PIQUA IMPROVEMENT CORPORATION
AND SUBSIDIARY
MIAMI COUNTY, OHIO

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010

Dave Yost • Auditor of State

Board of Directors
Piqua Improvement Corporation and Subsidiary
201 West Water Street
Piqua, Ohio 45356

We have reviewed the *Report of Independent Accountants* of the Piqua Improvement Corporation and Subsidiary, Miami County, prepared by Joseph Decosimo and Company, LLC, for the audit period January 1, 2010 through December 31, 2011. 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 Piqua Improvement Corporation and Subsidiary is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

December 11, 2012

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PIQUA IMPROVEMENT CORPORATION AND SUBSIDIARY

CONTENTS

INTERNAL CONTROL AND COMPLIANCE

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DECOSIMO
CERTIFIED PUBLIC ACCOUNTANTS

Joseph Decosimo and Company, LLC
255 East Fifth Street
Suite 2200
Cincinnati, Ohio 45202

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors and Stockholders
Piqua Improvement Corporation
Piqua, Ohio

We have audited the consolidated statements of financial position of Piqua Improvement Corporation and subsidiary (a non-profit corporation) as of December 31, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's 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 audits to obtain reasonable assurance about whether the consolidated 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 the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Piqua Improvement Corporation and subsidiary as of December 31, 2011 and 2010, and the changes in their net assets, and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, effective January 1, 2010, the Organization changed its method of accounting for the ownership interest in a limited partnership.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2012, on our consideration of Piqua Improvement Corporation and subsidiary's internal control over financial reporting and on 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 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 audits.

Joseph Decosimo and Company, LLC

Cincinnati, Ohio
September 24, 2012

PIQUA IMPROVEMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	**$ 536,842**	$ 3,278,084
Accounts receivable	**17,879**	27,901
Prepaid expenses	**270**	270
Other assets	**3,604**	18,480
Investment in real estate, net	**18,935,718**	19,530,053
TOTAL ASSETS	**$ 19,494,313**	$ 22,854,788
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	**$ 21,043**	$ 45,915
Accrued interest	**3,595**	3,595
Due to other affiliates	**-**	40,743
Notes payable	**15,674,043**	18,389,149
Total liabilities	**15,698,681**	18,479,402
NET ASSETS		
Unrestricted	**10,242**	11,466
Temporarily restricted	**3,785,390**	4,363,920
Total net assets	**3,795,632**	4,375,386
TOTAL LIABILITIES AND NET ASSETS	**$ 19,494,313**	$ 22,854,788

The accompanying notes are an integral part of the consolidated financial statements.

PIQUA IMPROVEMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Rental income	$ -	$ 254,982	$ 254,982
Other income	-	153,921	153,921
Net assets released from restriction	987,433	(987,433)	-
Total revenues and support	987,433	(578,530)	408,903
EXPENSES			
Program expenses -			
Asset management fee	85,000	-	85,000
Management fee	5,000	-	5,000
Interest expense	91,997	-	91,997
Insurance	29,161	-	29,161
Repairs and maintenance	29,589	-	29,589
Utilities	99,515	-	99,515
Professional fees	22,670	-	22,670
Depreciation expense	594,335	-	594,335
Property taxes	4,270	-	4,270
Miscellaneous	27,120	-	27,120
Total expenses	988,657	-	988,657
CHANGE IN NET ASSETS	(1,224)	(578,530)	(579,754)
NET ASSETS - beginning of year	11,466	4,363,920	4,375,386
NET ASSETS - end of year	$ 10,242	$ 3,785,390	$ 3,795,632

The accompanying notes are an integral part of the consolidated financial statements.

PIQUA IMPROVEMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Rental income	$ -	$ 254,982	$ 254,982
Interest income	-	710	710
Historic tax credits	-	4,345,741	4,345,741
Other income	-	182,684	182,684
Net assets released from restriction	2,530,065	(2,530,065)	-
Total revenues and support	2,530,065	2,254,052	4,784,117
EXPENSES			
Program expenses -			
Asset management fee	85,000	-	85,000
Management fee	5,000	-	5,000
Interest expense	92,945	-	92,945
Insurance	26,159	-	26,159
Repairs and maintenance	22,186	-	22,186
Utilities	121,294	-	121,294
Professional fees	38,643	-	38,643
Depreciation expense	593,579	-	593,579
Property taxes	4,200	-	4,200
Charitable contributions	360,000	-	360,000
Income tax	1,162,016	-	1,162,016
Miscellaneous	26,770	-	26,770
Total expenses	2,537,792	-	2,537,792
CHANGE IN NET ASSETS	(7,727)	2,254,052	2,246,325
NET ASSETS - beginning of year, as restated (Note 2)	19,193	2,109,868	2,129,061
NET ASSETS - end of year	$ 11,466	$ 4,363,920	$ 4,375,386

The accompanying notes are an integral part of the consolidated financial statements.

PIQUA IMPROVEMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2011 and 2010

	2011	2010
OPERATING ACTIVITIES		
Change in net assets	$ (579,754)	$ 2,246,325
Adjustments to reconcile change in net assets to net cash flows from operating activities -		
Depreciation	594,335	593,579
Changes in operating assets and liabilities -		
Accounts receivable	10,022	31,776
Other assets	14,876	3,053
Accounts payable and accrued expenses	(24,872)	314
Accrued interest	-	(25,471)
Net cash flows from operating activities	14,607	2,849,576
INVESTING ACTIVITIES		
Investment in real estate	-	(64,522)
FINANCING ACTIVITIES		
Repayments of notes payable	(2,715,106)	-
Repayments to affiliates, net	(40,743)	(334,115)
Net cash flows from financing activities	(2,755,849)	(334,115)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,741,242)	2,450,939
CASH AND CASH EQUIVALENTS - beginning of year	3,278,084	827,145
CASH AND CASH EQUIVALENTS - end of year	$ 536,842	$ 3,278,084
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 91,997	$ 90,610
Cash paid during the year for income taxes	$ -	$ 1,177,000

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and practices followed by the Organization are as follows:

ORGANIZATION DESCRIPTION - Piqua Improvement Corporation, through its wholly-owned subsidiary, Fort Piqua Redevelopment Corporation (collectively, the Organization), is incorporated as a not-for-profit corporation under the laws of the State of Ohio for the purpose of furthering economic development in the City of Piqua. The Organization’s mission is to promote and encourage economic and civic welfare for the purpose of advancing the quality of life of the citizens of Piqua, Ohio. This is accomplished by attracting new and retaining/expanding existing businesses, working through a private/public cooperative, addressing quality of life issues within the community, and maintaining consistent communication with its stockholders.

Piqua Improvement Corporation owns 100% of the assets and capital stock of the Fort Piqua Redevelopment Corporation (the Corporation) which, in turn, owns 51% of the assets and equity of The City of Piqua Downtown Redevelopment Project, L.P. (the Landlord and Partnership).

Fort Piqua Redevelopment Corporation was organized on November 9, 2006, as a corporation under the laws of the State of Ohio. The Corporation was formed to invest in The City of Piqua Downtown Redevelopment Project, L.P. (the Landlord and Partnership) and finance the renovation of the Fort Piqua Hotel (the Project) through its investment. The sole stockholder of the Corporation is Piqua Improvement Corporation. The Landlord and Partnership was formed on February 24, 2005, under the laws of the State of Ohio. The general partner of the Landlord and Partnership is the Corporation and the limited partner, Fort Piqua Hotel Master Tenant, LLC (the Master Tenant), was formed on November 9, 2006, under the laws of the State of Ohio, and is wholly owned by Consortium America VIII, LLC (CA VIII).

The Corporation’s principal business objective is to provide investment capital to the Landlord to be used to renovate the Project. Therefore, the Corporation’s principal business consists of investing as a general partner in the Landlord.

The entities were formed to rehabilitate and operate the Project located in Piqua, Ohio. The property includes approximately 60,000 square feet of commercial space for lease to the Flesh Public Library (the Library), 8,693 square feet of commercial space for lease to the City of Piqua (the City and Lender) as a banquet facility, and 11,304 square feet to lease to the City as retail and commercial space (collectively, the Property). The Project is owned by the Landlord and is fully leased to the Master Tenant. The building is a certified historic structure that is eligible for investment tax credits for qualifying rehabilitation expenditures pursuant to Section 47 of the Internal Revenue Code (IRC). The Partnership is a Qualified Active Low-Income Community Business (QALICB) in accordance with the terms under the New Markets Tax Credit (NMTC) program, pursuant to Section 45D of the IRC. The Partnership is required to comply with various rules and regulations and failure to comply with these or other requirements could result in the recapture of NMTC already taken by the investor member of CA VIII. In accordance with the partnership agreement of the Landlord, profits, losses and cash flows (subject to certain allocations) are allocated 51% to the Corporation and 49% to CA VIII.

PRINCIPLES OF CONSOLIDATION - The consolidated financial statements include the accounts of Piqua Improvement Corporation and its wholly-owned subsidiary, Fort Piqua Redevelopment Corporation. All significant intercompany balances and transactions have been eliminated in consolidation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

BASIS OF ACCOUNTING - The Organization follows the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. The measurement focus is on determination of change in net assets, financial position and cash flows.

FINANCIAL STATEMENT PRESENTATION - The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. Under this guidance, the Organization reports information regarding its consolidated financial position and activities according to three classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to stipulations and may be utilized at the discretion of the Board of Directors and stockholders to support the Organization's purposes and operations.

Temporarily restricted net assets - Net assets subject to stipulations that will be met either by actions of the Organization satisfying the purpose or the passage of time.

Permanently restricted net assets - Net assets for which there is a stipulation that the principal be maintained in perpetuity and that only the income from the investment thereof be expended either for the general purpose of the Organization or for a specific purpose. The Organization had no permanently restricted net assets for the years ended December 31, 2011 or 2010.

CASH AND CASH EQUIVALENTS - The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization maintains at various financial institutions cash and cash equivalent accounts that may exceed federally insured amounts and which may at times significantly exceed consolidated statements of financial position amounts due to outstanding checks.

ACCOUNTS RECEIVABLE AND BAD DEBTS - Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based on a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effects of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

INVESTMENT IN REAL ESTATE - The investment in real estate is carried at cost, and includes all direct costs of acquisition and construction as well as interest incurred during the rehabilitation period. Depreciation is provided for in amounts sufficient to relate the costs of depreciable assets to operations over their estimated service lives. Useful lives are estimated as follows:

Building and improvements	39 years
Furniture, fixtures and equipment	5 - 10 years

IMPAIRMENT OF LONG-LIVED ASSETS - In accordance with current accounting guidance, the Organization reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the years ended December 31, 2011 and 2010.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

REVENUES - The Organization is funded primarily by pledges from local businesses and contributions from the City of Piqua. The Organization also receives rental income and other revenues, including bank interest on assets.

RENTAL INCOME AND DEFERRED RENT - Rental income is recognized over the lease terms as it becomes receivable according to the provisions of the respective leases. However, if the rents due vary from a straight-line basis, future rents including scheduled and specific rent increases and/or rent concessions are recognized on a straight line basis over the lease terms.

CONTRIBUTED SERVICES - The Organization receives management and financial services from the City of Piqua. The value of these services is considered immaterial and is not recognized in the consolidated financial statements.

INCOME TAXES - The Organization is exempt from federal and state income taxes under the provisions of the Internal Revenue Code.

Fort Piqua Redevelopment Corporation, the wholly-owned subsidiary, is identified as a taxable C-corporation for federal and state income taxes under the provisions of the Internal Revenue Code.

FUNCTIONAL ALLOCATION OF EXPENSES - The costs of providing various programs and other activities has been summarized on a functional basis. Accordingly, 100% of these costs have been allocated to program services based upon the actual direct expenditures of these related activities.

ESTIMATES AND UNCERTAINTIES - The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

SUBSEQUENT EVENTS - The Organization has evaluated subsequent events for potential recognition and disclosure through September 24, 2012, the date the consolidated financial statements were available to be issued.

NOTE 2 - RESTATEMENT OF PRIOR YEAR NET ASSETS

The Organization changed its method of accounting for an investment in a limited partnership. In prior periods, this investment was accounted for using the equity method. Effective January 1, 2010, the investment in the limited partnership has been consolidated. The following is the effect and is a restatement of the prior net assets and related carrying values of the statement of financial position consolidating the ownership interest:

	Balance as of January 1, 2010, as previously reported	Adjustment - change in accounting method	Balance as of January 1, 2010, as restated
ASSETS			
Cash and cash equivalents	$ 15,976	$ 811,169	$ 827,145
Accounts receivable	-	59,677	59,677
Prepaid expenses	270	-	270
Investment in limited partnership	1,843,174	(1,843,174)	-
Notes receivable	2,275,000	(2,275,000)	-
Other assets	-	21,533	21,533
Investment in real estate, net	-	20,059,110	20,059,110
TOTAL ASSETS	$ 4,134,420	$ 16,833,315	$ 20,967,735
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued expenses	$ 22,723	$ 22,878	$ 45,601
Accrued interest	25,471	3,595	29,066
Due to affiliate	-	374,858	374,858
Notes payable	4,008,303	14,380,846	18,389,149
Total liabilities	4,056,497	14,782,177	18,838,674
NET ASSETS			
Unrestricted	19,193	-	19,193
Temporarily restricted	58,730	2,051,138	2,109,868
Total net assets	77,923	2,051,138	2,129,061
TOTAL LIABILITIES AND NET ASSETS	$ 4,134,420	$ 16,833,315	$ 20,967,735

NOTE 3 - INVESTMENT IN REAL ESTATE

The investment in real estate as of December 31, 2011 and 2010, consists of the following :

	2011	2010
Buildings and improvements	$ 20,166,572	$ 20,166,572
Furniture and fixtures	540,856	540,856
Land	62,400	62,400
	20,769,828	20,769,828
Accumulated depreciation	(1,834,110)	(1,239,775)
Net investment in real estate	$ 18,935,718	$ 19,530,053

NOTE 4 - NOTES PAYABLE

Consortium America VIII, LLC
The Organization executed a mortgage payable with CA VIII on December 11, 2006, in the amount of $14,380,846. The note bears interest at the rate of 0.50% per annum. The note is secured by a mortgage on real property and an assignment of rents and leases, as defined in the loan agreement. Semiannual payments of interest only are due on June 12th and December 12th of each year through maturity on December 10, 2036, at which time all unpaid principal and accrued interest shall be due. Accrued interest payable on the note was $3,595 as of December 31, 2011 and 2010.

The City of Piqua
The Organization executed a note payable with The City of Piqua (Lender) on December 29, 2008, in the original amount of $1,800,000. The note bears interest at the rate of 0.5% per annum and is secured by collateral as defined in the loan agreement. Payments of principal and interest are due until the outstanding principal balance is demanded by the Lender. The outstanding principal balance on the note was $0 and $1,800,000 as of December 31, 2011 and 2010, respectively.

The Organization executed a second note payable with the Lender on October 16, 2007, in the amount of $1,733,303. The note bears interest at the rate of 0.5% per annum and is secured by collateral as defined in the loan agreement. Payments of principal and interest are due until the outstanding principal balance is demanded by the Lender. The outstanding principal balance on the note was $1,293,197 and $1,733,303 as of December 31, 2011 and 2010, respectively.

The Organization executed a third note payable with the Lender on September 1, 2009, in the original amount of $960,000. The note bears interest at the rate of 0.5% per annum and is secured by collateral as defined in the loan agreement. Payments of principal and interest are due until the outstanding principal balance is demanded by the Lender. The outstanding principal balance on the note was $0 and $475,000 as of December 31, 2011 and 2010, respectively.

Accrued interest payable on the notes totaled $3,595 as of December 31, 2011 and 2010.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2011 and 2010, were available for the following purposes or periods:

	2011	2010
For the purpose of rehabilitating and operating the Old Fort Piqua Hotel	**$ 3,785,390**	$ 4,363,920

NOTE 6 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose as follows:

	2011	2010
For the purpose of rehabilitating and operating the Old Fort Piqua Hotel	**$ 987,433**	$ 2,530,065

NOTE 7 - CHARITABLE CONTRIBUTIONS

The Organization made a charitable contribution in the amount of $0 and $360,000 to the City of Piqua for the years ended December 31, 2011 and 2010, respectively.

NOTE 8 - HISTORIC TAX CREDIT INCOME AND FEDERAL INCOME TAX

The Organization received $0 and $4,345,741 in State of Ohio historic tax credits during the years ended December 31, 2011 and 2010, respectively. The Organization paid the associated federal estimated income tax in the amount of $0 and $1,177,000 for the years ended December 31, 2011 and 2010, respectively, of which $0 and $14,984 are prepaid as of December 31, 2011 and 2010, respectively, and are included in other assets.

NOTE 9 - INCOME TAXES

The Organization estimated operating loss carryforwards of $360,016 as of December 31, 2010, which was used to offset taxable income for the year then ended. The Organization had a taxable loss of $310,629, for the year ended December 31, 2011, which generated a current year deferred tax asset of $105,614. Management does not believe that the Organization will have taxable income in the future to offset against the deferred tax assets and, therefore, the deferred tax asset has been valued at $0 as of December 31, 2011.

As disclosed in Note 8, the Organization recognized a provision for income tax in the amount of $0 and $1,162,016 for the years ended December 31, 2011 and 2010, respectively.

NOTE 10 - MASTER LEASE

The Organization entered into the Master Lease with the Landlord to lease the Property through December 11, 2025. For reporting purposes, rental income and expense have been eliminated in the consolidated statements of activities. Future minimum payments under the Master Lease are as follows:

Years ending	
December 31, 2012	$ 175,000
December 31, 2013	175,000
December 31, 2014	175,000
December 31, 2015	175,000
December 31, 2016	175,000
Thereafter	1,575,000
	$ 2,450,000

NOTE 11 - SUBLEASES

The Organization executed noncancelable commercial leases with the City and the Library to rent and occupy space in the Property. The leases expire on various dates through October 20, 2027.

A schedule of future minimum rental income from the noncancelable leases for the years subsequent to December 31, 2011, are as follows:

Years ending	
December 31, 2012	$ 254,982
December 31, 2013	254,982
December 31, 2014	254,982
December 31, 2015	254,982
December 31, 2016	254,982
Thereafter	2,553,588
	$ 3,828,498

NOTE 12 - RELATED PARTY TRANSACTIONS

The Executive Director of the Organization is the Economic Development Director and full-time employee of the City of Piqua. The Organization's Treasurer is the Finance Director for the City of Piqua. A value for the contributions of their time has not been recognized since it has been determined that they devote an immaterial number of hours to the Organization.

Asset Management Fee - The Organization, in accordance with the partnership agreement of the Landlord, earns an annual asset management fee in the amount of $85,000 for its services in managing the Landlord’s investments and other administrative matters. Such fees paid and charged to operations totaled $85,000 for both of the years ended December 31, 2011 and 2010.

NOTE 12 - RELATED PARTY TRANSACTIONS - continued

Management Fee - The Organization, in accordance with the operating agreement of the Master Tenant, earns an annual management fee in the amount of $5,000 for the services it provides to the Master Tenant. Such fees paid and charged to operations totaled $5,000 for both of the years ended December 31, 2011 and 2010.

Due to Affiliate - As of December 31, 2011 and 2010, the Organization owes the Lender $0 and $40,743, respectively, in reimbursements for certain tenant improvements made. These amounts are non-interest bearing and are due on demand.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The Organization's historic rehabilitation tax credits passed through to the Master Tenant are contingent on the Master Tenant's ability to maintain compliance with applicable sections (Section 47 and Section 50) of the IRC and the Tax Code of Ohio. The Organization's new markets tax credits are contingent on CA VIII's ability to comply with Section 45D of the IRC. Failure to maintain compliance or to correct noncompliance within a specific time period could result in the recapture of previously taken tax credits plus interest.

INTERNAL CONTROL AND COMPLIANCE

DECOSIMO
CERTIFIED PUBLIC ACCOUNTANTS

Joseph Decosimo and Company, LLC
255 East Fifth Street
Suite 2200
Cincinnati, Ohio 45202

REPORT OF INDEPENDENT ACCOUNTANTS 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
Piqua Improvement Corporation
Piqua, Ohio

We have audited the consolidated financial statements of Piqua Improvement Corporation and subsidiary (a non-profit corporation) (collectively, the Organization) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated September 24, 2012. 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 G*overnment Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting
Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of an entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Organization's 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 audits, 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, stockholders and management of Piqua Development Corporation and subsidiary, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Joseph Decosimo and Company, LLC

Cincinnati, Ohio
September 24, 2012

PIQUA IMPROVEMENT CORPORATION AND SUBSIDIARY

SCHEDULE OF PRIOR AUDIT FINDINGS

Years Ended December 31, 2011 and 2010

No prior audit findings noted.

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PIQUA IMPROVEMENT CORPORATION AND SUBSIDIARY

MIAMI 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 20, 2012