CONSOLIDATED FINANCIAL STATEMENTS

Georgia Advanced Technology Ventures, Inc.
and Subsidiaries
Year Ended June 30, 2008
With Report of Independent Auditors

0807-0963536

Georgia Advanced Technology Ventures, Inc.
and Subsidiaries

Consolidated Financial Statements

Year Ended June 30, 2008

Contents

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Report of Independent Auditors

The Board of Directors and Officers
Georgia Advanced Technology Ventures, Inc. and Subsidiaries

We have audited the accompanying consolidated statement of financial position of Georgia Advanced Technology Ventures, Inc. and Subsidiaries (the Organization) as of June 30, 2008, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Organization's 2007 consolidated financial statements and, in our report dated September 26, 2007, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Organization's internal control over financial reporting. Our audits included 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Georgia Advanced Technology Ventures, Inc. and Subsidiaries as of June 30, 2008, and the consolidated changes in net assets and cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

October 21, 2008

0807-0963536

Georgia Advanced Technology Ventures, Inc.
and Subsidiaries

Consolidated Statements of Financial Position

	June 30	
	2008	**2007**
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,573,271**	$ 1,462,199
Restricted cash	**370,933**	269,336
Accounts receivable	**526,993**	514,799
Unconditional promises to give	**795,443**	808,790
Utility deposit	**12,322**	–
Total current assets	**3,278,962**	3,055,124
Property and equipment:		
Land	**11,428,530**	11,428,530
Buildings	**94,672,442**	94,048,966
Infrastructure	**3,411,274**	3,287,774
Leasehold improvements	**12,986,973**	7,623,225
Furniture and fixtures	**1,047,396**	1,047,396
Work-in-progress	**–**	42,769
	123,546,615	117,478,660
Less accumulated depreciation	**9,269,018**	6,301,816
	114,277,597	111,176,844
Investment in limited liability company, at cost	**957,061**	1,005,000
Total assets	**$ 118,513,620**	$ 115,236,968

	June 30	
	2008	**2007**
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 839,372**	$ 920,597
Deferred revenue	**3,420,567**	3,585,561
Accrued interest payable – current	**28,241**	–
Obligation under line of credit	**1,600,000**	1,600,000
Current portion of long-term notes payable	**78,898**	40,295
Refundable tenant deposits	**641,225**	496,578
Total current liabilities	**6,608,303**	6,643,031
Notes payable, less current portion	**8,624,446**	6,407,057
Accrued interest payable – noncurrent	**1,685,146**	1,288,478
Capital lease obligations	**88,778,336**	83,857,216
Net assets:		
Unrestricted	**10,594,391**	16,143,794
Temporarily restricted	**2,222,998**	897,392
Total net assets	**12,817,389**	17,041,186
Total liabilities and net assets	**$ 118,513,620**	$ 115,236,968

See accompanying notes.

Georgia Advanced Technology Ventures, Inc.
and Subsidiaries

Consolidated Statements of Activities

	Year Ended June 30	
	2008	**2007**
Changes in unrestricted net assets		
Revenues and support:		
Rental income	**$ 12,057,297**	$ 8,919,094
Unrestricted donations	**105,445**	37,268
GATV memberships	**49,209**	50,737
Special events	**–**	53,350
Management services revenue	**278,200**	256,800
Interest	**58,774**	59,014
Other	**33,940**	728,320
Net assets released from restrictions	**126,854**	90,353
Total unrestricted revenues	**12,709,719**	10,194,936
Expenses:		
Program services	**18,179,654**	12,061,687
Management and general	**79,468**	327,880
Total expenses	**18,259,122**	12,389,567
Change in unrestricted net assets	**(5,549,403)**	(2,194,631)
Changes in temporarily restricted net assets		
Contributions	**1,452,460**	125,000
Net assets released from restrictions	**(126,854)**	(90,353)
Increase in temporarily restricted net assets	**1,325,606**	34,647
Change in net assets	**(4,223,797)**	(2,159,984)
Net assets at beginning of year	**17,041,186**	19,201,170
Net assets, end of year	**$ 12,817,389**	$ 17,041,186

See accompanying notes.

Georgia Advanced Technology Ventures, Inc.
and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended June 30 2008	2007
Operating activities		
Change in net assets	**$ (4,223,797)**	$ (2,159,984)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	**2,967,203**	1,892,310
Loss on investment	**47,939**	–
Gain on sale of land	**–**	(703,005)
Changes in operating assets and liabilities:		
Accounts receivable	**(12,194)**	(214,601)
Unconditional promises to give	**13,347**	662,732
Prepaid expenses	**–**	57,985
Utility deposit	**(12,322)**	–
Accounts payable	**(81,225)**	653,765
Subscription payable	**–**	(500,000)
Deferred revenue	**(164,994)**	3,510,041
Accrued interest payable – current	**28,241**	(236,596)
Refundable tenant deposits	**144,647**	163,867
Accrued interest payable – noncurrent	**396,668**	307,092
Net cash (used in) provided by operating activities	**(896,487)**	3,433,606
Investing activities		
Investment in limited liability company	**–**	(5,000)
Proceeds from sale of land	**–**	1,060,615
Purchase of property and equipment	**(6,067,956)**	(32,797,045)
Net cash used in investing activities	**(6,067,956)**	(31,741,430)
Financing activities		
Payment on short-term note	**–**	(2,753,716)
Proceeds from long-term debt	**3,712,975**	1,715,188
Payment on long-term debt	**(1,456,983)**	(1,621,560)
Proceeds from capital lease	**5,001,061**	31,343,677
Payments on capital lease	**(79,941)**	–
Net cash provided by financing activities	**7,177,112**	28,683,589
Net increase in cash and cash equivalents	**212,669**	375,765
Cash and cash equivalents, beginning of year	**1,731,535**	1,355,770
Cash and cash equivalents, end of year	**$ 1,944,204**	$ 1,731,535
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	**$ 7,006,932**	$ 3,535,783

See accompanying notes.

Georgia Advances Technology Ventures, Inc.
and Subsidiaries

Consolidated Statement of Functional Expenses

Year Ended June 30, 2008, with Summarized Financial Information
for the Year Ended June 30, 2007

	Program Services	Management and General	Total 2008	Total 2007
Salaries	**$ 66,792**	**$ –**	**$ 66,792**	$ 46,811
Fringe benefits	**21,208**	**–**	**21,208**	14,380
Total compensation and benefits	**88,000**	**–**	**88,000**	61,191
Bank charges	**–**	**27,221**	**27,221**	31,564
Bad debt	**–**	**657**	**657**	53,012
Insurance	**138,372**	**–**	**138,372**	77,801
Legal, accounting, and consulting	**185,155**	**–**	**185,155**	410,360
Management expenses	**2,559,665**	**40,000**	**2,599,665**	2,159,570
Marketing and sponsorship	**5,000**	**–**	**5,000**	1,753
Office supplies	**–**	**8,290**	**8,290**	6,594
Property repairs and maintenance	**802,008**	**–**	**802,008**	452,780
Registration fees	**–**	**3,300**	**3,300**	1,710
Rent	**2,275,681**	**–**	**2,275,681**	2,108,709
Special events	**33,355**	**–**	**33,355**	48,873
Taxes – property	**603,765**	**–**	**603,765**	152,257
Utilities	**1,009,023**	**–**	**1,009,023**	415,766
Depreciation	**2,967,203**	**–**	**2,967,203**	1,892,310
Interest	**7,365,001**	**–**	**7,365,001**	4,420,878
Other expenses	**147,426**	**–**	**147,426**	94,439
Total expenses	**$ 18,179,654**	**$ 79,468**	**$ 18,259,122**	$ 12,389,567

See accompanying notes.

1. Organization and Summary of Significant Accounting Policies

Georgia Advanced Technology Ventures, Inc. (the Organization) is a Georgia non-profit organization formed as a supporting organization of the Georgia Institute of Technology focused on technology, commercialization, economic development, and relevant real estate development. The Organization provides support for technology transfer and economic activities including Georgia Tech's Advanced Technology Development Center (ATDC) incubator facilities and services to ATDC affiliated companies.

The Organization is the sole member of six limited liability companies: VLP 1, LLC, which holds ownership to property at 575 14th Street; VLP 2, LLC, which holds ownership to properties at 720 14th Street, 673 and 650 Ethel Street, and 1115 Howell Mill Road; VLP 3, LLC, which holds ownership to properties at 395 North Avenue and 380 Northyards Boulevard; Technology Enterprise Park 1, LLC, which master leases property at 387 Technology Circle; Technology Enterprise Park 2, LLC, formed to lease a new building to be constructed at 375 Technology Circle; and Georgia Tech Innovation Fund, LLC, which provides seed funding for start-up companies that further the mission of the Organization.

Basis of Accounting

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

Basis of Consolidation

The consolidated financial statements include the accounts of Georgia Advanced Technology Ventures, Inc., and its wholly owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

1. Organization and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

It is the Organization's policy to capitalize at cost personal property additions in excess of $30,000. Lesser amounts are expensed. Real property and leasehold improvements are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Deferred Revenue

Rental payments received from lessees in advance of the periods to which they pertain are deferred and recognized over the periods to which the rental payments relate.

Revenue Recognition

The Organization has adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets, if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities as net assets released from restrictions.

1. Organization and Summary of Significant Accounting Policies (continued)

Unconditional promises to give are recognized as receivables and as revenues in the period in which the Organization is notified by the donor of his or her commitment to make a contribution. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and in the Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is a not-for-profit corporation and is exempt from income taxes under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, no income taxes are reflected in the accompanying financial statements.

Estimates and Assumptions

The Organization uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Reclassifications

Certain amounts as previously reported have been reclassified in order to be consistent with the current year presentation.

2. Concentrations

The financial instruments which potentially subject the Organization to concentrations of credit risk are cash and cash equivalents. The Organization has cash deposits in a financial institution in excess of the $100,000 limit federally insured by the Federal Deposit Insurance Corporation. The excess amount totals $1,088,953 at June 30, 2008. Cash equivalents are held in an investment institution and are not federally insured. The amount of this uninsured investment is $755,251 at June 30, 2008.

The Organization receives significant resources from Georgia Institute of Technology and related organizations. An interruption of this support could cause substantial doubt in the Organization's ability to continue as an independent entity.

3. Cash Restricted for Predevelopment Expenses

During the year ended June 30, 2004, the Organization received $500,000 from Georgia Tech Foundation Funding Corporation, to be used for development and operations of real property. At June 30, 2008 and 2007, the unexpended balance of $538 and $127,392, respectively, was included in temporarily restricted net assets.

4. Unconditional Promises to Give

At June 30, 2006, the Organization received a commitment from The University Financing Foundation (TUFF) for $1,500,000. This commitment will be paid in $50,000 increments over a 30-year period to begin in fiscal period 2007. This commitment has been recorded at present value, using a discount rate of 4.83%, which represents the risk-free rate of return at the date of the pledge.

The consolidated financial statements do not include conditional pledges, expectancies and bequests, which have not been recognized as revenue pursuant to SFAS No. 116. These undiscounted amounts totaled $100,000 and $150,000 at June 30, 2008 and 2007, respectively.

5. Investment in Limited Liability Company

During the year ended June 30, 2005, the Organization entered an agreement to purchase a limited liability membership interest in Georgia Venture Partners, LLC (the LLC), a seed capital fund established to make seed and early-stage investments in life sciences enterprises related to Georgia. Other limited liability members include Emory University, The University of Georgia, and The University Financing Foundation, Inc. The Organization agreed to contribute capital of $1,000,000 in exchange for its membership interest. The subscription agreement was finalized during the year ended June 30, 2005. During the year ended June 30, 2008, the Organization recorded a loss on this investment of $47,939. This loss is recorded in other expense on the Consolidated Statements of Activities.

6. Line of Credit

The Organization has a line of credit arrangement with TUFF, with a limit of $1,900,000. Interest at prime plus 2% is payable each December 31; however, the Organization currently chooses to make interest payments on a quarterly basis. Principal is payable within 30 days of demand by TUFF. No collateral is specified, but the Organization is required to obtain the consent of TUFF before granting a security interest in its general assets to any other entity. At June 30, 2008 and 2007, advances under this line of credit total $1,600,000. Interest expense of $28,241 and $0 is accrued in association with this liability at June 30, 2008 and 2007, respectively.

7. Long-Term Notes Payable

	June 30	
	2008	**2007**
Loan from TUFF; monthly payments of $4,164 through October 2015; interest at 6.00%; unsecured	**$ 295,841**	$ 327,032
Loan from TUFF; interest at 7.53%; monthly payments; principal matures October 2033; secured by Technology Enterprise Park land	**886,377**	–
Loan from TUFF; interest at 7.53%; payments due on the 1st for 120 months beginning with the first month following the last draw; secured by Technology Enterprise Park land	**1,409,909**	–
Loan from TUFF; interest at 6.55%; monthly payments; principal matures October 2033; secured by Technology Enterprise Park land	**6,111,217**	6,120,320
Less current portion	**78,898**	40,295
	$ 8,624,446	$ 6,407,057

8. Capital Lease Obligations

The Organization is party to a lease agreement with TUFF ATDC LLC under which the Organization initially leased space on the first through third floors of the Centergy One Building on Fifth Street in Atlanta. The Organization subleases this space to organizations compatible with its mission. The first through third floor lease extends to August 2033, after which the Organization may purchase the property for a nominal charge.

The Organization was also party to a lease agreement with TUFF GATV45 LLC under which the Organization leased space on the fourth and fifth floors of the Centergy One Building. During September 2005, that lease agreement was terminated and the lease agreement with TUFF ATDC LLC was amended to include the fourth and fifth floors. The Organization subleases that space to organizations compatible with its mission. The fourth and fifth floor lease extends to December 2034, at which time the Organization may purchase the property for a nominal charge. Additionally, the lease agreement with TUFF ATDC LLC provides that the Organization may purchase the property during the lease term at an amount determined by a formula accounting for interest rates and the total previous payments made.

The properties under the above capital leases are recorded as assets in the accompanying financial statements at the value of certain pre-occupancy payments plus the present value of the future minimum lease payments. The obligations under the capital lease have been recorded at the present value of future minimum lease payments, discounted at an interest rate appropriate to the Organization's estimated borrowing rate at the time of lease inception. Those interest rates are 6.25% for floors one through three and 7.75% for floors four and five. Interest expense on the discounted capital leases of $1,526,399 and $1,288,478 is accrued at June 30, 2008 and 2007, respectively.

At June 30, 2008 and 2007, the cost of properties under these capital leases total $56,622,871 and are included in the buildings account. Related accumulated depreciation at June 30, 2008 and 2007 is $6,378,731 and $4,926,862, respectively. Related depreciation expense for the years ended June 30, 2008 and 2007, is $1,451,860.

8. Capital Lease Obligations (continued)

The Organization is a party to a lease agreement with TUFF TEPB LLC under which the Organization leases a building at Technology Enterprise Park. The Organization subleases space in the building to organizations compatible with its mission. This lease commenced June 30, 2007, and extends to June 30, 2037, at which time the Organization may purchase the property for a nominal charge. Additionally, the Organization may purchase the property during the lease term at an amount determined by a formula accounting for interest rates and the total previous payments made.

The property under the above capital lease is recorded as building, infrastructure, and leasehold improvement assets in the accompanying financial statements. The obligations under the capital lease have been recorded at the value of the contractor's cost of construction plus capitalized interest during the construction period. The effective overall average interest rate on the purchase, given an escalating lease payment schedule over the life of the agreement, is 8.224%. Interest expense on the discounted capital lease of $66,952 and $0 is accrued at June 30, 2008 and 2007, respectively.

At June 30, 2008 and 2007, the cost of property under the above capital lease totals $41,730,614 and $34,225,270, respectively, and is included in the buildings, infrastructure, leasehold improvements, and land accounts. Related accumulated depreciation at June 30, 2008 and 2007, is $1,074,775 and $0, respectively. Related depreciation expense for the years ended June 30, 2008 and 2007, is $1,074,775 and $0, respectively.

Future minimum lease payments under the capital leases, and the net present value of future minimum lease payments, are as follows at June 30, 2008:

Year ended June 30,	
2009	$ 6,811,817
2010	6,958,532
2011	7,103,045
2012	7,251,075
2013	7,398,582
Thereafter	185,019,681
	220,542,732
Less amounts representing interest	(131,764,396)
Present value of future minimum lease payments	$ 88,778,336

9. Temporarily Restricted Net Assets

Temporarily restricted net assets contain donor-imposed restrictions that permit the Organization to use or expend the donated assets as specified and are satisfied either by the passage of time or by actions of the Organization.

10. Operating Lease Obligations

During the year ended June 30, 2006, the Organization, as lessee, entered into two operating lease agreements with Centergy One Associates, LLC, for space on the seventh and eighth floors of the Centergy One Building on Fifth Street in Atlanta. Each lease has a term of five years, after which possession of the space reverts to Centergy One Associates, LLC.

During the year ended June 30, 2007, the Organization, as lessee, entered into another operating lease agreement with Centergy One Associates, LLC, for space on the sixth floor of the Centergy One Building on Fifth Street in Atlanta. The lease has a term of five years, after which possession of the space reverts to Centergy One Associates, LLC.

Future minimum lease payments under the operating leases are as follows at June 30, 2008:

Year ended June 30,	
2009	$ 707,284
2010	724,966
2011	645,525
2012	75,604
2013	–
	$ 2,153,379

11. Rental Income

The Organization's rental income is generated primarily by leasing facilities to tenants under various cancelable leases and subleases. Rental income from all sources is $12,057,297 and $8,919,094 for the years ended June 30, 2008 and 2007, respectively. Many of the leases provide tenants the option to terminate these leases at anytime by giving the Organization 30 days written notice.

12. Management Services Revenue

The Organization provides management services to organizations that support GIT's technology transfer and economic development mission and its ATDC incubator program. Services include management of the facilities used by the technology start-up companies participating in the ATDC program. GIT contributes the use of these facilities, estimated at a fair rental value of $278,200 and $256,800 for the years ended June 30, 2008 and 2007, respectively. These amounts are included in management services revenue and program services expense in the accompanying Consolidated Statements of Activities.

The Organization, under various agreements, reimburses ATDC and GIT for administrative services received, including the estimated value of employees' time performing services for the Organization. These reimbursements are included as management and general service expenses in the accompanying Consolidated Statements of Activities.

13. Commitments and Contingencies

To guarantee performance under the capital lease described in Note 8, the Organization is required to maintain a letter of credit payable to the Landlord with a face amount of $4,800,000. Borrowings under the letter of credit bear interest at the rate of prime plus 2%. The letter of credit is collateralized by a limited guaranty equal to its face amount by Georgia Tech Foundation, Inc. The letter of credit expires June 10, 2009. There were no outstanding draws against the letter of credit at June 30, 2008 and 2007.

The Georgia Environmental Protection Division issued Notices of Deficiencies with respect to Compliance Status Reports submitted for the 1115 Howell Mill Road and 673 Ethel Street properties owned by the Organization. The Organization has hired an independent environmental consulting firm to determine the extent of the potential liability that exists. As of September 9, 2008 the amount of the potential liability was estimated to be between $183,000 and $483,000. The Organization has reflected $183,000 in the Consolidated Statement of Financial Position at June 30, 2008.

14. Payments to Affiliates

During the year ended June 30, 2008, the Organization remitted payments, or accrued liabilities for balances due, to GIT in the amount of $217,773, including $88,000 for reimbursed salaries and fringe benefits, $5,734 for parking expenses and $124,039 for furniture purchases.

15. Sale of 575 14th Street

On April 12, 2007, the Organization entered into a binding agreement for the sale of real property and improvements at 575 14th Street. The agreement provided for an inspection period and a subsequent rezoning period during which the purchaser has the right to terminate the agreement under certain conditions. Subsequent to June 30, 2008, the binding agreement for the sale of real property and improvements at 575 14th Street has been amended to extend the rezoning period to October 31, 2008.

The Organization is a party to a Project Agreement effective as of July 1, 2003, which provides that in the event of the sale of the real property and improvements at 575 14th Street the net proceeds realized by the Organization from such sale in excess of costs incurred in operating the property and completing the sale are to be divided equally between the Organization and a restricted account of the Georgia Tech Foundation, Inc.

16. Subsequent Event

On August 21, 2008, the Organization entered into a promissory note with TUFF for $800,000. This note is unsecured and has a five-year term with principal amounts payable in five installments at the anniversary date. Interest is payable monthly at 8%.

17. Financial Information for 2007

The consolidated financial statements include certain prior-year summarized comparative information in total, but not by functional expense class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s consolidated financial statements for the year ended June 30, 2007, from which the summarized information was derived.