GEORGIA ADVANCED TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

with
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

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, 2010 and 2009, and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses 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. 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 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 consolidated financial position of Georgia Advanced Technology Ventures, Inc. and Subsidiaries as of June 30, 2010 and 2009, and the changes in consolidated net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith + Howard

September 21, 2010

GEORGIA ADVANCED TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

ASSETS

	2010	2009
Cash and Cash Equivalents (Note 2)	$ 1,800,790	$ 1,304,966
Restricted Cash (Note 2)	353,247	333,699
Accounts Receivable, Net	527,051	1,862,505
Other Assets	154,059	51,748
Due From Related Party (Note 13)	4,918,938	-
Unconditional Promises to Give (Note 3)	1,658,964	1,781,452
Property and Equipment, Net (Notes 1, 6 and 7)		
Construction in process (Note 13)	81,062	-
Land	11,428,530	11,428,530
Buildings	91,574,263	91,253,313
Infrastructure	3,824,225	3,824,225
Tenant improvements	20,342,248	20,288,375
Furniture and fixtures	1,047,396	1,047,396
	128,297,724	127,841,839
Less accumulated depreciation	16,028,203	12,194,924
	112,269,521	115,646,915
Lease Commissions, Net of Accumulated Amortization of $1,027,778 and $658,083	2,305,458	2,632,580
Investments in Limited Liability Companies, at Fair Value (Notes 1 and 4)	821,629	1,821,629
Total Assets	$ 124,809,657	$ 125,435,494

LIABILITIES AND NET ASSETS

	2010	2009
Accounts Payable and Accrued Expenses (Note 12)	$ 2,525,829	$ 1,481,142
Subscription Payable (Note 4)	892,179	1,000,000
Deferred Revenue (Note 9)	3,305,326	3,299,556
Accrued Interest Payable (Note 7)	1,929,057	1,970,773
Obligation Under Line of Credit (Note 5)	1,600,000	1,600,000
Long-Term Notes Payable (Note 6)	15,670,935	10,659,949
Refundable Tenant Deposits	638,594	635,724
Capital Lease Obligations (Note 7)	94,211,770	95,086,832
Total Liabilities	120,773,690	115,733,976
Net Assets		
Unrestricted	335,470	6,020,888
Temporarily restricted (Note 8)	3,700,497	3,680,630
Total Net Assets	4,035,967	9,701,518
Total Liabilities and Net Assets	$ 124,809,657	$ 125,435,494

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

GEORGIA ADVANCED TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Changes in unrestricted net assets		
Revenues and support:		
Rental income (Note 10)	$ 14,947,570	$ 13,171,795
Unrestricted donations	35,333	96,933
GATV memberships	77,721	31,010
Interest	4,104	11,807
Other	72,192	10,439
Net assets released from restrictions	15,133	271,693
Total Unrestricted Revenues	15,152,053	13,593,677
Expenses:		
Program services	20,751,641	18,042,675
Management and general	85,830	124,505
Total Expenses	20,837,471	18,167,180
Change in unrestricted net assets	(5,685,418)	(4,573,503)
Changes in temporarily restricted net assets		
Contributions	35,000	1,729,325
Net assets released from restrictions	(15,133)	(271,693)
Increase in temporarily restricted net assets	19,867	1,457,632
Change in net assets	(5,665,551)	(3,115,871)
Net assets, beginning of year	9,701,518	12,817,389
Net assets, end of year	$ 4,035,967	$ 9,701,518

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

GEORGIA ADVANCED TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Cash Flows from Operating Activities:		
Change in net assets	$ (5,665,551)	$ (3,115,871)
Adjustments to reconcile change in net assets to net cash provided (required) by operating activities:		
Depreciation and amortization	4,202,975	3,583,988
Loss on investment	-	160,432
Payment of lease commissions	(42,573)	(865,509)
Contribution of investment in limited liability company	1,000,000	-
Changes in operating assets and liabilities:		
Accounts receivable, net	1,335,454	(1,335,512)
Unconditional promises to give	122,488	(986,009)
Other assets	(102,311)	(39,426)
Accounts payable and accrued expenses	1,044,687	641,770
Subscription payable	(107,821)	-
Deferred revenue	5,770	(121,011)
Accrued interest payable	(41,716)	257,386
Refundable tenant deposits	2,870	(5,501)
Net Cash Provided (Required) by Operating Activities	1,754,272	(1,825,263)
Cash Flows from Investing Activities:		
Investment in limited liability company	-	(25,000)
Purchase of property and equipment	(374,824)	(6,720,377)
Net Cash Required by Investing Activities	(374,824)	(6,745,377)
Cash Flows from Financing Activities:		
Proceeds from notes payable	1,544,070	10,443,005
Payments on notes payable	(1,533,084)	(8,486,400)
Proceeds from capital leases	53,874	6,627,770
Payments on capital leases	(928,936)	(319,274)
Net Cash Provided (Required) by Financing Activities	(864,076)	8,265,101
Net Increase (Decrease) in Cash and Cash Equivalents	515,372	(305,539)
Cash and Cash Equivalents, Beginning of Year	1,638,665	1,944,204
Cash and Cash Equivalents, End of Year	$ 2,154,037	$ 1,638,665
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	$ 7,389,880	$ 7,113,465

Supplemental Schedule of Noncash Financing and Investing Activities

As further described in Note 13, the Organization financed $81,062 of construction in process with a note payable during the year ended June 30, 2010.

As further described in Note 4, the Organization subscribed to purchase an interest in a limited liability company in the amount of $1,000,000 during the year ended June 30, 2009.

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

GEORGIA ADVANCED TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2010 AND 2009

	Program Services	Management and General	Total 2010	Total 2009
Salaries	$ 27,644	$ -	$ 27,644	$ 52,281
Fringe benefits	9,166	-	9,166	17,427
Total Compensation and Benefits	36,810	-	36,810	69,708
Bank charges	-	11,217	11,217	52,411
Bad debt	-	23,985	23,985	17,666
Insurance	122,225	-	122,225	97,674
Legal, accounting, and consulting	1,530,119	-	1,530,119	142,097
Management expenses	1,789,279	50,000	1,839,279	1,911,019
Marketing and sponsorship	40,000	-	40,000	-
Office supplies	-	188	188	8,154
Property repairs and maintenance	830,296	-	830,296	725,241
Registration fees	-	440	440	1,274
Rent	1,914,393	-	1,914,393	2,027,641
Special events	-	-	-	53,152
Taxes - property	512,345	-	512,345	408,628
Utilities	1,320,314	-	1,320,314	1,452,201
Depreciation and amortization	4,202,975	-	4,202,975	3,583,988
Interest	7,348,164	-	7,348,164	7,370,851
Loss on investment	-	-	-	160,432
Contributions	1,000,000	-	1,000,000	-
Other expenses	104,721	-	104,721	85,043
Total Expenses	$ 20,751,641	$ 85,830	$ 20,837,471	$ 18,167,180

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

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Georgia Advanced Technology Ventures, Inc. (GATV) is a Georgia not-for-profit organization formed as a supporting organization of the Georgia Institute of Technology (GIT) 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.

GATV is the sole member of six limited liability companies: VLP 1, LLC, which holds ownership to property at 575 14th Street; VLP2, 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 369 Technology Circle; and GT Innovation Fund, LLC, which provides seed funding for start-up companies that further the mission of GATV.

Basis of Consolidation

The consolidated financial statements include the accounts of GATV and the limited liability companies of which it is a sole member and are collectively referred to hereafter as (the Organization). All material intercompany balances and transactions have been eliminated in consolidation.

Basis of Accounting

The Organization follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB sets accounting principles generally accepted in the United States of America (“GAAP”). In June 2009, the FASB issued FASB ASC 105, Generally Accepted Accounting Principles, which establishes the FASB Accounting Standards Codification as the sole source of authoritative GAAP. Pursuant to the provisions of FASB ASC 105, the Organization no longer references to particular standards of GAAP. The adoption of FASB ASC 105 did not impact the Organization’s consolidated financial position or results of activities.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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. Under GAAP, the Organization is required to report information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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.

Restricted cash relates to funds with donor-imposed restrictions that stipulate the Organization's use of the funds.

Fair Values Measured on Recurring Basis

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs in which little or no market data exists (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Total assets at fair value classified within Level 3 were $821,629 and $1,821,629 as of June 30, 2010 and 2009, respectively, which consists of investments in limited liability companies. The tables below represent fair value measurement hierarchy of the assets at fair value as of June 30:

	2010			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Investments in limited liability companies	$ 821,629	$ -	$ -	$ 821,629

	2009			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Investments in limited liability companies	$ 1,821,629	$ -	$ -	$ 1,821,629

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended June 30:

	2010	**2009**
Beginning balance	$ 1,821,629	$ 957,061
Change in estimated fair value	-	(160,432)
Purchase interests in limited liability companies	-	1,025,000
Contribution of investment in GRA Venture Fund (See Note 4)	(1,000,000)	-
Ending balance	$ 821,629	$ 1,821,629

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 tenant 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.

During 2009, the Organization changed the methodology used to account for depreciation of buildings and tenant improvements and changed the useful lives for buildings, tenant improvements and infrastructure to more closely reflect the estimated economic useful lives of these assets. The useful lives changed from thirty-nine years to fifty years for buildings, from thirty-nine years to the life of the lease for tenant improvements, and from twenty years to twenty-five years for infrastructure. The cumulative, net effect of the change in estimate was an increase of 2009 depreciation expense of approximately $41,000. Depreciation expense for the years ended June 30, 2010 and 2009 was $3,833,280 and $2,951,256, respectively.

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.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions received by the Organization 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 accompanying Consolidated Statement of Activities and Changes in Net Assets as net assets released from restrictions.

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 accompanying Consolidated Statement of Activities and Changes in Net Assets and in the Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

GATV 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 consolidated financial statements. The consolidated subsidiaries are organized as single-member limited liability companies (LLC's) and are not liable for income taxes on their taxable income. Instead, GATV, as the sole-member, is liable for income taxes, if any, on the LLC's taxable income. The Organization's financial statements do not include a provision or liability for income taxes.

The Organization annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Organization takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates and Assumptions

The Organization uses estimates and assumptions in preparing consolidated financial statements in accordance with GAAP. 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.

Subsequent Events

Management has evaluated subsequent events through September 21, 2010, the date which the consolidated financial statements were available to be issued.

NOTE 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 $250,000 limit federally insured by the Federal Deposit Insurance Corporation. The excess amount totals $1,132,885 at June 30, 2010. Cash equivalents are held in an investment institution and are not federally insured. The amount of this uninsured investment is $771,152 at June 30, 2010.

As a result of liquidity issues experienced in the global credit and capital markets, it is at least reasonably possible that changes in risks in the near term could occur which in turn could further materially affect the amounts reported in the accompanying consolidated financial statements.

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

NOTE 3 – 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 a present value of $766,785 and $781,452 at June 30, 2010 and 2009, respectively, using a discount rate of 4.83%, which represents the risk-free rate of return at the date of the pledge.

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE (Continued)

At June 30, 2009, the Organization received a commitment from the GIT to provide $1,000,000 from available funds to make capital contributions associated with the GRA Venture Fund, LLC discussed in Note 4. This commitment will be paid as the GRA Venture Fund, LLC requests capital contributions. During the year ended June 30, 2010, the Organization received $107,821 and reduced the balance of the outstanding commitment to $892,179 at June 30, 2010.

The consolidated financial statements do not include conditional pledges, expectancies and bequests, which have not been recognized as revenue. These undiscounted amounts totaled $75,000 and $100,000 at June 30, 2010 and 2009.

NOTE 4 – INVESTMENTS IN LIMITED LIABILITY COMPANIES

During the year ended June 30, 2005, the Organization entered an agreement to purchase a limited liability membership interest in Georgia Venture Partners, LLC, a seed capital fund established to make seed and early-stage investments in life sciences enterprises related to Georgia. 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, 2009, the Organization recorded a $160,432 loss on this investment in the accompanying Consolidated Statement of Functional Expenses. During the year ended June 30, 2010, no significant gain or loss was incurred.

During the year ended June 30, 2009, the Organization entered into an agreement to purchase a limited liability membership interest in GRA Venture Fund, LLC, a seed capital fund established to help startup businesses incubated in the VentureLab commercialization program of the Georgia Research Alliance. The Organization agreed to contribute capital of $1,000,000 in exchange for its membership interest subject to a provision of the Operating Agreement that limits capital contributions to 20% of a member’s commitment per calendar year. During the year ended June 30, 2010, the Organization entered into an agreement whereby any capital distributions from the GRA Venture Fund, LLC will be paid to the organization that provided the initial funding discussed in Note 3. As such, the Organization relinquished its rights to the investment and future earnings, and contributed its investment in the GRA Venture Fund, LLC during the year ended June 30, 2010.

NOTE 5 – 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% (an effective rate of 5.25% at June 30, 2010) 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, 2010 and 2009, advances outstanding under this line of credit total $1,600,000. Interest expense of $20,943 is accrued in association with this liability at June 30, 2010 and 2009.

NOTE 6 – LONG-TERM NOTES PAYABLE

Long-term notes payable are as follows at June 30:

	2010	2009
Loan from TUFF; interest at 6.00%; monthly payments of $4,164 through October 2015; unsecured	$ 227,567	$ 262,725
Loan from TUFF; interest at 7.53%; monthly payments of $11,833 through July 2018; secured by Technology Enterprise Park land	857,836	932,175
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	3,519,221	2,958,597
Loan from TUFF; interest at 8.00%; principal payments in five annual installments on the anniversary date; unsecured	-	412,951
Loan from TUFF; interest at 6.55%; monthly payments; principal matures October 2033; secured by Technology Enterprise Park land	6,066,311	6,093,501
Loan from Georgia Tech Facilities, Inc (GTFI), a related party (see Note 13); interest at 3.79%; monthly payments of $50,000 through June 2020; secured by 575 14th Street land and building	5,000,000	-
	$ 15,670,935	$ 10,659,949

NOTE 6 – LONG-TERM NOTES PAYABLE

Principal maturities on the notes payable are as follows:

Year ended June 30,	
2011	$ 781,098
2012	907,509
2013	969,266
2014	1,035,414
2015	1,106,303
Thereafter	10,871,345
	$ 15,670,935

NOTE 7 – 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 also 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 consolidated 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 $1,767,751 and $1,690,317 is accrued at June 30, 2010 and 2009, respectively.

At June 30, 2010 and 2009, the cost of properties under these capital leases total $56,622,871. Related accumulated depreciation at June 30, 2010 and 2009 is $7,033,781 and $5,901,324, respectively.

NOTE 7 – 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 assets in the accompanying Consolidated Statement of Financial Position. 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 lease, given an escalating lease payment schedule over the life of the agreement, is 7.129%.

At June 30, 2010 and 2009, the cost of property under the above capital lease totals $45,432,759 and $45,378,885, respectively. Related accumulated depreciation at June 30, 2010 and 2009 is $6,174,537 and $3,991,308, respectively.

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

Year ended June 30,	
2011	$ 7,456,481
2012	7,603,978
2013	7,750,943
2014	7,900,440
2015	8,056,285
Thereafter	170,543,501
	209,311,628
Less amounts representing interest	(115,099,858)
Present value of future minimum lease payments	$ 94,211,770

NOTE 8 – 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.

NOTE 9 – 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.

During the year ended June 30, 2007, the Organization, as lessee, entered into an operating lease agreement with TUFF Bullet LLC for a building at Technology Enterprise Park. The lease has a term of thirty years, after which possession of the space reverts to TUFF Bullet LLC.

During the year ended June 30, 2007, the Organization, as lessor, entered into a Base Lease Agreement with TUFF Bullet LLC for a portion of an existing building at Technology Enterprise Park. The Base Lease Agreement is for a term for 35 years and provided for a Base Rental Payment to the Organization in the amount of $3,462,517. The unamortized portion of the Base Rental Payment is recorded as Deferred Revenue, in the amounts of $3,030,577 and $3,146,028, for the years ending June 30, 2010 and 2009, respectively.

Future minimum lease payments under the operating leases are as follows:

Year ended June 30,	
2011	$ 921,252
2012	382,347
2013	310,280
2014	313,922
2015	317,673
Thereafter	4,871,793
	$ 7,117,267

NOTE 10 – 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 $14,947,570 and $13,171,795 for the years ended June 30, 2010 and 2009, respectively. Many of the leases provide tenants the option to terminate these leases at anytime by giving the Organization 30 days written notice.

NOTE 11 – PAYMENTS TO AFFILIATES

During the year ended June 30, 2010, the Organization remitted payments, or accrued liabilities for balances due, to GIT in the amount of $95,480, including $36,810 for reimbursed salaries and fringe benefits, $8,416 for meeting room rental, and $50,254 for furniture purchases.

During the year ended June 30, 2009, the Organization remitted payments, or accrued liabilities for balances due, to GIT in the amount of $172,585, including $83,519 for reimbursed salaries and fringe benefits, $4,893 for parking expenses and $84,173 for furniture purchases.

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 program service expenses in the accompanying Consolidated Statement of Activities and Changes in Net Assets.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

To guarantee performance under certain capital leases described in Note 7, the Organization is required to maintain a letter of credit payable to TUFF ATDC, LLC 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, 2011. There were no outstanding draws against the letter of credit at June 30, 2010 and 2009.

The Environmental Protection Division of the Georgia Department of Natural Resources issued a Proposed Consent Order in May 2010 with respect to Compliance Status Reports submitted for the 1115 Howell Mill Road property owned by the Organization, including environmental concerns related to the Organization's property at 720 & 0 14th Street and to other properties east of 720 & 0 14th Street which are not owned by the Organization. The Organization has hired an independent environmental attorney and an independent environmental consulting firm to determine the extent of the potential liability that exists. As of June 30, 2009 the amount of the potential liability was estimated to be between $182,000 and $482,000. The Organization has reflected a liability of $182,000 in the accompanying Consolidated Statement of Financial Position at June 30, 2009. During the year ended June 30, 2010, additional analysis was performed and the potential liability was estimated to be between $1,600,000 and $3,100,000. The Organization has reflected a liability of $1,600,000 in the accompanying Consolidated Statement of Financial Position at June 30, 2010.

NOTE 13 – RELATED PARTY TRANSACTIONS

The Organization leases office space to a company controlled by a member of the Organization's Board of Directors. Total lease payments received from the company during 2010 and 2009 were $2,422,368 and $835,239, respectively. The company owed lease payments of $172,626 and $364,575 at June 30, 2010 and 2009, respectively.

During the year ended June 30, 2010, the Organization entered into an agreement to lease the land and building located at 575 14th Street to the Board of Regents of the University System of the State of Georgia for use by GIT. The Organization agreed to provide $5,000,000 of improvements to the building. To fund these improvements, the Organization entered into a $5,000,000 note payable to Georgia Tech Facilities, Inc. (GTFI) (see Note 6). In exchange for the note payable, GTFI agreed to construct the improvements and the Organization has recorded a receivable, named Due From Related Party, from GTFI to reflect the agreement to provide the improvements. The Organization and GTFI share common officers. As of June 30, 2010, GTFI had provided $81,062 of improvements to the property which is included in Construction in Process in the accompanying Consolidated Statement of Financial Position.

NOTE 14 – 575 14TH STREET PROJECT AGREEMENT

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.

NOTE 15 – FINANCIAL INFORMATION FOR 2009

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 GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2009, from which the summarized information was derived.