FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

Financial Statements

Years Ended December 31, 2006 and 2005

With

Independent Auditors' Report

Board of Directors
Franklin Community Improvement Corporation
4600 International Gateway
Columbus, Ohio 43219

We have reviewed the *Independent Auditors' Report* of the Franklin Community Improvement Corporation, Franklin County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2006 through December 31, 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 Franklin Community Improvement Corporation is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 25, 2007

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FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Franklin Community Improvement Corporation:

We have audited the accompanying balance sheet of the Franklin Community Improvement Corporation (the "Company") as of and for the year ended December 31, 2006 and the related statement of activities and of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company as of December 31, 2005, were audited by other auditors whose report dated March 24, 2006, expressed an unqualified opinion on those statements.

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. 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 the Company as of December 31, 2006, and its changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2007, on our consideration of the Company's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 effectiveness of 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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
March 28, 2007

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

BALANCE SHEETS
AS OF DECEMBER 31, 2006 AND 2005

	2006	2005
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	$ 490,656	$ 785,768
Accounts receivable - trade	3,360	22,705
Prepaid expenses	7,917	7,399
Total current assets	501,933	815,872
PROPERTY:		
Land	640,803	640,803
Buildings	6,072,157	6,072,157
Tenant improvements	2,220,255	2,040,578
Total property	8,933,215	8,753,538
Less accumulated depreciation	3,809,981	3,402,172
Property - net	5,123,234	5,351,366
OTHER ASSETS	6,646	6,646
TOTAL ASSETS	$ 5,631,813	$ 6,173,884
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable:		
Trade	$ 8,667	$ 18,168
Estimated costs to complete	229,780	229,780
Total accounts payable	238,447	247,948
Accrued liabilities	155,003	139,314
Current portion of long-term debt	183,917	148,326
Total current liabilities	577,367	535,588
LONG-TERM DEBT	3,792,014	4,052,352
UNRESTRICTED NET ASSETS	1,262,432	1,585,944
TOTAL LIABILITIES AND NET ASSETS	$ 5,631,813	$ 6,173,884

See notes to financial statements.

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
REVENUES:		
Ground and building rents	$ 583,083	$ 700,583
Interest	30,537	25,395
Other	132,949	156,810
Total revenues	746,569	882,788
EXPENSES:		
Depreciation	407,809	491,336
Interest	273,350	250,034
Professional fees and charges	133,577	212,349
Bad Debt Expense	-	70,901
Real estate taxes	68,893	67,981
Repairs & Maintenance	99,218	190,170
Insurance	18,175	17,586
Other	69,059	62,161
Total expenses	1,070,081	1,362,518
CHANGE IN NET ASSETS	(323,512)	(479,730)
UNRESTRICTED—NET ASSETS—Beginning of year	1,585,944	2,065,674
UNRESTRICTED—NET ASSETS—End of year	$ 1,262,432	$ 1,585,944

See notes to financial statements.

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (323,512)	$ (479,730)
Adjustments necessary to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	407,809	491,336
Abandoned development costs	-	45,367
Net changes in:		
Accounts receivable—trade	19,345	(17,592)
Prepaid expenses	(518)	(202)
Note receivable	-	78,135
Accounts payable—trade	(9,501)	(837)
Accrued liabilities	15,689	(24,013)
Net cash provided by operating activities	109,312	92,464
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property	(179,677)	-
Cash used in investing activities	(179,677)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(224,747)	(150,496)
Cash used in financing activities	(224,747)	(150,496)
DECREASE IN CASH AND CASH EQUIVALENTS	(295,112)	(58,032)
CASH AND CASH EQUIVALENTS—Beginning of year	785,768	843,800
CASH AND CASH EQUIVALENTS—End of year	$ 490,656	$ 785,768
SUPPLEMENTAL DISCLOSURES—		
Cash paid for interest	$ 270,350	$ 250,034

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—Franklin Community Improvement Corporation (the "Company") is a non-profit organization incorporated in the State of Ohio in June 1993 for advancing, encouraging and promoting the industrial, economic, commercial and research development of real property in Central Ohio. Operations commenced in 1995. In addition to developing its own real estate projects, the Company can form partnerships and joint ventures with private businesses to help finance projects through private debt or invest public funds in development projects. In 1995, the Company entered into a master Project Coordination Agreement with the Rickenbacker Port Authority (the "RPA"). Under this agreement, the RPA provided the Company with administrative services. The amount charged may be adjusted annually as required based on estimated actual costs incurred.

On December 12, 2002, the Columbus Municipal Airport Authority ("CMAA"), the City of Columbus, Ohio (the "City") and the County of Franklin, Ohio (the "County") entered into the Port Authority Consolidation and Joinder Agreement (the "Agreement") with an effective date of January 1, 2003, which created a single regional authority to oversee the airports formerly managed by the CMAA and the RPA. Under the Agreement, the RPA was dissolved and the CMAA, the surviving entity, was renamed the Columbus Regional Airport Authority (the "Authority"). The Agreement provided for the ultimate transfer of all the RPA's rights, title and interests in all the assets and liabilities to the Authority. As of January 1, 2003, the Authority is now providing the administrative services that were previously provided under the master Project Coordination Agreement with the RPA.

Use of Estimates—The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents—Cash consists of amounts on deposit at one bank at December 31, 2006 and 2005. For purposes of the statement of cash flows, cash and cash equivalents include time and demand deposits with maturities of three months or less.

Investment—The Company accounted for the investment in Note 5 using the equity method.

Description of Land Development Project—In June 1995, the Company purchased 244 acres of real estate located in the County. No property was sold in 2006 and 2005. At December 31, 2006, the Company has 16 acres remaining for sale.

Property—In 1999, the Company began development of a series of Air Cargo terminals on land leased from the RPA. These properties are located in close proximity to the

Rickenbacker International Airport and are located in Foreign Trade Zone #138. Through December 31, 2006 three air cargo buildings totaling 164,800 square feet have been completed.

Property is recorded at cost less accumulated depreciation, but not in excess of the net recoverable amount.

Depreciation is provided on the straight-line basis. Buildings are depreciated over approximately 21 years and tenant improvements are depreciated over the lives of the respective leases.

Interest is capitalized during the development period and amortized over the estimated life of the buildings as buildings are completed and occupied. The Company incurred interest totaling $273,350 and $250,034 in 2006 and 2005, respectively. No interest was capitalized in 2006 and 2005.

Revenue Recognition**—**Sales of land revenue are recognized as acreage is sold based on contract price. Ground and building rent revenue is recognized as rents accrue under the terms of the leases.

Capitalization of Land Development Costs—Land and development costs are generally capitalized at the time development begins based on actual costs incurred. Land and development costs incurred through December 31, 2006 and 2005 are as follows:

Land	$ 5,427,027
Infrastructure costs	1,571,074
Exit fees	214,610
Professional fees	403,830
Interest	492,103
Real estate taxes	27,644
Amortization	9,937
Other carrying costs	620,875
Subtotal	8,767,100
Less accumulated costs of land sales	(8,126,297)
Land costs at the end of year	$ 640,803
Estimated costs to complete land sales – included in cost of land sales above	$ 229,780

Recognition of Cost of Land Sold—The Company accumulates total land development costs, including an estimate of costs to complete the development. These total accumulated development costs are divided by saleable acreage to arrive at a total cost per acre. As land is sold, the Company recognizes cost of land sold on the basis of acres sold multiplied by the calculated total cost per acre.

Asset Impairments**—**Annually, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived*

Assets, a determination is made by management to ascertain whether investment property and other intangibles 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. At December 31, 2006 no impairment of assets is indicated.

Tax Status—The Company has received a determination letter from the Internal Revenue Service that it is a 501(a) exempt organization.

2. NOTE RECEIVABLE

The Company advanced to a tenant, the cost of certain tenant improvements and received a note receivable bearing interest at 10 percent. The lessee started paying additional base rent of $1,660 monthly beginning January 2003 that was to continue until the improvements were paid in December 2009.

On March 2, 2005, the issuer of the note receivable filed a voluntary petition for relief under Chapter 7 of the U.S. Bankruptcy Code. As a result of the bankruptcy, the tenant was unable to pay the remaining balance of the note. The Company wrote off the remaining unpaid balance of $70,901 during 2005.

3. NOTES PAYABLE

Notes payable outstanding at December 31, 2006 and 2005 consist of the following:

	2006	**2005**
Mortgage loan with a bank bearing interest at 8.0% during the initial five years, which began September 16, 1998. Thereafter, interest is adjusted to the weekly average of treasury securities plus 2.50%, currently the rate is 6.0%. The loan allows borrowing up to $2,800,000. Principal and interest are paid monthly with maturity in 2019. Secured by building.	$2,196,070	$2,320,475
Construction mortgage loan with a bank for construction and development of an air cargo terminal, bearing interest at prime rate during construction. Upon conversion at April 1, 2004, the loan bears interest at the one year LIBOR rate plus 2.25%, currently the rate is 7.50%. The loan allows borrowings up to $2,800,000 and matures in 60 months from the conversion date.	1,779,861	1,880,203
Total	$ 3,975,931	$ 4,200,678

Long-term debt matures as follows:

Year ending December 31	
2007	$ 183,917
2008	194,231
2009	1,808,272
2010	144,291
2011	151,587
2012-2016	880,588
2017-2019	613,045
Total	$ 3,975,931

4. RELATED PARTY TRANSACTIONS

In 2000, the Company entered into an amended services agreement with the RPA. The amended services agreement terminated the existing services agreement and project coordination agreement and all existing obligations of the Company to the RPA. Consequently, the Company recorded $1,859,283 of contributed capital associated with the termination of its obligations to RPA, effective May 2000. In consideration of the Authority making project advances, the Company shall pay all of its available net proceeds to the Authority on an annual basis. Available net proceeds are defined as all funds but not including $1,000,000 in working capital, certain project advances, reserves and other funds relating to the Authority activities. The Authority also provides administrative services to the Company (see Note 1). A total of $90,823 and $90,505 were accrued and expensed for these services in 2006 and 2005, respectively.

5. INVESTMENT IN LIMITED LIABILITY CORPORATION (LLC)

In July 2001, the Company obtained a 50 percent ownership interest in an LLC by transferring 5.11 acres of land. At December 31, 2006 and 2005, the total amount invested was zero. Since the investment is zero, no loss was recognized in 2006. The Company may be required to make additional contributions to the LLC to satisfy working capital needs.

6. RENTAL INCOME

The Company leases space in its building to various tenants under non-cancelable operating leases which expire on various dates through April 2011. The leases generally provide for renewal options, reimbursement of certain operating costs and real estate taxes.

Future minimum rentals to be received under existing non-cancelable operating leases in effect as of December 31, 2006 are as follows:

Year ending December 31	**Amount**
2007	$ 355,307
2008	293,943
2009	277,866
2010	189,224
2011	129,360
2012	102,000
Total	$ 1,347,700

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

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 Directors
Franklin Community Improvement Corporation:

We have audited the financial statements of the Franklin Community Improvement Corporation (the "Company") as of and for the year ended December 31, 2006, and have issued our report thereon dated March 28, 2007 wherein we noted the financial statements for the year ended December 31, 2005 were audited by other auditors whose report dated March 24, 2006, expressed an unqualified opinion on those statements. 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 the Company's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Company's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Company's financial statements that is more than inconsequential will not be prevented or detected by the Company's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Company's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Company's 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*.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, the Ohio Auditor of State and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
March 28, 2007

Mary Taylor, CPA
Auditor of State

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

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
MAY 10, 2007

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us