Campus Partners For Community Urban Redevelopment and Subsidiaries

Consolidated Financial Statements as of and
for the Years Ended June 30, 2008 and 2007,
Supplemental Information as of and
for the Year Ended June 30, 2008, 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, 2007 through June 30, 2008. 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

December 10, 2008

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CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

TABLE OF CONTENTS

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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, 2008 and 2007, 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, 2008 and 2007, 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' 2008 consolidated financial statements taken as a whole. The consolidating schedules on pages 26 through 28 are presented for the purpose of additional analysis of the 2008 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 2008 consolidated financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic 2008 consolidated financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2008, 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

October 29, 2008

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

The following Management's Discussion and Analysis (MD&A) of Campus Partners For Community Urban Redevelopment and Subsidiaries ("Campus Partners") financial performance provides an introduction to the consolidated financial statements for the fiscal year ended June 30, 2008, with comparative data for fiscal year 2007 and fiscal year 2006. 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 7 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 illustrates Campus Partners' net asset changes during the fiscal year ended June 30, 2008. 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 relate 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.

Financial Position

The following represents Campus Partners' financial position as of June 30, 2008, 2007, and 2006:

	2008	2007	2006
Assets:			
Current assets	$ 5,026,266	$ 7,870,101	$ 9,168,184
Net property and equipment	50,782,094	48,325,912	49,772,880
Deferred loan costs and other assets	941,453	1,448,982	1,354,070
Total	$ 56,749,813	$ 57,644,995	$ 60,295,134
Liabilities:			
Current liabilities	$ 11,461,774	$ 3,498,266	$ 3,902,603
Long-term liabilities	58,658,904	63,059,512	60,841,863
Total liabilities	70,120,678	66,557,778	64,744,466
Deficiency in net assets:			
Invested in capital assets — net of related debt	(10,744,614)	(7,278,457)	(1,080,339)
Restricted net assets		879,535	43,740
Unrestricted net deficiency	(2,626,251)	(2,513,861)	(3,412,733)
Total	$ 56,749,813	$ 57,644,995	$ 60,295,134

During 2008, Campus Partners' net property and equipment increased $2.5 million due to the purchase of assets relating to retail tenant improvements at South Campus Gateway and property additions to the Real Estate III portfolio. Current assets decreased $2.8 million, primarily due to a decrease in cash ($2 million) from increased repayments under the ground lease with The Ohio State University (the "University") and accounts payable. Additionally, grants receivable decreased $800 thousand, primarily due to reimbursements received from the City of Columbus (the "City") for the Columbus Coated Fabrics (CCF) site project. Campus Partners' short-term liabilities increased by $8 million during 2008 primarily as a result of certain debt being classified as current ($9 million) and an increase in the bank overdraft ($112 thousand). This increase was partially offset by a decrease in accrued liabilities relating to less construction activity ($800 thousand) and a decrease in grants payable ($360 thousand). Long-term liabilities decreased by $4.4 million during 2008 due to debt coming due within the next year classified as current ($3.1 million), and a reduction in the ground lease payable in the amount of $1.3 million. Note 5 has more information regarding Campus Partners' financing arrangements. During 2008, Campus Partners' net deficit increased by $4.5 million due to a net operating loss of $2 million and interest expense and other nonoperating expenses of $2.6 million, as described in the summary of changes in net assets for fiscal year ended June 30, 2008.

During 2007, Campus Partners' net property and equipment decreased $1.4 million due to the transfer of nonretail assets to the University. Current assets decreased $1.3 million, primarily due to a decrease in cash ($1.9 million) from increased repayments under the ground lease with the University and accounts payable. Additionally, accounts receivable decreased $590 thousand due to a reduction of University receivables for interest on the unused bond balance, as well as reimbursements for the University tenant space income. These decreases were offset by a $1.1 million increase in grants receivable for reimbursements due from the City for the CCF site project. Campus Partners' long-term liabilities increased by $2.2 million during 2007 primarily as a result of tenant improvement costs being financed with debt and because of accrued interest on existing debt. During 2007, Campus Partners' net deficit increased by $4.5 million due to a net operating loss of

$2.8 million and interest expense and other nonoperating revenues of $1.7 million, as described in the summary of changes in net assets for fiscal year ended June 30, 2007.

The following represents Campus Partners' summary of changes in net assets for the fiscal years ended June 30, 2008, 2007, and 2006:

	2008	2007	2006
Operating revenues	$ 12,099,037	$ 10,406,863	$ 7,494,128
Operating expenses	14,082,911	13,222,370	11,181,477
Net operating loss	(1,983,874)	(2,815,507)	(3,687,349)
Nonoperating expenses	(2,648,655)	(1,744,876)	(1,928,450)
Capital contributions (distributions)	174,447	96,932	(4,702,189)
Change in net assets	(4,458,082)	(4,463,451)	(10,317,988)
Net (deficit) assets — beginning of year	(8,912,783)	(4,449,332)	5,868,656
Net deficit — end of year	$ (13,370,865)	$ (8,912,783)	$ (4,449,332)

Campus Partners' $12 million of operating revenue for the year ended June 30, 2008, resulted primarily from retail and residential rental income generated from real estate holdings in South Campus Gateway, LLC (SCG). The increase over 2007 is a result of increased occupancy of the retail, residential, and office properties.

Campus Partners' major operating expenses for the year ended June 30, 2008, included ground lease rent (32.5%), salaries and wages (15.7%), and depreciation and amortization (14.3%). No other operating expense categories represented more than 10% of the total operating expenses in the current year. The increase in operating expenses is attributable primarily to the increased activity at SCG, an increase in ground rent under the terms of the ground lease between Campus Partners and the University, an increase in real estate tax, higher depreciation expense, and an increase in bad debt expense, offset by a decrease in nonreimbursable costs incurred in conjunction with the CCF site project in the University District.

Nonoperating expenses for fiscal year 2008 primarily related to interest expense ($2.7 million).

Campus Partners' $10.4 million of operating revenue for the year ended June 30, 2007, resulted primarily from retail and residential rental income generated from real estate holdings in SCG. The increase over 2006 is a result of increased occupancy of the retail, residential, and office properties and a result of a full year of activity versus only 10 months of operating revenue during 2006.

Campus Partners' major operating expenses for the year ended June 30, 2007, included ground lease rent (32.5%), salaries and wages (16.5%), and depreciation and amortization (12%). No other operating expense categories represented more than 10% of the total operating expenses in the current year. The increase in operating expenses is attributable primarily to the increased activity at SCG, an increase in ground rent under the terms of the ground lease between Campus Partners and the University, higher depreciation expense, and nonreimbursable costs incurred in conjunction with the potential acquisition of the CCF site in the University District.

Nonoperating expenses for fiscal year 2007 related to interest expense ($2.4 million), partially offset by operational funding support received from the University.

Capital contributions consist of funds provided by the State of Ohio, the City, and the United States Department of Housing and Urban Development (HUD). State and City funds relate to construction of SCG and the CCF site, while HUD funds relate to the restructuring of the Community Properties, Inc. Section 8 housing portfolio. Additionally, there was no debt forgiven by the University during fiscal 2008. In fiscal 2007, there was $3.7 million 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 year 2008 and 2007 are attributable to expenses incurred for the CCF site and pass through of a portion of the HUD grant to Community Properties, Inc.

The statements of cash flows 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 amounts for fiscal years 2008, 2007, and 2006 are as follows:

	2008	2007	2006
Net cash (used in) provided by operating activities	$(1,428,799)	$ (403,061)	$ 261,695
Net cash used in investing activities	(5,253,788)	(5,534,543)	(34,995,035)
Net cash provided by capital financing activities	4,028,140	3,204,555	36,986,574
Net cash provided by noncapital financing activities	655,548	823,978	2,013,379

During fiscal 2008, net cash used in operating activities increased approximately $1 million primarily due to a $2 million increase in amounts paid to suppliers, partially offset by an approximate $1 million increase in cash received from tenants. Net cash provided by capital financing activities increased approximately $800 thousand because of additional cash received from grants, monies received for note receivable, an increase in the overdraft payable, and additional amounts borrowed from loans. These amounts were partially offset by an increase in debt repayment, cash paid for interest and on grant disbursements.

During fiscal 2007, net cash used in investing activities decreased approximately $29.5 million primarily due to the decrease in purchases of property, plant, and equipment and cash paid for the University's tenant space. This amount is partially offset by a decrease in cash received from the University for the tenant space. Net cash provided by capital financing activities decreased approximately $34 million primarily due to a decrease in cash received from loans, received from grants and received on a line of credit draw receivable. This decrease is partially offset by a decrease in debt repayment.

Significant Events

During fiscal 2008, Campus Partners received a commitment from the University Board of Trustees for an additional $50 million of funding for property acquisitions. Campus Partners will have the ability to request up to $10 million during each fiscal year from 2009–2013 to acquire properties in strategic acquisition areas identified by its Board of Directors. Receipt of these funds is contingent upon Campus Partners submitting an approved Five-Year Business Plan to the University that includes financial and programmatic performance measures for these new investment dollars. Pending submission of these materials, Campus Partners and the University entered into a MOU for a $5.7 million line of credit that will be repaid from the first $10 million of funding once the business plan and performance measures are approved.

Campus Partners also made several management changes at South Campus Gateway during fiscal 2008. The firm of CB Richard Ellis continues to serve as property manager and leasing agent for the property. However, a new general manager was hired by CB Richard Ellis during the year. In addition, Campus Partners engaged Parking Solutions Inc. to provide parking management services and The Gateway Theater, LLC engaged Landmark Theatres to operate the cinema on its behalf.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF NET ASSETS AS OF JUNE 30, 2008 AND 2007

	2008		2007	
	Primary	UDCDE	Primary	UDCDE
ASSETS				
CURRENT ASSETS:				
Cash	$ 2,028,776	$ 41,049	$ 4,027,675	$ 9,076
Accounts receivable — net of uncollectible allowance of $204,000 in 2008 and $163,000 in 2007	2,577,675	109,321	2,518,896	187,389
Grants receivable	348,006		1,176,434	
Notes receivable— current portion	41,178	212,150	67,845	200,486
Other assets	30,631		79,251	
Total current assets	5,026,266	362,520	7,870,101	396,951
CAPITAL ASSETS — Net of accumulated depreciation	50,782,094		48,325,912	
NOTES RECEIVABLE — Net of current portion and uncollectible allowance of $300,000 in 2008 and none in 2007	135,000	32,979,747	455,000	33,189,543
INVESTMENT IN UDCDE	140,841		140,841	
DEFERRED LOAN AND LEASE COSTS — Net	665,612		853,141	
TOTAL	$ 56,749,813	$33,342,267	$57,644,995	$33,586,494
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Bank overdraft	$ 112,160	$ -	$ -	$ -
Current portion of loan payable	9,209,962		200,486	
Accounts payable	271,650		482,116	
Grants payable			361,775	
Accrued liabilities	1,216,534		2,018,896	
Unearned tenant income	311,129		151,799	
Tenant deposits	340,339		283,194	
Total current liabilities	11,461,774	-	3,498,266	-
LONG-TERM LIABILITIES:				
Ground lease payable	6,217,157		7,530,626	
Loans payable	52,441,747		55,528,886	
Total long-term liabilities	58,658,904	-	63,059,512	-
Total liabilities	70,120,678	-	66,557,778	-
NET (DEFICIT) ASSETS:				
Invested in capital assets — net of related debt	(10,744,614)		(7,278,457)	
Restricted			879,535	
Unrestricted	(2,626,251)	33,342,267	(2,513,861)	33,586,494
Total net (deficit) assets	(13,370,865)	33,342,267	(8,912,783)	33,586,494
TOTAL	$ 56,749,813	$33,342,267	$57,644,995	$33,586,494

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, 2008 AND 2007

	2008		2007	
	Primary	UDCDE	Primary	UDCDE
OPERATING REVENUES:				
Rental income	$ 7,477,323	$ -	$ 6,967,122	$ -
Lease termination fee income	330,832			
Recovery of operating expenses	1,860,950		1,364,569	
Parking income	1,207,760		1,067,443	
Other income	549,710		354,072	
Gateway Theater sales less cost of goods sold of $600,675 in 2008 and $831,494 in 2007	672,462		653,657	
Investment income		1,940,123		1,720,637
Total operating revenues	12,099,037	1,940,123	10,406,863	1,720,637
OPERATING EXPENSES:				
Professional services	778,614		1,316,365	
Salaries and wages	2,218,012		2,183,037	
Ground lease expense	4,584,776		4,345,740	
Real estate taxes	1,044,937		653,510	
Depreciation and amortization expense	2,017,716		1,549,503	
Utilities	788,767		755,708	
Cleaning	312,468		303,851	
Security	706,948		673,212	
Repairs and maintenance	673,496		657,417	
Public relations	262,063		360,204	
Bad debt expense	369,483		163,408	
Miscellaneous	236,622	45	181,406	170
Office supplies and expense	89,009		79,009	
Total operating expenses	14,082,911	45	13,222,370	170
OPERATING (LOSS) INCOME	(1,983,874)	1,940,078	(2,815,507)	1,720,467
NONOPERATING REVENUES (EXPENSES):				
Operating subsidy received from The Ohio State University	650,000		820,000	
The Ohio State University tenant space income			627,811	
The Ohio State University tenant space expense	(208,711)		(796,672)	
Miscellaneous income	5,548		3,978	
Impairment and demolition expense	(533,849)		(191,549)	
Interest income	103,673		196,987	
Interest expense	(2,665,316)		(2,405,431)	
Total nonoperating expenses	(2,648,655)	-	(1,744,876)	-
(DECREASE) INCREASE IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS (DISTRIBUTIONS)	(4,632,529)	1,940,078	(4,560,383)	1,720,467
CAPITAL CONTRIBUTIONS (DISTRIBUTIONS):				
Grant income	816,415		2,474,338	
Grant disbursements	(641,968)		(2,377,406)	
Transfer of assets to The Ohio State University			(3,672,110)	
Forgiveness of loan and bond payable due to The Ohio State Universit			3,672,110	
Capital distributions from UDCDE		(2,184,305)		(1,624,562)
Capital contributions (distributions) — net	174,447	(2,184,305)	96,932	(1,624,562)
(DECREASE) INCREASE IN NET ASSETS	(4,458,082)	(244,227)	(4,463,451)	95,905
NET (DEFICIT) ASSETS — Beginning of year	(8,912,783)	33,586,494	(4,449,332)	33,490,589
NET (DEFICIT) ASSETS — End of year	$(13,370,865)	$ 33,342,267	$ (8,912,783)	$ 33,586,494

See notes to consolidated financial statements.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from tenants	$ 10,530,950	$ 9,441,891
Cash received from Gateway Theater	672,462	653,657
Cash paid to employees	(2,191,254)	(2,038,050)
Cash paid to suppliers	(10,440,957)	(8,460,559)
Net cash used in operating activities	(1,428,799)	(403,061)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(5,111,965)	(5,479,576)
Interest received on cash	28,846	71,391
Payment of deferred leasing costs	(26,834)	(225,780)
Cash received from The Ohio State University tenant space income	64,876	896,094
Cash paid for The Ohio State University tenant space expense	(208,711)	(796,672)
Net cash used in investing activities	(5,253,788)	(5,534,543)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Cash received from grants	1,644,843	1,341,643
Cash received (paid) on grant disbursements	(1,003,743)	(1,786,420)
Cash received from loans	5,788,773	5,197,182
Debt repayment	(573,422)	(63,381)
Cash paid for interest	(1,958,591)	(1,461,624)
Cash received (paid) for note receivable	346,667	(22,845)
Increase in overdraft payable	112,160	
Cash received on line of credit draw receivable	37,917	
Other	(366,464)	
Net cash provided by capital financing activities	4,028,140	3,204,555
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received as an operating subsidy from The Ohio State University	650,000	820,000
Cash received from miscellaneous nonoperating income	5,548	3,978
Cash provided by noncapital financing activities	655,548	823,978
NET DECREASE IN CASH	(1,998,899)	(1,909,071)
CASH — BEGINNING OF YEAR	4,027,675	5,936,746
CASH — END OF YEAR	$ 2,028,776	$ 4,027,675

(Continued)

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Net operating loss	$ (1,983,874)	$ (2,815,507)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation and amortization	2,017,716	1,549,503
Bad debt expense	369,483	163,408
(Increase) decrease in assets:		
Accounts receivable	(1,112,098)	(261,186)
Other assets	(8,405)	31,245
(Decrease) increase in liabilities:		
Accounts payable	(210,466)	1,262,267
Ground lease payable	(215,150)	(41,332)
Unearned rent	159,330	(111,799)
Rent deposits	57,143	61,670
Accrued liabilities	(502,478)	(241,330)
NET CASH USED IN OPERATING ACTIVITIES	$ (1,428,799)	$ (403,061)
SUPPLEMENTAL DISCLOSURES — Noncash activity:		
Property purchases in accounts payable and accrued liabilities	$ 188,561	$ 514,934
Transfer of capital assets to The Ohio State University	$ -	$ 3,672,110
Forgiveness of debt due to The Ohio State University	$ -	$ 3,672,110
Interest incurred and added to debt	$ 706,986	$ 902,073
Ground rent paid by accrued bond interest	$ 1,098,121	$ 583,333

See notes to consolidated financial statements.

(Concluded)

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 operations of Campus Partners is funded primarily by rental operations and subsidies from the University, whereby Campus Partners directs the revitalization of the area immediately adjacent to the University's main campus in Columbus, OH. 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 that 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 (the "City") acquired using its powers of eminent domain for the development of South Campus Gateway LLC (SCG), 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.

Redstone Realty LLC (Redstone) was created to purchase the land and buildings near the main campus of the University. Campus Partners is the sole member of Redstone. Therefore, the ability of Campus Partners to impose its will on Redstone is manifest in that Campus Partners has the ability to dissolve the entity at any time. Redstone is consolidated in the Real Estate II and III Division of Campus Partners in the accompanying supplemental schedules.

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 2007 and 2006, 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 the remaining 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.

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 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 0.28%. UDCDE is a discretely presented component unit because UDCDE is considered 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 consolidated financial statements in conformity with GAAP 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 consolidated 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 non-exchange 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 Principles 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 — Campus Partners' financial instruments that are exposed to concentrations of credit risk consist of cash. Cash is on deposit with four banking institutions.

At June 30, 2008, the carrying amounts of Campus Partners' deposits with financial institutions totaled $1,916,616 compared to bank balances of $2,474,313. At June 30, 2007, the carrying amounts of Campus Partners' deposits with financial institutions totaled $4,027,675 compared to bank balances of $4,449,203. Outstanding checks and deposits in transit cause the differences in the carrying amounts and bank balances. Based upon criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase and Reverse Repurchase Agreements*, $100,000 of the bank balance in each legal entity was covered by deposit insurance provided by the Federal Deposit Insurance Corporation (FDIC). In fiscal years 2008 and 2007, $1,931,971 and $3,928,932, respectively, was uncollateralized as defined by GASB. However, to mitigate any risk of loss, Campus Partners maintains its cash in four large financial institutions; consequently, management believes it is not exposed to any specific concentration of credit risk in relation to cash. Subsequent to June 30, 2008, the FDIC increased the deposit insurance to $250,000 of the bank balance in each legal entity covered.

Accounts Receivable — Receivables are reported at their gross value when earned as the underlying exchange transaction occurs, and reduced by the estimated portion deemed 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.

Unbilled Deferred Rent Receivable and Rental Income — Campus Partners, as a lessor, has retained substantially all of the risks and benefits of ownership and accounts for its leases as operating leases. Certain tenant leases provide for increases in minimum rental payments and for occupancy in periods where no rent is due. Campus Partners recognizes such rental revenue monthly on a straight-line basis over the terms of the leases. The expected straight-line rental income in excess of rents currently due under such lease agreements is recorded as unbilled deferred rent receivable. As of June 30, 2008 and 2007, such receivables (included in accounts receivable) were $430,507 and $263,198, respectively.

Concentration of Credit Risk — For the years ended June 30, 2008 and 2007, Campus Partners had rental revenue generated from one tenant, which represented greater than 10% of Campus Partners' revenue. Revenue from this tenant was $1 million at June 30, 2008 and 2007, which represents 13.4% and 14.4% of Campus Partners' revenue, respectively.

Grants Receivable — Grants receivable represent funds due to 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 collectability of the principal is unlikely.

Capital Assets — Capital assets with a unit cost of greater than $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 are depreciated over 27.5 to 39 years, and personal property over five to seven years.

Tenant improvements are amortized over the lesser of the estimated life of the improvement or the life of the lease. Interest is capitalized during the development period and amortized over the estimated life of the building, once construction is complete. During fiscal years 2008 and 2007, Campus Partners incurred interest totaling $2,665,316 and $2,852,002, respectively, of which no interest was capitalized in fiscal 2008 and $446,571 was capitalized in fiscal 2007.

During fiscal 2008, Campus Partners recorded an impairment charge on recent property acquisitions of approximately $520,000, which is reflected as impairment and demolition expense in the accompanying Consolidated Statement of Revenues, Expenses, and Changes in Net Assets.

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, 2008 and 2007, accumulated amortization totaled $359,605 and $130,516, respectively.

Grants Payable — Grants payable represent funds due to vendors under grants from the City 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.

Leases Payable — Campus Partners, as a lessee, does not receive the substantial risks and benefits of ownership and accounts for the ground lease as an operating lease. Rental expense is recognized over the term of the lease on a straight-line basis. The expected straight-line rental expense in excess of rents due currently under the lease represents unbilled ground lease payable. As of June 30, 2008 and 2007, such payables were $6,217,157 and $7,530,626, respectively.

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

Restricted Assets — During fiscal 2007, restricted net assets consisted primarily of grants receivable from the City for the CCF site.

2. RELATED-PARTY TRANSACTIONS

In fiscal years 2008 and 2007, the University provided $650,000 and $820,000, respectively, 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, OH. Under legislation, the General Assembly of the State of Ohio appropriated funds to the University for $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. As of June 30, 2008, the agreement remained in effect.

During fiscal year 2008, there were no costs transferred to the University. During fiscal year 2007, title to $3.7 million of SCG nonretail predevelopment, development, and building construction costs were transferred to the University and subsequently subleased under the terms of the Ground Lease Agreement dated June 30, 2004. A corresponding $3.7 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 4).

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. Lease income from the University under these leases totaled $1,125,220 and $1,121,201 for 2008 and 2007, respectively, and is included in rental income.

Campus Partners' operating division salaries, wages, and other compensation are paid directly to the employees by the University. Campus Partners reimburses the University based on the percentage of employees' time allocated to Campus Partners. During fiscal years 2008 and 2007, Campus Partners incurred $635,542 and $679,467, respectively, of which $227,000 and $258,000 were accrued at June 30, 2008 and 2007, respectively.

3. CAPITAL ASSETS

Capital asset activities for the years ended June 30, 2008 and 2007, are as follows:

	June 30, 2007	Additions	Disposals	Transfers	June 30, 2008
Land	$ 2,673,411	$ 836,100	$ -	$ -	$ 3,509,511
Depreciable assets:					
Buildings and improvements	48,456,583	3,867,668	(628,459)	266,659	51,962,452
Equipment	212,661	81,824			294,485
Total depreciable assets	48,669,244	3,949,492	(628,459)	266,659	52,256,937
Construction in progress	266,659			(266,659)	-
Total capital assets	51,342,655	4,785,592	(628,459)	-	55,766,448
Less accumulated depreciation and amortization for:					
Buildings and improvements	(3,129,339)	(1,730,786)	59,613		(4,800,512)
Equipment	(154,063)	(29,778)			(183,841)
Total accumulated depreciation and amortization	(3,283,402)	(1,760,564)	59,613	-	(4,984,353)
Net capital assets	$ 48,325,912	$ 3,025,028	$ (568,846)	$ -	$ 50,782,094

	June 30, 2006	Additions	Disposals	Transfers	June 30, 2007
Land	$ 2,673,411	$ -	$ -	$ -	$ 2,673,411
Depreciable assets:					
Buildings and improvements	10,290,560			38,166,023	48,456,583
Equipment	125,597		(1,351)	88,415	212,661
Total depreciable assets	10,416,157	-	(1,351)	38,254,438	48,669,244
Construction in progress	38,528,079	3,665,128		(41,926,548)	266,659
Total capital assets	51,617,647	3,665,128	(1,351)	(3,672,110)	51,609,314
Less accumulated depreciation and amortization for:					
Buildings and improvements	(1,741,962)	(1,387,377)			(3,129,339)
Equipment	(102,805)	(51,258)			(154,063)
Total accumulated depreciation and amortization	(1,844,767)	(1,438,635)	-	-	(3,283,402)
Net capital assets	$49,772,880	$ 2,226,493	$(1,351)	$ (3,672,110)	$48,325,912

In Note 4 of the 2007 financial statements, $38,254,438 of transfers were reflected in the capital asset activities for the year ended June 30, 2007, which should have been reflected as a buildings and improvements transfer. This 2007 transfer has been properly reflected as buildings and improvements in the activities above.

4. OPERATING LEASES

At June 30, 2008, 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, 2008, and the new leases entered into subsequent to year-end are as follows:

Years Ending June 30	
2009	$ 7,214,153
2010	4,417,066
2011	4,245,759
2012	4,084,488
2013	4,075,118
2014–2018	16,503,993
2019–2023	10,945,452
2024–2028	4,458,296
Total	$ 55,944,325

Effective June 30, 2004, SCG entered into a 40-year operating ground lease with the University for the SCG land and University improvements, as defined in the lease. Payments, which are over a 30-year period, began on October 1, 2006, and are calculated based on the total value of nonretail assets transferred to the University in exchange for a reduction to a memorandum of understanding (MOU) and a line of credit with the University (see Note 5). The interest rate used to calculate monthly payments is a blend of fixed and variable rates based on the University's 2003 B and C General Receipt Bond Issues (4.61% at June 30, 2008 and 2007).

On July 1, 2007 and 2006, the lease was amended to increase the monthly payments by $38,500 and $19,000, respectively. As of June 30, 2008, the total minimum lease payments due under the lease, including the amendments are:

Years Ending June 30	
2009	$ 5,898,247
2010	5,898,247
2011	5,973,247
2012	5,998,247
2013	5,998,247
2014–2018	30,266,236
2019–2023	30,766,235
2024–2028	30,293,494
2029–2033	29,457,283
2034–2038	9,302,214
2039–2043	8,274,998
2044–2045	850,000
Total	$ 168,976,695

5. LOANS PAYABLE

Loan activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Principal Additions	Repayments	Transfers	Ending Balance	Current Portion
Campus Partners:						
City of Columbus Loan	$ 125,000	$ -	$ -	$ -	$ 125,000	$ 125,000
OSU $5.7M loan		2,704,362			2,704,362	2,704,362
RE III $5M Line of Credit	5,423,998	332,891			5,756,889	5,756,889
OSU 2005 MOU — Sun Longs	1,973,520	100,542			2,074,062	
OSU 2005 MOU — RE II	970,182	49,426			1,019,608	
Garland Mortgage Note — Sun Longs		444,545	(8,624)		435,921	11,561
South Campus Gateway:						
OSU $35M Line of Credit	1,846,644	2,863,993			4,710,637	
UDCDE Note A	23,013,537		(198,131)		22,815,406	212,150
UDCDE Note B	10,376,491				10,376,491	
ESIC $12M Loan	12,000,000		(366,667)		11,633,333	400,000
Total debt	$55,729,372	$6,495,759	$(573,422)	$ -	$61,651,709	$9,209,962

Loan activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Principal Additions	Repayments	Transfers	Ending Balance	Current Portion
Campus Partners:						
City of Columbus Loan	$ -	$ 125,000	$ -	$ -	$ 125,000	$ -
RE III $5M Line of Credit	5,111,195	312,803			5,423,998	
OSU 2005 MOU — Sun Longs	1,877,852	95,668			1,973,520	
OSU 2005 MOU — RE II	923,152	47,030			970,182	
South Campus Gateway:						
OSU $35M Line of Credit		5,518,754		(3,672,110)	1,846,644	
UDCDE Note A	23,076,919		(63,382)		23,013,537	200,486
UDCDE Note B	10,376,491				10,376,491	
ESIC $12M Loan	12,000,000				12,000,000	
Total debt	$53,365,609	$6,099,255	$(63,382)	$(3,672,110)	$55,729,372	$200,486

During the fiscal year ended June 30, 2007, Campus Partners entered into a $125,000 loan agreement with the City to perform due diligence for the CCF site project. The loan bears an interest rate of 0% and expires in August of 2016. Repayment is conditioned upon Campus Partners' acquiring and developing the site in a manner that will provide funds for the repayment of the loan. If such funds are not provided as of the expiration date, Campus Partners will not be obligated to repay the loan. As of June 30, 2008, Campus Partners had completed due diligence but had not acquired the land.

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. The note bears interest at 6% annually and it is capitalized to the loan in quarterly installments. Principal and any remaining unpaid interest are due on or before May 1, 2009. The amount outstanding on this line of credit (including accrued interest) was $5,756,889 and $5,423,997 at June 30, 2008 and 2007, respectively.

On December 21, 2005, Campus Partners entered into an MOU 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. The amount due on this loan was $3.1 million and $2.9 million as of June 30, 2008 and June 30, 2007, respectively.

SCG obtained a $35 million construction line of credit from the University for the purpose of funding 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. This line of credit was reduced to $5 million during fiscal year ended June 30, 2006. 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"). For fiscal year ended June 30, 2008, no assets were transferred to the University. For fiscal 2007, assets transferred to the University in exchange for a reduction on the line of credit totaled $3,672,110. Annual interest charged on the outstanding balance is the average one-month LIBOR rate plus 1.5% (4.81 % and 6.83% at June 30, 2008 and 2007, respectively) and is calculated and paid quarterly. The amount outstanding on this line of credit was $4,710,637 and $1,846,644 at June 30, 2008 and 2007, respectively. During fiscal year 2008, the expiration date was extended to December 20, 2010.

In the fiscal year ended June 30, 2004, the University issued 2003 B and C General Receipt Bond Issues for the purpose of funding a portion of the construction costs associated with the SCG nonretail assets. On January 20, 2004, Campus Partners entered into a MOU with the University to finance a total of $64,691,555, including $55 million of project costs and amortized interest of $9,340,369, plus a pro rata share of the issuance costs of $351,186. Additionally, per the MOU with the University, Campus Partners earned interest at the University rate for any unused portion of the bonds. Interest income from the University in connection with these bonds was $57,472 and $119,038 for fiscal years ended June 30, 2008 and 2007, respectively, with $436,314 and $1,477,164 in accounts receivable in 2008 and 2007, respectively. During fiscal year 2008 and 2007, $1,098,321 and $583,333, respectively, of bond interest receivable was reduced in exchange for ground lease payments to the University.

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. For fiscal year ended June 30, 2008, no assets were transferred to the University in exchange for a reduction on the MOU balance. For the fiscal year ended June 30, 2007, assets transferred to the University in exchange for a reduction on the MOU balance totaled $3,672,110.

During 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 SCG Investment Fund (the "Investor Member"). A portion of the loan proceeds was used to repay a portion of the $35 million construction line of credit from the University. The loans comprise Note A (principal balance of $23,076,919) and Note B (principal balance of $10,376,491) at June 30, 2007. 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 commenced, bearing interest at 7.95% through the loan's maturity on September 22, 2012. Note B has monthly interest-only payments at 0.5% through the maturity date of September 22, 2035, at which time the entire principal balance and any accrued interest will be due. In conjunction with this loan, Campus Partners entered into a put option agreement and a purchase option agreement with the Investor Member and Fifth Third Community Development Corporation ("Fifth Third CDC"). These agreements give the Investor Member the right to require Campus Partners to purchase the interest in UDCDE from the Investor Member for $103,410. The Investor Member and Campus Partners have the right to exercise the option upon the Investor Member's receiving a distribution for $24,762,500 from UDCDE sufficient for the Investor Member to pay its loan from Fifth Third CDC in full. Campus Partners is in compliance with all required financial covenants associated with this loan as of June 30, 2008.

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 in August of 2007 with the remaining $10.4 million balance due in August of 2011. The amount outstanding on the loan was $11,633,333 and $12,000,000 at June 30, 2008 and 2007, respectively. Annual interest charged on the outstanding balance is 0% at June 30, 2008 and 2007. Campus Partners is in compliance with all required financial covenants associated with this loan as of June 30, 2008.

During fiscal 2008, the University Board of Trustees approved an additional allocation of capital for property acquisitions for targeted Campus Partners projects. Funding of this additional capital is contingent upon Campus Partners and the University agreeing upon a Campus Partners five-year business plan and related performance measures. In order to allow Campus Partners to continue acquiring properties prior to the capital funding contingencies being met, Campus Partners and the University entered into a MOU for a $5.7M line of credit. The line of credit may be increased to $10 million if additional acquisition opportunities arise, are consistent with Campus Partners strategic plan and are approved by the Campus Partners' Board of Directors. The line of credit will be repaid with capital funding and is non-interest bearing. As of June 30, 2008, the outstanding balance on the line of credit was $2,704,362.

During fiscal 2008, Campus Partners acquired a 100% interest in a limited liability company, Garland Properties IV, Ltd., whose sole assets are two real estate investment properties located at 28-32 and 36-38 East Fourteenth Avenue. In conjunction with this acquisition, Campus Partners entered into an arrangement whereby the seller of the limited partnership provided Campus Partners with a mortgage loan in the principal amount of $444,546, which matures on September 10, 2013. As of June 30, 2008, the outstanding balance was $435,921 and bearing interest of 5.5% through September 9, 2008. As of September 10, 2008, the interest rate will be adjusted to equal the weekly average on the United States Treasury securities, adjusted to a constant maturity of five years, as published by the Federal Reserve Board in Statistical Release H-15. The interest rate will not be adjusted lower than the initial rate of 5.5% and will not exceed 15%, except upon the occurrence of default.

Repayment amounts due under the various MOUs and loan agreements are as follows:

Years Ending June 30	Future Repayment Schedule Principal	Interest
2009	$ 9,209,962	$ 2,578,887
2010	8,446,297	2,046,550
2011	11,095,306	1,871,884
2012	278,661	1,855,340
2013	21,873,654	519,084
2014–2018	371,338	268,711
2019–2023		263,160
2024–2028		263,304
2029–2033		263,160
2034–2038	10,376,491	118,465
Total	$61,651,709	$10,048,545

6. 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).

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) 222-5601 or (800) 222-7377.

OPERS administers three separate pension plans as described below:

1. The Traditional Pension Plan — a cost-sharing, multiple-employer defined benefit pension plan.

2. The Member-Directed Plan — a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

3. The Combined Plan — a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, and survivor benefits, as well as postretirement health care coverage to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor recipients is available. The health care coverage provided by OPERS meets the definition of 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 Governmental Employers.*

The Ohio Revised Code provides statutory authority for member and employer contributions and requires public employers to fund postretirement health care through their contributions to OPERS. For 2007, member and employer contribution rates were consistent across all three plans. The 2007 member contribution rates were 9.5% for members in state, local, and 9.75% for public safety classifications. In 2007, state employers contributed at a rate of 13.77% of covered payroll. The portion of employer contributions, for all employers, allocated to health care was 5% from January 1 through June 30, 2007 and 6% from July 1 through December 31, 2007. The covered payroll amounts in 2008 and 2007 were $325,672, $405,999, and $414,038, respectively. The portion of Campus Partners' 2008 and 2007 contributions that were used to fund postemployment benefits was $3,139, $2,795, and $2,153, respectively.

The assumptions and calculations below were based on the OPERS's latest Actuarial Review performed as of December 31, 2006. 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, not to exceed a 12% corridor. The investment assumption rate of 2006 was 6.5%. 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 6.3%, depending on age. Health care costs were assumed to increase at the projected wage inflation rate, plus an additional factor ranging from 0.5% to 5% for the next 8 years. In subsequent years (nine and beyond) health care costs were assumed to increase at 4% (projected wage inflation rate).

OPEB are advance-funded on an actuarially determined basis. As of December 31, 2006, the actuarial value of the OPERS's net assets available for OPEB was $12.0 billion. The Traditional Pension and Combined Plans had 374,979 active contributing participants as of December 31, 2007. The number of contributing participants for both plans used in the actuarial valuation as of December 31, 2006, was 362,130. Based on the actuarial cost method used, the actuarial valuation as of December 31, 2006, reported the actuarial accrued liability and the unfunded actuarial liability for OPEB at $30.7 billion and $18.7 billion, respectively.

The Health Care Preservation Plan adopted by the OPERS Retirement Board on September 9, 2004, is effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2008 and 2007, which will allow additional funds to be allocated to the health 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.

7. 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 (the "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, was admitted as an Investor Member.

Throughout Note 7 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 0.2840634% managing member interest in UDCDE. Campus Partners applied for and received a first-round allocation of NMTCs sufficient to support $35 million of *qualified equity investments*. During the period June 19, 2002 (inception) to June 30, 2006, Campus Partners made a suballocation of its NMTC allocation to UDCDE for $35 million.

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, 2008 and 2007, the Investor Member's capital contributions totaled $35,103,410. Of these capital contributions, $35 million 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, 2008 and 2007, Campus Partners' capital contributions totaled $140,841.

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

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

Economic Concentration — At June 30, 2008, UDCDE has loans receivable with SCG totaling $33,191,897 (Note A and Note B in the principal amounts of $22,815,406 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 5.

New Markets Tax Credit — During 2002, Campus Partners was awarded $35 million 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 million. 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 million 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* UDCDE 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, 2008.

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

Years Ending June 30	
2009	$2,100,000
2010	2,100,000
2011	2,100,000
Total	$6,300,000

8. 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.

9. SUBSEQUENT EVENTS

On August 29, 2008, Campus Partners assigned its right to purchase the Columbus Coated Fabrics site from the City to Wagenbrenner Development Company (Wagenbrenner). Wagenbrenner immediately assigned its rights to Weinland Park Development, LLC (Weinland). In exchange for this assignment to Weinland, Campus Partners received an $800,000 note, which will be repaid with tax increment financing proceeds generated from development on the site.

* * * * * *

SUPPLEMENTAL INFORMATION

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

CONSOLIDATING SCHEDULE — STATEMENT OF NET ASSETS INFORMATION AS OF JUNE 30, 2008

	Operating Division	Longs/Sun Division	Real Estate II and III Division	Campus Partners SCG	Total Campus Partners	Gateway Area Revitalize Initiative	South Campus Gateway	The Gateway Theatre	Subtotal	Eliminations	Consolidated Total
ASSETS											
CURRENT ASSETS:											
Cash	$ 80,467	$ 288,453	$ 42,561	$ 384,770	$ 796,251	$3,577	$ 1,189,282	$ 39,666	$ 2,028,776	$ -	$ 2,028,776
Accounts receivable	78	80,319	14,103	105,851	200,351		2,200,509	176,815	2,577,675		2,577,675
Grants receivable	348,006				348,006				348,006		348,006
Notes receivable					-		41,178		41,178		41,178
Other assets	1,348	3,021	3,139	7,760	15,268		2,380	12,983	30,631		30,631
Total current assets	429,899	371,793	59,803	498,381	1,359,876	3,577	3,433,349	229,464	5,026,266	-	5,026,266
CAPITAL ASSETS — Net of accumulated depreciation	25,379	4,007,897	4,780,426	42,819,531	51,633,233			42,408	51,675,641	(893,547)	50,782,094
NOTES RECEIVABLE — Net of current portion							135,000		135,000		135,000
INVESTMENT IN UDCDE	140,841				140,841				140,841		140,841
DEFERRED LOAN AND LEASE COSTS — Net				514,544	514,544		151,068		665,612		665,612
TOTAL	$ 596,119	$4,379,690	$ 4,840,229	$43,832,456	$53,648,494	$3,577	$ 3,719,417	$271,872	$ 57,643,360	$(893,547)	$ 56,749,813
LIABILITIES AND NET ASSETS											
CURRENT LIABILITIES:											
Bank overdraft	$ -	$ -	$ -	$ -	$ -	$ -	$ 112,160	$ -	$ 112,160	$ -	$ 112,160
Current portion of loan payable	2,829,362	11,560	5,756,888		8,597,810		612,152		9,209,962		9,209,962
Accounts payable	11,532	1,208	35,401	115,815	163,956		82,343	25,351	271,650		271,650
Accrued liabilities	267,313	69,428	57,516		394,257		734,364	87,913	1,216,534		1,216,534
Unearned tenant income		14,970		207,504	222,474		81,933	6,722	311,129		311,129
Tenant deposits		31,004	33,944	238,582	303,530		36,809		340,339		340,339
Total current liabilities	3,108,207	128,170	5,883,749	561,901	9,682,027	-	1,659,761	119,986	11,461,774	-	11,461,774
LONG-TERM LIABILITIES											
Ground lease payable				6,217,157	6,217,157				6,217,157		6,217,157
Total long-term liabilities	-	2,498,423	1,019,607	6,217,157	9,735,187	-	48,923,717	-	58,658,904	-	58,658,904
Total liabilities	3,108,207	2,626,593	6,903,356	6,779,058	19,417,214	-	50,583,478	119,986	70,120,678	-	70,120,678
NET (DEFICIT) ASSETS:											
Invested in capital assets — net of related debt	(2,678,983)	1,497,914	(1,996,069)	42,819,531	39,642,393		(49,535,868)	42,408	(9,851,067)	(893,547)	(10,744,614)
Restricted											
Unrestricted	166,895	255,183	(67,058)	(5,766,133)	(5,411,113)	3,577	2,671,807	109,478	(2,626,251)		(2,626,251)
Total net (deficit) assets	(2,512,088)	1,753,097	(2,063,127)	37,053,398	34,231,280	3,577	(46,864,061)	151,886	(12,477,318)	(893,547)	(13,370,865)
TOTAL	$ 596,119	$4,379,690	$ 4,840,229	$43,832,456	$53,648,494	$3,577	$ 3,719,417	$271,872	$ 57,643,360	$(893,547)	$ 56,749,813

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, 2008

	Operating Division	Longs/Sun Division	Real Estate II and III Division	Campus Partners SCG	Total Campus Partners	Gateway Revitalize Initiative	South Campus Gateway	The Gateway Theatre	Subtotal	Eliminations	Consolidated Total
OPERATING REVENUES:											
Rental income	$ -	$ 502,466	$ 252,815	$ 3,404,655	$ 4,159,936	$ -	$ 3,618,247	$ -	$ 7,778,183	$ (300,860)	$ 7,477,323
Lease termination fee income							330,832		330,832		330,832
Recovery of operating expenses				654,677	654,677		1,461,967		2,116,644	(255,694)	1,860,950
Parking income				1,207,760	1,207,760				1,207,760		1,207,760
Other operating income				38,960	38,960		335,164	175,586	549,710		549,710
Ground rent income				1,788,062	1,788,062				1,788,062	(1,788,062)	-
Theater sales — net								672,462	672,462		672,462
Total operating revenues	-	502,466	252,815	7,094,114	7,849,395	-	5,746,210	848,048	14,443,653	(2,344,616)	12,099,037
OPERATING EXPENSES:											
Professional services	198,523	39,530	50,817	76,380	365,250	333	193,445	219,586	778,614		778,614
Salaries and wages	635,542	75		790,847	1,426,464		330,657	460,891	2,218,012		2,218,012
Ground lease expense				4,584,776	4,584,776		1,788,062		6,372,838	(1,788,062)	4,584,776
Real estate taxes		137,702	98,838		236,540		808,397		1,044,937		1,044,937
Depreciation and amortization expense	8,350	125,621	79,608	1,730,918	1,944,497		51,795	21,424	2,017,716		2,017,716
Utilities	8,153	72,561	25,032	602,056	707,802		(31,351)	112,316	788,767		788,767
Cleaning	4,261	19,253	6,945	210,383	240,842		6,100	65,526	312,468		312,468
Security	468	2,103		394,211	396,782		310,112	54	706,948		706,948
CAM charges								255,694	255,694	(255,694)	-
Repairs and maintenance	3,928	51,009	85,899	344,843	485,679		136,919	50,898	673,496		673,496
Rent expense				8,400	8,400			292,460	300,860	(300,860)	-
Public relations	6,196	727	1,850	(5,395)	3,378		212,470	46,215	262,063		262,063
Bad debt expense		14,673	2,565		17,238		344,295	7,950	369,483		369,483
Miscellaneous	11,759	11,795	13,838	38,363	75,755		89,345	71,522	236,622		236,622
Office supplies and expenses	15,689	36		31,576	47,301		9,533	32,175	89,009		89,009
Total operating expenses	892,869	475,085	365,392	8,807,358	10,540,704	333	4,249,779	1,636,711	16,427,527	(2,344,616)	14,082,911
OPERATING (LOSS) INCOME	(892,869)	27,381	(112,577)	(1,713,244)	(2,691,309)	(333)	1,496,431	(788,663)	(1,983,874)	-	(1,983,874)
NONOPERATING (EXPENSES) REVENUES:											
Operating subsidy received from The Ohio State University	650,000				650,000				650,000		650,000
Intercompany operating subsidy	(3,510,025)	(394,217)	3,268,396	(4,414,978)	(5,050,824)	(14,715)	3,408,201	1,657,338	-		
The Ohio State University tenant space expense				(208,711)	(208,711)				(208,711)		(208,711)
Miscellaneous income		3,999	1,549		5,548				5,548		5,548
Impairment and demolition expense			(533,849)		(533,849)				(533,849)		(533,849)
Interest income	14,930	7,140			22,070		81,603		103,673		103,673
Interest expense	(18)	(118,723)	(382,318)		(501,059)		(2,164,257)		(2,665,316)		(2,665,316)
Total nonoperating (expenses) revenues	(2,845,113)	(501,801)	2,353,778	(4,623,689)	(5,616,825)	(14,715)	1,325,547	1,657,338	(2,648,655)	-	(2,648,655)
(DECREASE) INCREASE IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS (DISTRIBUTIONS)	(3,737,982)	(474,420)	2,241,201	(6,336,933)	(8,308,134)	(15,048)	2,821,978	868,675	(4,632,529)	-	(4,632,529)
CAPITAL CONTRIBUTIONS (DISTRIBUTIONS):											
Grant income	816,415				816,415				816,415		816,415
Grant disbursement	(641,968)				(641,968)				(641,968)		(641,968)
Transfer of capital assets				1,532,428	1,532,428		(1,532,428)			-	0
Total capital contributions (distributions)	174,447	-	-	1,532,428	1,706,875	-	(1,532,428)	-	174,447	-	174,447
(DECREASE) INCREASE IN NET ASSETS	(3,563,535)	(474,420)	2,241,201	(4,804,505)	(6,601,259)	(15,048)	1,289,550	868,675	(4,458,082)		(4,458,082)
NET ASSETS (DEFICIT) — Beginning of year	1,051,447	2,227,517	(4,304,328)	41,857,903	40,832,539	18,625	(48,153,611)	(716,789)	(8,019,236)	(893,547)	(8,912,783)
NET (DEFICIT) ASSETS — End of year	##########	##########	##########	###########	###########	$ 3,577	$(46,864,061)	$ 151,886	$(12,477,318)	$ (893,547)	$(13,370,865)

NOTE TO SUPPLEMENTAL CONSOLIDATING SCHEDULES
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

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 years ended June 30, 2008 and 2007, and have issued our report thereon dated October 29, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Campus Partners' internal control over financial reporting. Accordingly, we do not express an opinion of 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 functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 entity's internal control.

Our consideration of the 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 over financial reporting 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 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*.

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

October 29, 2008

Mary Taylor, CPA
Auditor of State

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
DECEMBER 24, 2008