets ($3.9 million). Additionally, accounts payable decreased $4.8 million due to less construction activity and timing of construction draws at June 30, 2006 as compared to June 30, 2005. Other long-term liabilities increased due to an increase in the ground lease payable with the University ($3.4 million).

At June 30, 2005 Campus Partners' assets exceeded liabilities by approximately $5.9 million. The largest portion of Campus Partners' net assets ($7.7 million at June 30, 2005) represents its investment in capital assets net of the related debt incurred for the construction of SCG. During 2005, Campus Partners' net property and equipment increased $9.5 million due primarily to the construction of the retail portion of SCG. Additionally, current liabilities increased due to the $8.4 million of the current portion of the current loan payable and a $3.5 million increase in accounts payable due to timing of construction and activity in construction draws at June 30, 2005, as compared to June 30, 2004. Finally, long-term liabilities increased due to a combination of entering into a ground lease with The University ($4.2 million at June 30, 2005) and to additional funds borrowed for development of the retail portion of SCG.

The following at June 30, 2006, 2005, and 2004 represents Campus Partners' summary of changes in net assets for the fiscal years ended:

	2006	2005	2004
Operating revenues	$ 7,494,128	$ 1,212,939	$ 1,182,553
Operating expenses	11,181,477	6,517,603	2,281,951
Net operating loss	(3,687,349)	(5,304,664)	(1,099,398)
Non-operating (expenses) revenues	(1,928,450)	2,125,110	671,966
Capital (distributions) contributions	(4,702,189)	2,964,025	(17,930,347)
Change in net assets	(10,317,988)	(215,529)	(18,357,779)
Net assets—beginning of year	5,868,656	6,084,185	24,441,964
Net (deficit) assets—end of year	$ (4,449,332)	$ 5,868,656	$ 6,084,185

Campus Partners' $7.5 million of operating revenue for the year ended June 30, 2006, results primarily from retail and residential rental income generated from real estate holdings in SCG. Operating revenue also includes $1.1 million of fee income from the University for the development of South Campus Gateway. The increase over 2005 is a result of Campus Partners' development fee income, and the first year of SCG's rental operations, which substantially began in August 2005.

Campus Partners' major operating expenses for the year ended June 30, 2006 included ground lease rent (37.2%) and salaries and wages (17.3%) and depreciation (13.6%). No other operating expense categories represented more than 10% of total operating expenses in the current year. The increase in operating expenses was primarily the result of increases in salaries and wages, depreciation, real estate taxes and other real estate expenses related to the operations of SCG.

Campus Partners' major operating expenses for the year ended June 30, 2005 included ground lease rent (66%). No other operating expense categories represented more than 10% of total operating expenses in fiscal year 2005. The increase in operating expenses was primarily the result of increases in ground lease rent, salaries and wages, depreciation and real estate expenses, which were partially offset by a reduction in printing costs and professional fees.

Nonoperating revenues for fiscal year 2006 were negative as a result of impairment expense ($2.3 million) and interest expense ($2.2 million). These were offset by funding generated primarily from the University's subsidies for construction and management fee income.

For the year ended June 30, 2006, nonoperating revenues were primarily obtained from funds contributed from the University and management fee income. For the year ended June 30, 2005, nonoperating revenues were primarily obtained from funds contributed by the University to subsidize administrative costs and from interest income.

Capital contributions consist of funds provided by the State of Ohio, the City of Columbus and the United States Department of Housing and Urban Development (HUD). State and City funds relate to construction of SCG, while HUD funds relate to the restructuring of the Community Properties Inc. Section 8 housing portfolio. Additionally, there was $13.1 million and $48.2 million in fiscal years 2006 and 2005, respectively, of debt forgiven by the University relating to the capital assets that were transferred to the University during the year. The grant distributions for fiscal years 2006 and 2005 are attributable to expenses incurred on behalf of the City of Columbus for public infrastructure work necessary in conjunction with the SCG project and a pass-through of a portion of the HUD grant to Community Properties, Inc.

The Statements of Cash Flow present detailed information about the major sources and uses of cash and the resultant change in Campus Partners' cash position, under the indirect method. The four categories of presentation and their respective fiscal years 2006, 2005, and 2004 amounts are:

	2006	2005	2004
Net cash provided by (used in)operating activities	$ 261,695	$ (1,445,006)	$ (384,793)
Net cash used in investing activities	(34,995,035)	(54,168,188)	(15,709,662)
Net cash provided by capital financing activities	36,986,574	53,067,660	18,510,979
Net cash provided by noncapital financing activities	2,013,379	713,854	661,628

SIGNIFICANT EVENTS

During the fiscal year ended June 30, 2006, Campus Partners completed construction of the buildings comprising the SCG development and continued leasing the retail portion of the project. The first SCG retail, residential and office tenants gained occupancy in August 2005.

In August 2005, Campus Partners reduced its ownership in UDCDE from 100% to .28%. UDCDE, which was created for the purposes of receiving a sub-allocation of New Markets Tax Credits ("NMTC"), is managed by Campus Partners. During FY 2006, Campus Partners made a sub-allocation of its NMTC allocation to UDCDE in the amount of $35,000,000 (see Note 8).

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF NET ASSETS AS OF JUNE 30, 2006 AND 2005

	2006		2005
	Primary	UDCDE	Primary
ASSETS			
CURRENT ASSETS:			
Cash	$ 5,936,746	$ -	$ 1,670,133
Accounts receivable, net of uncollectible allowance of $0 in 2006 and 2005	3,109,221	37,179	4,270,496
Grants receivable	43,739		2,047,646
Notes receivable	500,000	95,704	
Other assets	53,478		7,793
Total current assets	9,643,184	132,883	7,996,068
CAPITAL ASSETS—Net of accumulated depreciation	49,772,880		34,628,150
NOTE RECEIVABLE—Net of current portion		33,357,706	
INVESTMENT IN UDCDE	140,841		
DEFERRED LOAN AND LEASE COSTS	738,229		310,767
TOTAL	$ 60,295,134	$ 33,490,589	$ 42,934,985
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Current portion of loan payable	$ 95,704	$ -	$ 8,377,746
Accounts payable	2,700,585		7,514,085
Grants payable	27,254		115,172
Accrued liabilities	593,938		139,132
Unearned tenant income	263,598		
Tenant deposits	221,524		100,125
Total current liabilities	3,902,603	-	16,246,260
LONG-TERM LIABILITIES:			
Ground lease payable	7,571,958		4,160,979
Loans payable	53,269,905		16,659,090
Total long-term liabilities	60,841,863	-	20,820,069
Total liabilities	64,744,466	-	37,066,329
NET (DEFICIT) ASSETS:			
Invested in capital assets—net of related debt	(1,080,339)		11,452,859
Restricted	43,740		1,755,529
Unrestricted	(3,412,733)	33,490,589	(7,339,732)
Total net (deficit) assets	(4,449,332)	33,490,589	5,868,656
TOTAL	$ 60,295,134	$ 33,490,589	$ 42,934,985

See notes to consolidated financial statements.

CAMPUS PARTNERS FOR COMMUNITY
URBAN REDEVELOPMENT AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006		2005
	Primary	**UDCDE**	**Primary**
OPERATING REVENUES:			
Rental income	$ 4,403,385	$ -	$ 1,212,939
Recovery of operating expenses	821,274		
Parking income	566,720		
Other income	208,654		
Development fee income from The Ohio State University	1,106,453		
Gateway theater sales less cost of goods sold of $551,916	387,642		
Investment income		1,356,618	
Total operating revenues	7,494,128	1,356,618	1,212,939
OPERATING EXPENSES:			
Professional services	627,353		553,436
Salaries and wages	1,935,146		630,421
Ground lease expense	4,160,979		4,160,979
Real estate taxes	537,986		167,188
Depreciation and amortization expense	1,519,502		248,507
Utilities	615,588		84,554
Cleaning	248,040		
Security	607,386		
Repairs and maintenance	368,788		245,565
Public relations	168,980		15,306
Miscellaneous	146,970		211,317
Office supplies and expense	244,759		10,039
Loss on contract			190,291
Management fee expense		1,750,000	
Total operating expenses	11,181,477	1,750,000	6,517,603
NET OPERATING LOSS	(3,687,349)	(393,382)	(5,304,664)
NONOPERATING REVENUES (EXPENSES):			
Operating subsidy received from The Ohio State University	650,000		650,000
The Ohio State University tenant space income	1,124,623		2,937,275
The Ohio State University tenant space expense	(1,124,623)		(2,948,076)
Management fee income	1,303,096		
Miscellaneous income	60,283		64,447
Impairment expense	(2,296,301)		
Interest income	597,902		1,421,464
Interest expense	(2,243,430)		
Total nonoperating (expenses) revenues—net	(1,928,450)	-	2,125,110
DECREASE IN NET ASSETS BEFORE CAPITAL DISTRIBUTIONS/CONTRIBUTIONS	(5,615,799)	(393,382)	(3,179,554)
CAPITAL CONTRIBUTIONS (DISTRIBUTIONS):			
Grant income	739,992		3,759,693
Grant disbursements	(1,492,830)		(795,668)
Transfer of assets to The Ohio State University	(13,136,251)		(48,162,109)
Forgiveness of loan and bond payable due to The Ohio State University	13,136,251		48,162,109
Capital distribution to The Ohio State University	(3,949,351)		
Capital contributions to UDCDE		35,244,271	
Capital distributions from UDCDE		(1,360,300)	
Total capital (distributions) contributions	(4,702,189)	33,883,971	2,964,025
DECREASE IN NET ASSETS	(10,317,988)	33,490,589	(215,529)
NET ASSETS—Beginning of year	5,868,656		6,084,185
NET (DEFICIT) ASSETS—End of year	$ (4,449,332)	$ 33,490,589	$ 5,868,656

See notes to financial consolidated statements.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from tenants	$ 5,590,703	$ 1,330,350
Cash received from Gateway theater	387,642	
Cash paid to employees	(1,928,987)	(628,032)
Cash paid to suppliers	(3,787,663)	(2,147,324)
Net cash provided by (used in) operating activities	261,695	(1,445,006)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(35,820,090)	(53,840,122)
Interest received on cash and investments	341,042	25,094
Equity contributions to UDCDE	(140,840)	
Payment of deferred leasing costs	(497,904)	
Cash paid from grants	(87,918)	(353,160)
Cash received from The Ohio State University tenant space income	2,335,298	
Cash paid for The Ohio State University tenant space expense	(1,124,623)	
Net cash used in investing activities	(34,995,035)	(54,168,188)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Cash received from grants	2,743,899	2,673,657
Cash paid on grant disbursements	(1,457,221)	(2,935,231)
Cash received from loans	56,224,913	57,964,893
Debt repayment	(19,651,662)	(4,324,892)
Cash paid for interest	(1,375,141)	
Cash paid for note receivable	(500,000)	
Cash received on line of credit draw receivable	1,001,786	
Payment of deferred loan fees		(310,767)
Net cash provided by capital financing activities	36,986,574	53,067,660
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received as an operating subsidy from The Ohio State University	650,000	650,000
Management fee received	1,303,096	
Cash received from miscellaneous nonoperating income	60,283	63,854
Cash provided by noncapital financing activities	2,013,379	713,854
NET INCREASE (DECREASE) IN CASH	4,266,613	(1,831,680)
BEGINNING CASH BALANCE	1,670,133	3,501,813
ENDING CASH BALANCE	$ 5,936,746	$ 1,670,133

(Continued)

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net operating loss	$ (3,687,349)	$ (5,304,664)
Adjustments to reconcile operating loss to net cash used in operations:		
Depreciation and amortization	1,519,502	248,507
Loss on contract		190,291
Development fee income in capital assets	(1,106,453)	
(Increase) decrease in assets:		
Accounts receivable	(794,327)	45,221
Other assets	(45,685)	11,468
Increase (decrease) in liabilities:		
Accounts payable	125,225	(885,062)
Ground lease payable	3,410,979	4,160,979
Unearned rent	263,598	
Rent deposits	121,399	72,187
Accrued liabilities	454,806	16,067
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 261,695	$ (1,445,006)
SUPPLEMENTAL DISCLOSURES—Noncash activity:		
Property purchases in accounts payable	$ 2,329,382	$ 7,268,107
Transfer of capital assets to The Ohio State University	$ 13,136,251	$ 48,162,109
Forgiveness of debt due to The Ohio State University	$ 13,136,251	$ 48,162,109
Debt acquired through capital distributions to The Ohio State University	$ 3,949,351	$ -
Interest incurred and added to debt	$ 942,422	$ 595,741

See notes to consolidated financial statements. (Concluded)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—Campus Partners For Community Urban Redevelopment and subsidiaries ("Campus Partners") is a component unit of The Ohio State University (the "University"). The financial activity of Campus Partners is blended within the consolidated financial statements of the University. The cost of the administrative operations of Campus Partners is funded primarily by subsidies from the University, whereby Campus Partners directs the revitalization of the area immediately adjacent to the University's main campus in Columbus, Ohio. Campus Partners was incorporated on January 12, 1995.

Reporting Entity—The accompanying consolidated financial statements comply with the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, in that the consolidated financial statements include all the organizations, activities, and functions for which Campus Partners, the reporting entity, is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) Campus Partners' ability to impose its will over the component unit or (2) the possibility the component unit will provide a financial benefit or impose a financial burden on the reporting entity. On this basis, the reporting entity of Campus Partners includes the following component units:

The Gateway Area Revitalization Initiative ("GARI") was created to purchase land that the city of Columbus acquired using its powers of eminent domain for the development of South Campus Gateway, an area immediately adjacent to the main campus of the University (the "Gateway project"). Campus Partners is financially accountable for GARI in that the majority of the trustees of GARI must be trustees of Campus Partners. Therefore, the ability of Campus Partners to impose its will on GARI is manifest in that Campus Partners has the ability to dissolve the entity at any time. In fiscal year 2004, the title to the land was transferred to the University.

South Campus Gateway LLC ("SCG") was created for the purpose of incurring costs related to the construction of residential, office, retail, and parking structures in the Gateway project. During fiscal years 2006 and 2005, the title to the capital assets related to the residential, office, and parking portions of the project was transferred to the University. Pursuant to GASB Statement No. 14, Campus Partners is financially accountable for SCG in that Campus Partners continues to own all the assets of SCG. SCG imposes a financial burden on Campus Partners through financing provided for the Gateway project. The ability of Campus Partners to impose its will on SCG is manifest in that Campus Partners has the ability to dissolve the entity at any time.

Campus Partners Parking Authority, LLC ("CPPA") was created for the purpose of constructing a parking garage to support the development of residential, retail, and office buildings adjacent to the main campus of the University. The ability of Campus Partners to impose its will on CPPA is manifest in that Campus Partners has the ability to dissolve the entity at any time.

The Gateway Theater, LLC ("Gateway Theater") was created on June 21, 2005, for the purpose of operating the cinema at SCG. GARI is the sole member of the Gateway Theater. The ability of Campus Partners to impose its will on the Gateway Theater is manifest in that the majority of the trustees of GARI (the sole member) must be trustees of Campus Partners.

University District Community Development Entity LLC ("UDCDE") was created for the purpose of submitting an application for an allocation of New Markets Tax Credits from the U.S. Treasury Department. Funds generated from investors in UDCDE were used to provide debt financing for the retail portion of SCG. In August 2005, UDCDE amended its operating agreement and admitted SCG Investment Fund LLC as a 99.72% member, and Campus Partners reduced its ownership from 100% to .28%. Due to this change in ownership structure, the entity, which was a consolidated component unit in fiscal 2005, is a discretely presented component unit in fiscal 2006 because UDCDE is considered to be fiscally dependent on Campus Partners through voting rights but does not provide services entirely or almost entirely to Campus Partners.

Basis of Presentation—The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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 reported period. Actual results could differ from those estimates. Campus Partners' significant accounting policies are described below.

Basis of Accounting—The consolidated financial statements have been prepared on an accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

Revenue from charges for services is reported as operating revenue. Transactions, which are capital, financing, and investment-related, are reported as nonoperating revenues. Expenses from employee wages and benefits, purchases of services, material and supplies, and other miscellaneous expenses are reported as operating expenses. Grants and contracts determined to be exchange transactions are recognized as revenue when the exchange occurs. Grants and contracts determined to be nonexchange transactions are recognized as revenue when all eligibility requirements are met. Grants for the acquisition and construction of land, property, and certain types of equipment are reported in the consolidated statements of revenues, expenses, and changes in net assets, after nonoperating revenues and expenses.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Enterprise Fund Accounting,* Campus Partners follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Boards ("FASB") Statements and Interpretations, Accounting Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. Campus Partners has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

Cash and Cash Equivalents—For the purposes of the consolidated statements of cash flows, Campus Partners considers all highly liquid investments with a maturity of three months or less when purchased to be a cash equivalent.

Accounts Receivable—Receivables are reported at their gross value when earned as the underlying exchange transaction occurs, and reduced by the estimated portion deemed to be uncollectible. This estimate is based on collection history, industry trends, and current information regarding credit worthiness of the debtors. When continued collection activity results in receipts of amounts previously written off, revenue is recognized for the amount collected.

Grants Receivable—Grants receivable represent funds due Campus Partners from capital financing sources subsequent to Campus Partners meeting all eligibility requirements to receive reimbursement of funds as required by the grant.

Notes Receivable—Loans are stated in the amount of unpaid principal, reduced by unearned loan fees and the allowance for loan losses, when management believes the collectibility of the principal is unlikely.

Capital Assets—Capital assets with a unit cost of over $500 are recorded at cost on the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Buildings and improvements that are completed are depreciated over 27.5 to 39 years and personal property is depreciated over five to seven years. Property is recorded at cost less accumulated depreciation.

Interest is capitalized during the development period and amortized over the estimated life of the building as the buildings are completed and occupied. During fiscal year 2006 and 2005, Campus Partners incurred interest totaling $942,422 and $595,741, respectively, of which $110,414 and $179,910 was capitalized to capital assets in fiscal years 2006 and 2005, respectively.

Maintenance and repairs are charged to operations as incurred. Significant betterment and improvements are capitalized and depreciated over their estimated useful lives.

Deferred Costs—Deferred costs consist principally of leasing costs and financing fees. Leasing costs consist of commissions paid to third parties and other direct costs related to leasing activities. These costs are amortized on a straight-line basis over the terms of the respective agreements. As of June 30, 2006 and 2005, accumulated amortization totaled $123,200 and $51,800, respectively.

Grants Payable—Grants payable represent funds due vendors under grants from the city of Columbus, Ohio, and the state of Ohio, as well as certain funds due subrecipients.

Unearned Tenant Income and Tenant Deposits—Unearned tenant income consists of prepaid rent, which is recognized in the period it is earned. Tenant deposits are refundable at the end of the lease.

Restricted Net Assets—Restricted net assets consists primarily of accrued interest receivable due from the University which is restricted for the construction costs related to SCG. This interest is earned from the unused portion of the University bonds used to pay the construction costs for the Gateway project at the University rate.

Leases—Campus Partners, as a lessor, has retained substantially all of the risks and benefits of ownership and accounts for its leases as operating leases. Campus Partners, as a lessee, does not receive the substantial risk and benefits of ownership and also accounts for the ground lease as an operating lease. Rental income and expense are recognized over the terms of the leases on a straight-line basis.

Income Taxes—Campus Partners is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Reclassifications—Certain amounts from the prior year have been reclassified to conform to current year presentation.

Newly Issued Accounting Pronouncements—In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. The provisions of this statement are effective for periods beginning after December 31, 2004. Implementation of this statement resulted in Campus Partners recording a $2.3 million expense in the fiscal year ended June 30, 2006.

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefits Other than Pension Plans.* The standards in this statement apply for trust funds included in financial reports of plan sponsors or employers, as well as for the standalone financial reports of Other Postemployment Benefit ("OPEB") plans or the public employee retirement systems, or other third parties, that administer them. The provisions of this statement are effective for periods beginning after December 15, 2005. Campus Partners has not yet evaluated the impact that the adoption of this statement will have on its consolidated financial statements.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement established standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of the state and local governmental employers. This statement is effective for periods beginning after December 15, 2006. Campus Partners has not yet evaluated the impact that the adoption of this statement will have on its consolidated financial statements.

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, which establishes criteria that governments will use to ascertain whether certain transactions would be regarded as a sale or a collateralized borrowing. This statement also includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. This statement is effective for financial statements for periods beginning after December 15, 2006. Campus Partners has not yet determined the impact the adoption of this statement will have on its consolidated financial statements.

2. RELATED-PARTY TRANSACTIONS

On November 3, 1995, The University Board of Trustees appropriated $3,000,000 for various Campus Partners initiatives. As of June 30, 2006 and 2005, a total of $170,000 remains available to Campus Partners under this appropriation.

In fiscal years 2006 and 2005, The University provided $650,000 in operational subsidies to Campus Partners.

On April 18, 2001, the University, acting under the provisions of Chapter 3335 of the Revised Code of Ohio, entered into a joint use agreement with GARI, a blended component unit of Campus Partners, for GARI to construct a parking garage immediately adjacent to the University's main campus in Columbus, Ohio. Under legislation, the General Assembly of the state of Ohio appropriated funds to the University in the amount of $4.5 million for this purpose. The funds were fully utilized as of June 30, 2005. Administrative costs were paid to the University in an amount equal to 1.5% of the total appropriation.

The agreement expires 15 years from August 1, 2005, the date the parking garage was completed and placed into service. GARI reserves the right to terminate the agreement prior to the expiration date provided the University is given a one year notice prior to the effective date of termination. In the event the agreement is terminated prior to the original expiration date, GARI will be required to reimburse the University in accordance with terms defined in the agreement.

During fiscal years 2006 and 2005, title to $13.1 million and $48.2 million, respectively, of SCG nonretail predevelopment, development, and building construction costs were transferred to the University, and simultaneously subleased under the terms of the Ground Lease Agreement dated June 30, 2004. A corresponding $13.1 million and $48.2 million of related debt was forgiven by the University in accordance with a Memorandum of Agreement dated January 20, 2004, between Campus Partners and the University. The subleased assets consist of both land and building and will remain the property of the University at ground lease expiration. Accordingly, the lease has been classified as an operating lease (see Note 5).

During fiscal year 2006, Campus Partners entered into three leases whereby Campus Partners leases office space to the University which has been subleased under the Ground Lease Agreement. The leased space is part of the University Improvements as defined under the ground lease, which were funded by the University and constructed by Campus Partners, and transferred to the University upon completion. At the end of the ground lease term, title to the office space will remain with the University. During fiscal year 2006, lease income from the University under these leases totaled $1,026,663 and is included in rental income. During fiscal year 2006, SCG received $1,100,000 as a development fee from the University for overseeing the construction of the SCG nonretail improvements. The fee was recognized in two installments: half when the construction was approximately 50% complete and the remaining half when the construction was substantially complete.

3. CASH

At June 30, 2006, the carrying amounts of Campus Partners' deposits with financial institutions totaled $5,936,746 compared to bank balances of $7,130,087. The differences in the carrying amounts and bank balances are caused by outstanding checks and deposits in transit. Based upon criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements*, $100,000 of the bank balance in each legal entity was covered by deposit insurance provided by the FDIC; and $7,030,087 was uncollateralized as defined by GASB. However, to mitigate any risk of loss, Campus Partners maintains its cash in a large financial institution, consequently management believes it is not exposed to any specific concentration of credit risk in relation to cash.

At June 30, 2005, the carrying amounts of Campus Partners' deposits with financial institutions was $1,670,133 and the bank balances were $3,795,902. The differences in the carrying amounts and bank balances are caused by outstanding checks and deposits in transit. Based upon criteria described in GASB Statement No. 3, $100,000 of the bank balance was covered by deposit insurance provided by the FDIC; and $3,695,902 was uncollateralized as defined by GASB. However, to mitigate any risk of loss, Campus Partners maintains its cash in a large financial institution, consequently management believes it is not exposed to any specific concentration of credit risk in relation to cash.

4. CAPITAL ASSETS

Capital asset activities for the years ended June 30, 2006 and 2005, are as follows:

	June 30, 2005	Additions	Disposals	Transfers	June 30, 2006
Land	$ 2,630,411	$ 43,000	$ -	$ -	$ 2,673,411
Depreciable assets:					
Buildings	6,254,861	6,471,168	(2,435,469)		10,290,560
Equipment	52,207	325,643	(110,340)	(141,913)	125,597
Total depreciable assets	6,307,068	6,796,811	(2,545,809)	(141,913)	10,416,157
Construction in progress	26,374,410	25,148,007		(12,994,338)	38,528,079
Total capital assets	35,311,889	31,987,818	(2,545,809)	(13,136,251)	51,617,647
Less accumulated depreciation for:					
Buildings	(617,329)	(1,411,665)	287,032		(1,741,962)
Equipment	(66,410)	(36,395)			(102,805)
Total accumulated depreciation	(683,739)	(1,448,060)	287,032	-	(1,844,767)
Net capital assets	$34,628,150	$30,539,758	$ (2,258,777)	$ (13,136,251)	$49,772,880

	June 30, 2004	Additions	Disposals	Transfers	June 30, 2005
Land	$ 2,616,400	$ 14,011	$ -	$ -	$ 2,630,411
Depreciable assets:					
Buildings	6,163,737	91,124			6,254,861
Equipment	67,373	8,782	(23,948)		52,207
Total depreciable assets	6,231,110	99,906	(23,948)	-	6,307,068
Construction in progress	16,715,451	57,821,068	-	(48,162,109)	26,374,410
Total capital assets	25,562,961	57,934,985	(23,948)	(48,162,109)	35,311,889
Less accumulated depreciation for:					
Buildings	(375,290)	(242,039)			(617,329)
Equipment	(83,890)	(6,468)	23,948		(66,410)
Total accumulated depreciation	(459,180)	(248,507)	23,948	-	(683,739)
Net capital assets	$25,103,781	$57,686,478	$ -	$ (48,162,109)	$34,628,150

5. OPERATING LEASES

At June 30, 2006, rental property is being leased to parties under various operating lease agreements for lease terms ranging from 1 to 20 years. Minimum future rental income for all retail operating leases in effect at June 30, 2006, and the new leases entered into subsequent to year-end are as follows:

2007	$ 4,303,338
2008	4,406,247
2009	4,428,573
2010	4,462,106
2011	4,306,514
2012–2016	20,564,365
2017–2021	10,757,500
2022–2026	8,700,921
	$61,929,564

On June 30, 2004, SCG entered into a 40-year operating ground lease with the University for the SCG land. The minimum lease payments are below:

2007	$ 4,148,151
2008	5,197,536
2009	5,197,536
2010	5,197,536
2011	5,272,533
2012–2016	26,562,657
2017–2021	27,062,637
2022–2026	27,562,617
2027–2031	28,062,597
2032–2036	17,019,342
2037–2041	8,074,857
2042–2044	4,249,920
	$163,607,919

6. LOANS PAYABLE

Loan activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Principal Additions	Repayments	Transfers	Ending Balance	Current Portion
Campus Partners:						
RE III $5M						
Line of Credit	$ 4,659,090	$ 452,105	$ -	$ -	$ 5,111,195	$ -
OSU 2005						
MOU—Sun Longs		3,151,562	(1,273,710)		1,877,852	
OSU 2005						
MOU—RE II		923,152			923,152	
South Campus Gateway:						
OSU $35M						
Line of Credit	8,377,746	10,000,206	(18,377,952)		-	
OSU 2004 MOU		13,136,251		(13,136,251)	-	
UDCDE Note A		23,076,919			23,076,919	95,704
UDCDE Note B		10,376,491			10,376,491	
ESIC $12M Loan	12,000,000				12,000,000	
Total debt	$ 25,036,836	$ 61,116,686	$ (19,651,662)	$ (13,136,251)	$ 53,365,609	$ 95,704

Loan activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Principal Additions	Repayments	Transfers	Ending Balance	Current Portion
Campus Partners—						
RE III $5M						
Line of Credit	$ 4,197,192	$ 461,898	$ -	$ -	$ 4,659,090	$ -
South Campus Gateway:						
OSU $10M						
Line of Credit	60,906		(60,906)		-	
OSU $35M						
Line of Credit	5,524,124	13,947,342	(4,263,986)	(6,829,734)	8,377,746	8,377,746
OSU 2004 MOU	9,180,981	32,151,394		(41,332,375)	-	
ESIC $12M Loan		12,000,000			12,000,000	
Total debt	$18,963,203	$58,560,634	$ (4,324,892)	$(48,162,109)	$25,036,836	$ 8,377,746

During the fiscal year ended June 30, 2004, Campus Partners obtained a $5 million Real Estate Acquisition line of credit from the University for the purpose of purchasing real estate in the area immediately adjacent to SCG. Annual interest charged on the outstanding balance will be 6%. Interest is calculated and paid quarterly. Repayment is due on or before May 1, 2009. The amount outstanding on this line of credit (including accrued interest) was $5,111,195 and $4,659,090 at June 30, 2006 and 2005, respectively.

SCG additionally obtained a $35 million construction line of credit from the University for the purpose of construction-related expenditures for residential, office, retail, and parking structures in the area immediately adjacent to the main campus of the University during the fiscal year ended June 30, 2004. Repayment can be in the form of cash or title transfer of SCG nonretail improvements, as defined in the ground lease agreement between the University and Campus Partners (the “Ground Lease”). Annual interest charged on the outstanding balance is the average one-month LIBOR rate plus 1.5% (6.83% and 4.84% at June 30, 2006 and 2005, respectively). Interest is calculated and paid quarterly. The amount outstanding on this line of credit was $0 and $8,377,746 at June 30, 2006 and 2005, respectively. During fiscal year 2006, the repayment date was extended to December 20, 2007, and the available line of credit was reduced to $5 million.

In the fiscal year ended June 30, 2004, the University issued University 2003B and C General Receipt Bonds for the purpose of paying a portion of the construction costs associated with the SCG nonretail assets. On January 20, 2004, Campus Partners entered into a memorandum of understanding with the University to finance a total of $64,691,555, including $55,000,000 of project costs and amortized interest of $9,340,369, plus a pro-rata share of the issuance costs of $351,186.

Under the memorandum, repayment can be in the form of cash or title transfer of SCG nonretail improvements, as defined in the ground lease agreement between the University and Campus Partners. Campus Partners’ cash repayment terms are over a 30-year period with the cash repayments beginning October 1, 2006. Monthly debt service payments are calculated based on the total amount financed, including the issuance costs. Additionally, per the memorandum of understanding with the University, the construction funds will earn interest at the University rate and will be available to Campus Partners. The interest rate used to calculate monthly payments is a blend of fixed and variable rates based on the University’s 2003B and C General Receipt Bond Issues. The effective borrowing rate on this memorandum of agreement is 4.61% at June 30, 2006 and 2005. Of the $64,691,555 available from the University under the memorandum, $0 was outstanding at June 30, 2006 and 2005. In July 2006, the University granted an additional $4 million to be borrowed under this agreement.

SCG obtained a $12 million loan from ESIC New Markets Partners II LP (“ESIC”) on July 12, 2004. The purpose of the loan is to provide financing for construction of the retail portion of the SCG Project. The monthly debt service payments of $33,333 are due commencing August 2007 with the remaining $10,400,000 balance due August 2011. The amount outstanding on the loan was $12,000,000 at June 30, 2006 and 2005. Annual interest charged on the outstanding balance is 0% at June 30, 2006 and 2005. In addition, Campus Partners is in compliance with all required financial covenants associated with this loan.

In fiscal year 2006, SCG borrowed $33.45 million from UDCDE for the purpose of financing the retail portion of SCG. The loan was as a result of a New Markets Tax Credit-enhanced investment in UDCDE by South Campus Gateway Investment fund (“Investor Member”). A portion of the loan proceeds were used to retire the $35 million construction line of credit from the University. The loans are comprised of Note A (principal balance of $23,076,919) and Note B (principal balance of $10,376,491) at June 30, 2006. Note A has monthly interest-only payments through February 22, 2007, bearing interest at 6.85%. On February 22, 2007, monthly principal and interest payments will be due bearing interest at 7.95% through the loan’s maturity on September 22, 2012. Note B has monthly interest only payments at .5% through the maturity date of September 22, 2035. The principal balance and any accrued interest and related fees will also be due on September 22, 2035. In conjunction with this loan, Campus Partners entered into a put option agreement and a purchase option agreement with Investor Member and Fifth Third Community Development Corporation (“Fifth Third CDC”). These agreements give Investor Member the right to require Campus Partners to purchase the interest in UDCDE from Investor Member for $103,410. Investor Member and Campus Partners have the right to exercise the option upon Investor Member receiving a distribution in the amount of $24,762,500, from UDCDE sufficient for Investor Member to pay its loan from Fifth Third CDC in full.

On December 21, 2005, Campus Partners entered into a Memorandum of Understanding with the University which redefined the terms of a November 3, 1995, resolution by the University's Board of Trustees to invest in Sun Longs and Real Estate II assets. These investment funds, which were used primarily in fiscal year 2001 to acquire the real estate assets in the Sun Longs and Real Estate II portfolios, were originally recorded on Campus Partners' consolidated financial statements as nonoperating income. Under the memorandum, approximately $4 million of this investment was redefined as a loan payable to the University, and was recorded as a capital distribution. The loan bears interest quarterly at an annual rate of 5% and is due in full on June 10, 2010. As of June 30, 2006, the amount due on this loan was $2.8 million.

Repayment amounts due under the various Memorandums of Understanding and loan agreements are as follows:

	Future Repayment Schedule	
	Principal	**Interest**
2007	$ 95,704	$ 2,203,016
2008	603,146	2,314,925
2009	5,731,059	2,247,094
2010	3,438,965	1,973,438
2011	11,057,545	1,813,800
2012-2016	22,062,249	2,288,071
2017-2021		259,410
2022-2026		259,410
2027-2031		259,410
2032-2035	10,376,941	259,410
	$ 53,365,609	$ 13,877,984

7. PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

All Campus Partner employees are required to participate in either the statewide Ohio Public Employees Retirement System ("OPERS") or an Alternative Retirement Plan ("ARP").

The OPERS plan is a cost-sharing multiple-employer defined-benefit pension plan administered by the state. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revise Code. OPERS issues stand-alone financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

Other postemployment benefits for health care cost provided by OPERS are as follows:

OPERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit ("OPEB") as described in GASB Statement No. 12, *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Government Employers.* A portion of each contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The employer contribution rate for state employers was 13.31% of covered payroll; 4% was the portion that was used to fund health care for the year. These rates are the actuarially determined contribution requirement for OPERS. The covered payroll amounts in 2006, 2005, and 2004 were $414,038, $455,677, and $404,220, respectively. The portion of the Campus Partners' 2006, 2005, and 2004 contributions that were used to fund postemployment benefits was $2,153, $2,770, and $2,690, respectively. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

The assumptions and calculations below were based on the OPERS' latest Actuarial Review performed as of December 31, 2004. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate of 2004 was 8%. An annual increase of 4% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase, were assumed to range from 0.50% to 6.30%, depending on age. Health care costs were assumed to increase 4% (the projected wage inflation rate).

OPEB are advance-funded on an actuarially determined basis. As of December 31, 2005, the actuarial value of the OPERS' net assets available for OPEB was $10.8 billion. The number of active contributing participants was 367,109. The actuarially accrued liability and the unfunded actuarial liability, based on the actuarial cost method used, were $29.5 billion and $18.7 billion, respectively.

The Health Care Preservation Plan ("HCPP") adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. An additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

ARP is a defined contribution pension plan. Full-time administrative and professional staff may choose enrollment in ARP in lieu of OPERS. ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits, or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

8. UNIVERSITY DISTRICT COMMUNITY DEVELOPMENT ENTITY, LLC

Campus Partners formed UDCDE, an Ohio Limited Liability Company on June 19, 2002, and entered into its initial operating agreement ("Operating Agreement") on that date. On August 22, 2005, under UDCDE's Second Amended and Restated Operating Agreement, SCG Investment Fund, LLC, an Ohio Limited Liability Company ("Investor Member"), was admitted as an Investor Member.

Throughout Note 8 to the consolidated financial statements, italicized words or phrases represent defined terms under the New Markets Tax Credit ("NMTC") Program or Section 45D of the Internal Revenue Code of 1986, as amended.

UDCDE has been certified by the U.S. Treasury's Community Development Financial Institutions Fund ("CDFI Fund") as a *Community Development Entity* ("CDE"). As a CDE, UDCDE's primary purpose is serving or providing investment capital for *low-income communities.* UDCDE was organized as a *subsidiary* for the purposes of receiving a suballocation of NMTCs from its managing member, Campus Partners, an *Allocatee* under the NMTC Program.

Campus Partners owns a .2840634% managing member interest in UDCDE. Campus Partners applied for and received a first round allocation of NMTCs sufficient to support $35,000,000 of *qualified equity investments.* During the period June 19, 2002 (inception) to June 30, 2006, Campus Partners made a sub-allocation of its NMTC allocation to UDCDE in the amount of $35,000,000.

Pursuant to the Operating Agreement, the Investor Member is required to provide initial capital contributions to UDCDE totaling $35,103,410. As of June 30, 2006, the Investor Member's capital contributions totaled $35,103,410. Of these capital contributions, $35,000,000 has been designated as *qualified equity investments*, qualifying the Investor Member to claim NMTCs on its investment.

Pursuant to the Operating Agreement, Campus Partners is required to provide capital contributions to the UDCDE totaling $100,000. As of June 30, 2006, Campus Partners' capital contributions totaled $140,861.

Pursuant to the Operating Agreement, income, losses, and cash flow are allocated to the members in proportion to their membership interests.

Concentration of Credit Risk—UDCDE deposits its cash in financial institutions. At times, deposits may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Economic Concentration—At June 30, 2006, UDCDE has loans receivable with SCG totaling $33,453,410 ("Note A" and "Note B" in the principal amounts of $23,076,919 and $10,376,491, respectively) or 99.99% of total retail assets managed by SCG. Future operations could be affected by changes in the economic conditions of those entities or their parent companies. Terms of these notes are disclosed in Note 6.

New Markets Tax Credit—During 2002, Campus Partners was awarded $35,000,000 of NMTC allocation authority by the CDFI Fund under the NMTC Program and entered into an allocation agreement with the CDFI Fund. UDCDE has entered into an allocation agreement with the CDFI Fund as a *subsidiary allocatee*, of Campus Partners. As a *subsidiary allocatee*, UDCDE has been allocated $35,000,000. The NMTCs allow individual and corporate taxpayers to receive a credit against federal income taxes in exchange for making *qualified equity investments* in UDCDE. For the period from June 10, 2002 (inception) to June 30, 2006, capital contributions of $35,000,000 were designated as *qualified equity investments.*

In order to qualify for these credits, UDCDE must comply with various federal requirements. These requirements include, but are not limited to, making *qualified low-income community investments* within one year of receiving the *qualified equity investments.* If *qualified equity investment* funds are not continuously invested in *qualified low-income community investments*, the members risk recapture of previously taken tax credits plus penalties and interest thereon.

UDCDE's allocation agreement places restrictions on UDCDE's operations, including, but not limited to, the specific geographic area of *low-income communities* the Company must serve. Pursuant to UDCDE's allocation agreement, *qualified low-income community investments* can take the form of investment in or loans to *qualified active low-income community businesses*, locally.

NMTCs are issued over seven years at a rate of 5% of the *qualified equity investments* for years one through three and 6% for years four through seven. As a result of its *qualified equity investments*, the Investor Member was eligible to claim $1,750,000 of NMTCs for the period from June 19, 2002 (inception) to June 30, 2006.

Future NMTC amounts as a result of *qualified equity investments* are expected to be as follows:

Years Ending June 30	
2006	$ 1,750,000
2007	1,750,000
2008	2,100,000
2009	2,100,000
2010	2,100,000
2011	2,100,000
Total	$ 11,900,000

9. COMMITMENTS AND CONTINGENCIES

Campus Partners is involved from time-to-time in routine litigation. Management does not believe that the ultimate resolution of this litigation will be material to the consolidated financial statements of Campus Partners.

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SUPPLEMENTAL INFORMATION

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

CONSOLIDATING SCHEDULE—STATEMENT OF NET ASSETS INFORMATION
AS OF JUNE 30, 2006

Description	Operating Division	Long's/Sun Division	Real Estate II Division	Real Estate III Division	Campus Partners SCG	Total Campus Partners	Gateway Revitalization Initiative	South Campus Gateway, LLC	Campus Partners Parking Authority, LLC	The Gateway Theater LLC	Subtotal	Eliminations	Consolidated Total
CURRENT ASSETS:													
Cash	$ 960,880	$ 183,457	$ 248	$ 6,042	$ 255,405	$ 1,406,032	$455,799	$ 4,056,085	$19,573	$ (743)	$ 5,936,746	$ -	$ 5,936,746
Accounts receivable		22,079	1,395	5,111	499,914	528,499		2,540,682		40,040	3,109,221		3,109,221
Grants receivable	13,586					13,586	30,153				43,739		43,739
Note receivable								500,000			500,000		500,000
Other assets	29,059	7,419	94	3,454		40,026				13,452	53,478		53,478
Interdivision/company receivable	2,176,033	921,854			4,923,011	8,020,898		722,645			8,743,543	(8,743,543)	-
Total current assets	3,179,558	1,134,809	1,737	14,607	5,678,330	10,009,041	485,952	7,819,412	19,573	52,749	18,386,727	(8,743,543)	9,643,184
CAPITAL ASSETS—Net of accumulated depreciation	11,459	3,230,549	703,375	2,021,064	44,624,674	50,591,121				75,306	50,666,427	(893,547)	49,772,880
INVESTMENT IN UDCDE	140,841					140,841					140,841		140,841
DEFERRED COSTS—Net					479,255	479,255		258,974			738,229		738,229
TOTAL	$3,331,858	$4,365,358	$ 705,112	$ 2,035,671	$50,782,259	$61,220,258	$485,952	$ 8,078,386	$19,573	$ 128,055	$69,932,224	$(9,637,090)	$60,295,134
CURRENT LIABILITIES:													
Current portion of loan payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 95,704	$ -	$ -	$ 95,704	$ -	$ 95,704
Accounts payable	20,098	238			45,364	65,700	394	2,524,106		110,385	2,700,585		2,700,585
Grants payable	27,254					27,254					27,254		27,254
Accrued liabilities	55,545	55,192	5,496	24,827	7,113	148,173		424,825		20,940	593,938		593,938
Unearned tenant income					124,232	124,232		139,366			263,598		263,598
Tenant deposits		15,820		21,207	124,451	161,478		60,046			221,524		221,524
Interdivision/company payable	730,716		121,138	243,833	200	1,095,887	453,858	6,924,011	1,000	268,787	8,743,543	(8,743,543)	-
Total current liabilities	833,613	71,250	126,634	289,867	301,360	1,622,724	454,252	10,168,058	1,000	400,112	12,646,146	(8,743,543)	3,902,603
LONG-TERM LIABILITIES:													
Ground lease payable					7,571,958	7,571,958					7,571,958		7,571,958
Loans payable		1,877,852	923,153	5,111,194		7,912,199		45,357,706			53,269,905		53,269,905
Total long-term liabilities	-	1,877,852	923,153	5,111,194	7,571,958	15,484,157	-	45,357,706	-	-	60,841,863	-	60,841,863
Total liabilities	833,613	1,949,102	1,049,787	5,401,061	7,873,318	17,106,881	454,252	55,525,764	1,000	400,112	73,488,009	(8,743,543)	64,744,466
NET (DEFICIT) ASSETS:													
Invested in capital assets—net of related debt	(2,208)	1,352,697	(219,778)	(3,090,130)	45,831,406	43,871,987		(44,134,085)		75,306	(186,792)	(893,547)	(1,080,339)
Restricted	13,587					13,587	30,153				43,740		43,740
Unrestricted	2,486,866	1,063,559	(124,897)	(275,260)	(2,922,465)	227,803	1,547	(3,313,293)	18,573	(347,363)	(3,412,733)		(3,412,733)
Total net assets (deficit)	2,498,245	2,416,256	(344,675)	(3,365,390)	42,908,941	44,113,377	31,700	(47,447,378)	18,573	(272,057)	(3,555,785)	(893,547)	(4,449,332)
TOTAL	$3,331,858	$4,365,358	$ 705,112	$ 2,035,671	$50,782,259	$61,220,258	$485,952	$ 8,078,386	$19,573	$ 128,055	$69,932,224	$(9,637,090)	$60,295,134

See note to supplemental consolidating schedules.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

CONSOLIDATING SCHEDULE—STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS INFORMATION
FOR THE YEAR ENDED JUNE 30, 2006

	Operating Division	Long's/Sun Division	Real Estate II Division	Real Estate III Division	Campus Partners SCG	Total Campus Partners	Gateway Area Revitalization Initiative	South Campus Gateway, LLC	Campus Partners Parking Authority, LLC	The Gateway Theater LLC	Total	Eliminations	Consolidated Total
OPERATING REVENUES:													
Rental income	$ -	$ 220,081	$ -	$ 142,404	$ 2,298,880	$ 2,661,365	$ -	$ 1,872,399	$ -	$ -	$ 4,533,764	$ (130,379)	$ 4,403,385
Recovery of operating expenses					325,526	325,526		644,644			970,170	(148,896)	821,274
Parking income					566,720	566,720					566,720		566,720
Other income					54,745	54,745		92,817		61,092	208,654		208,654
Development fee income from The Ohio State University	2,000,000					2,000,000					2,000,000	(893,547)	1,106,453
Ground rent income					1,622,782	1,622,782					1,622,782	(1,622,782)	-
Theater sales—net										387,642	387,642		387,642
Total operating revenues	2,000,000	220,081	-	142,404	4,868,653	7,231,138	-	2,609,860	-	448,734	10,289,732	(2,795,604)	7,494,128
OPERATING EXPENSES:													
Professional services	158,278	17,978		20,990	229,604	426,850		93,500		107,003	627,353		627,353
Salaries and wages	691,035				652,235	1,343,270	425	192,646		398,805	1,935,146		1,935,146
Ground lease expense					4,160,979	4,160,979		1,622,782			5,783,761	(1,622,782)	4,160,979
Real estate taxes		118,492	9,458	129,349		257,299		278,484	2,203		537,986		537,986
Depreciation and amortization expense	5,281	77,128	4,366	140,661	1,206,732	1,434,168		71,443		13,891	1,519,502		1,519,502
Utilities	7,748	59,980	493	28,190	388,705	485,116		54,840		75,632	615,588		615,588
Cleaning		3,855		5,679	173,741	183,275		22,374		42,391	248,040		248,040
Security		2,176			306,418	308,594		298,792			607,386		607,386
CAM charges										148,896	148,896	(148,896)	-
Repairs and maintenance	1,041	31,078	5,235	64,455	101,585	203,394	91	154,872		10,431	368,788		368,788
Rent expense					12,000	12,000				118,379	130,379	(130,379)	-
Public relations	3,656	577		3,834	32,311	40,378		122,750		5,852	168,980		168,980
Miscellaneous	50,080	20,154	282	28,171	20,321	119,008		17,185	47	10,730	146,970		146,970
Office supplies and expenses	10,599	568	99	1,690	70,327	83,283		21,732		139,744	244,759		244,759
Total operating expenses	927,718	331,986	19,933	423,019	7,354,958	9,057,614	516	2,951,400	2,250	1,071,754	13,083,534	(1,902,057)	11,181,477
OPERATING INCOME (LOSS)	1,072,282	(111,905)	(19,933)	(280,615)	(2,486,305)	(1,826,476)	(516)	(341,540)	(2,250)	(623,020)	(2,793,802)	(893,547)	(3,687,349)
NONOPERATING REVENUES (EXPENSES):													
Operating subsidy received from The Ohio State University	650,000					650,000					650,000		650,000
Intercompany operating subsidy	(65,699)	(81,670)			(915,415)	(1,062,784)		711,821		350,963			-
The Ohio State University tenant space income						-		1,124,623			1,124,623		1,124,623
The Ohio State University tenant space expense						-		(1,124,623)			(1,124,623)		(1,124,623)
Management fee income	1,303,096					1,303,096					1,303,096		1,303,096
Miscellaneous income	38,300	14,238				52,538			7,745		60,283		60,283
Impairment expense			(45,570)	(2,250,731)		(2,296,301)					(2,296,301)		(2,296,301)
Interest income	39,789	31,554				71,343		526,559			597,902		597,902
Interest expense		(91,763)	(33,560)	(294,041)		(419,364)		(1,824,066)			(2,243,430)		(2,243,430)
Total nonoperating revenues (expenses)	1,965,486	(127,641)	(79,130)	(2,544,772)	(915,415)	(1,701,472)	-	(585,686)	7,745	350,963	(1,928,450)	-	(1,928,450)
INCREASE (DECREASE) IN NET ASSETS BEFORE CAPITAL (DISTRIBUTIONS) CONTRIBUTIONS	3,037,768	(239,546)	(99,063)	(2,825,387)	(3,401,720)	(3,527,948)	(516)	(927,226)	5,495	(272,057)	(4,722,252)	(893,547)	(5,615,799)
CAPITAL CONTRIBUTIONS (DISTRIBUTIONS):													
Grant income	286,133					286,133	453,859	2,099,234			2,839,226	(2,099,234)	739,992
Grant disbursement	(286,133)					(286,133)	(1,879,707)	(1,426,224)			(3,592,064)	2,099,234	(1,492,830)
Transfer of capital assets					46,310,661	46,310,661		(46,310,661)					-
Transfer of assets to The Ohio State University						-		(13,136,251)			(13,136,251)		(13,136,251)
Forgiveness of loan and bond payable due to The Ohio State University						-		13,136,251			13,136,251		13,136,251
Capital distribution to The Ohio State University		(3,059,759)	(889,592)			(3,949,351)					(3,949,351)		(3,949,351)
Total capital (distributions) contributions	-	(3,059,759)	(889,592)	-	46,310,661	42,361,310	(1,425,848)	(45,637,651)	-	-	(4,702,189)	-	(4,702,189)
INCREASE (DECREASE) IN NET ASSETS	3,037,768	(3,299,305)	(988,655)	(2,825,387)	42,908,941	38,833,362	(1,426,364)	(46,564,877)	5,495	(272,057)	(9,424,441)	(893,547)	(10,317,988)
NET ASSETS (DEFICIT)—Beginning of year	(539,523)	5,715,561	643,980	(540,003)		5,280,015	1,458,064	(882,501)	13,078		5,868,656		5,868,656
NET ASSETS (DEFICIT)—End of year	$2,498,245	$ 2,416,256	$(344,675)	$(3,365,390)	$42,908,941	$44,113,377	$ 31,700	$(47,447,378)	$18,573	$ (272,057)	$ (3,555,785)	$ (893,547)	$ (4,449,332)

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

NOTE TO SUPPLEMENTAL CONSOLIDATING SCHEDULES AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

Basis of Presentation—The supplemental consolidating schedules include the accounts of Campus Partners and its wholly owned subsidiaries. Campus Partners accounts for its investment in subsidiaries on the cost method.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
Campus Partners For Community Urban Redevelopment
Columbus, Ohio

We have audited the consolidated financial statements of Campus Partners For Community Urban Redevelopment and subsidiaries ("Campus Partners"), a component unit of The Ohio State University and its discretely presented component unit, as of and for the year ended June 30, 2006, and have issued our report thereon dated January 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Campus Partners' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Campus Partners' consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of Campus Partners in a separate letter dated January 25, 2007.

This report is intended solely for the information and use of the Board of Trustees, management of Campus Partners, federal awarding agencies, state funding agencies, pass-through entities, and the Auditor of the State of Ohio and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte + Touche LLP

January 25, 2007

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

FRANKLIN 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
APRIL 5, 2007

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