GEORGIA ADVANCED TECHNOLOGY VENTURES, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
(with report of independent auditors)

YEARS ENDED JUNE 30, 2005 AND 2004
# CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDEPENDENT AUDITORS' REPORT</td>
<td>1</td>
</tr>
<tr>
<td>CONSOLIDATED FINANCIAL STATEMENTS:</td>
<td></td>
</tr>
<tr>
<td>Consolidated Statements of Financial Position</td>
<td>2</td>
</tr>
<tr>
<td>Consolidated Statements of Activities</td>
<td>4</td>
</tr>
<tr>
<td>Consolidated Statements of Cash Flows</td>
<td>5</td>
</tr>
<tr>
<td>Consolidated Statements of Functional Expenses</td>
<td>6</td>
</tr>
<tr>
<td>Notes to Consolidated Financial Statements</td>
<td>7</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of financial position of Georgia Advanced Technology Ventures, Inc., a nonprofit organization, and subsidiaries (the Organization) as of June 30, 2005 and 2004, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended. These 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Georgia Advanced Technology Ventures, Inc., and subsidiaries as of June 30, 2005 and 2004, and the changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

July 29, 2005

6111 Peachtree-Dunwoody Road, Building E, Suite 102, Atlanta, GA 30328
Phone (770) 351-0411 Fax (770) 351-0495 www.twcpage.com
<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CURRENT ASSETS:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,371,032</td>
<td>$643,435</td>
</tr>
<tr>
<td>Accounts receivable- rents</td>
<td>13,345</td>
<td>165,216</td>
</tr>
<tr>
<td>Unconditional promises to</td>
<td>500,000</td>
<td>-0-</td>
</tr>
<tr>
<td>give from affiliates-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>restricted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash restricted for</td>
<td>212,745</td>
<td>412,745</td>
</tr>
<tr>
<td>predevelopment expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in limited</td>
<td>1,000,000</td>
<td>-0-</td>
</tr>
<tr>
<td>liability company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL CURRENT ASSETS</td>
<td>3,097,122</td>
<td>1,221,396</td>
</tr>
<tr>
<td>PROPERTY AND EQUIPMENT:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>10,725,522</td>
<td>6,227,281</td>
</tr>
<tr>
<td>Buildings</td>
<td>60,740,013</td>
<td>48,963,272</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>628,626</td>
<td>560,111</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>1,047,396</td>
<td>1,013,327</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>70,139,557</td>
<td>56,763,991</td>
</tr>
<tr>
<td></td>
<td>2,554,452</td>
<td>1,092,484</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>$79,682,227</td>
<td>$56,892,903</td>
</tr>
</tbody>
</table>

(Continued)
<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT LIABILITIES:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$206,455</td>
<td>$202,261</td>
</tr>
<tr>
<td>Subscription payable- limited liability company</td>
<td>500,000</td>
<td>0</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>0</td>
<td>42,975</td>
</tr>
<tr>
<td>Accrued interest payable- current</td>
<td>56,875</td>
<td>13,829</td>
</tr>
<tr>
<td>Line of credit</td>
<td>1,500,000</td>
<td>1,300,000</td>
</tr>
<tr>
<td>Current portion of notes payable</td>
<td>14,374</td>
<td>0</td>
</tr>
<tr>
<td>Refundable tenant deposits</td>
<td>162,028</td>
<td>110,992</td>
</tr>
<tr>
<td>TOTAL CURRENT LIABILITIES</td>
<td>2,439,732</td>
<td>1,670,077</td>
</tr>
<tr>
<td>NOTES PAYABLE; less current portion</td>
<td>6,215,939</td>
<td>0</td>
</tr>
<tr>
<td>ACCRUED INTEREST PAYABLE- NONCURRENT. capital lease obligations</td>
<td>605,641</td>
<td>297,113</td>
</tr>
<tr>
<td>CAPITAL LEASE OBLIGATIONS</td>
<td>49,631,945</td>
<td>33,365,772</td>
</tr>
<tr>
<td>NET ASSETS:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>20,076,225</td>
<td>21,347,196</td>
</tr>
<tr>
<td>Restricted</td>
<td>712,745</td>
<td>212,745</td>
</tr>
<tr>
<td>TOTAL NET ASSETS</td>
<td>20,788,970</td>
<td>21,559,941</td>
</tr>
<tr>
<td>TOTAL LIABILITIES AND NET ASSETS</td>
<td>$79,682,227</td>
<td>$56,892,903</td>
</tr>
</tbody>
</table>

See notes to financial statements.
## CHANGES IN UNRESTRICTED NET ASSETS:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues and support:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental income</td>
<td>$ 5,377,562</td>
<td>$ 2,915,106</td>
</tr>
<tr>
<td>Unrestricted donations</td>
<td>23,142</td>
<td>15,232,451</td>
</tr>
<tr>
<td>GATV Memberships</td>
<td>23,783</td>
<td>-2</td>
</tr>
<tr>
<td>Special events</td>
<td>9,058</td>
<td>17,605</td>
</tr>
<tr>
<td>Management services revenue</td>
<td>1,009,611</td>
<td>1,201,939</td>
</tr>
<tr>
<td>Grants</td>
<td>14,195</td>
<td>157,611</td>
</tr>
<tr>
<td>Interest</td>
<td>19,494</td>
<td>3,741</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>500,000</td>
<td>287,255</td>
</tr>
<tr>
<td>Other</td>
<td>7,079</td>
<td>2,685</td>
</tr>
<tr>
<td>Total unrestricted revenues</td>
<td>6,983,923</td>
<td>19,818,576</td>
</tr>
</tbody>
</table>

| Expenses:            |            |            |
| Program services     | 7,907,976  | 5,650,704  |
| Management and general| 346,919   | 276,780    |
| Total expenses       | 8,254,894  | 5,927,484  |

**(Decrease) increase in unrestricted net assets**

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1,270,971)</td>
<td></td>
<td>13,891,092</td>
</tr>
</tbody>
</table>

## TEMPORARILY RESTRICTED NET ASSETS:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>1,008,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>(500,000)</td>
<td>(287,255)</td>
</tr>
<tr>
<td>Increase in temporarily restricted net assets</td>
<td>500,000</td>
<td>212,745</td>
</tr>
</tbody>
</table>

**(Decrease) Increase in net assets**

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>(770,971)</td>
<td></td>
<td>14,103,837</td>
</tr>
</tbody>
</table>

Net assets, beginning of year

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>21,559,941</td>
<td></td>
<td>7,456,104</td>
</tr>
</tbody>
</table>

Net assets, end of year

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 20,788,970</td>
<td></td>
<td>$ 21,559,941</td>
</tr>
</tbody>
</table>

See notes to financial statements.
### CASH FLOWS FROM OPERATING ACTIVITIES:

<table>
<thead>
<tr>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Decrease) Increase in net assets</td>
<td>$ (770,971)</td>
</tr>
<tr>
<td>Adjustments to reconcile changes in net assets to net cash provided by operating activities:</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,461,968</td>
</tr>
<tr>
<td>Donated property</td>
<td>-0-</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>151,871</td>
</tr>
<tr>
<td>Unconditional promises to give from affiliates- restricted</td>
<td>(500,000)</td>
</tr>
<tr>
<td>Security deposits</td>
<td>-0-</td>
</tr>
<tr>
<td>Other deposits- furniture and fixtures</td>
<td>-0-</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>4,174</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(42,975)</td>
</tr>
<tr>
<td>Refundable tenant deposits</td>
<td>51,036</td>
</tr>
<tr>
<td>Accrued interest payable- current</td>
<td>43,046</td>
</tr>
<tr>
<td>Accrued interest payable- noncurrent</td>
<td>388,528</td>
</tr>
<tr>
<td>Cash restricted for particular purposes</td>
<td>200,000</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td><strong>906,677</strong></td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM INVESTING ACTIVITIES:

<table>
<thead>
<tr>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in limited liability company</td>
<td>(500,000)</td>
</tr>
<tr>
<td>Purchase of property and equipment</td>
<td>(8,015,967)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td><strong>(6,515,967)</strong></td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM FINANCING ACTIVITIES:

<table>
<thead>
<tr>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from long term debt</td>
<td>6,136,887</td>
</tr>
<tr>
<td>Drawings on line of credit</td>
<td>200,000</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td><strong>6,336,887</strong></td>
</tr>
</tbody>
</table>

### NET INCREASE IN CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>NET INCREASE IN CASH AND CASH EQUIVALENTS</td>
<td>727,597</td>
</tr>
</tbody>
</table>

### CASH AND CASH EQUIVALENTS, beginning of year

<table>
<thead>
<tr>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH AND CASH EQUIVALENTS, beginning of year</td>
<td>643,435</td>
</tr>
</tbody>
</table>

### CASH AND CASH EQUIVALENTS, end of year

<table>
<thead>
<tr>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH AND CASH EQUIVALENTS, end of year</td>
<td>$1,371,032</td>
</tr>
</tbody>
</table>

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

- Cash paid during the year for interest: $2,412,254 | $1,628,359

See notes to financial statements.
<table>
<thead>
<tr>
<th>Program Services</th>
<th>Management and General</th>
<th>Total Year Ended June 30, 2005 and 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$22,362</td>
<td>$7,363</td>
</tr>
<tr>
<td>Fringe benefits</td>
<td>5,434</td>
<td>1,787</td>
</tr>
<tr>
<td>Total</td>
<td>27,796</td>
<td>9,140</td>
</tr>
<tr>
<td>Bad debt recovery</td>
<td>0-</td>
<td>0-</td>
</tr>
<tr>
<td>Bank charges</td>
<td>0-</td>
<td>12,117</td>
</tr>
<tr>
<td>Dues and subscriptions</td>
<td>0-</td>
<td>1,323</td>
</tr>
<tr>
<td>Insurance</td>
<td>102,723</td>
<td>254,155</td>
</tr>
<tr>
<td>Legal, accounting, &amp; consulting</td>
<td>0-</td>
<td>927,366</td>
</tr>
<tr>
<td>Management expenses</td>
<td>0-</td>
<td>32,959</td>
</tr>
<tr>
<td>Marketing and sponsorship</td>
<td>0-</td>
<td>161,403</td>
</tr>
<tr>
<td>Non-capitalized equipment</td>
<td>0-</td>
<td>21,744</td>
</tr>
<tr>
<td>Office supplies</td>
<td>518,613</td>
<td>444</td>
</tr>
<tr>
<td>Property maintenance</td>
<td>1,550,219</td>
<td>1,550,219</td>
</tr>
<tr>
<td>Registration fees</td>
<td>67,936</td>
<td>7,500</td>
</tr>
<tr>
<td>Rent</td>
<td>316,448</td>
<td>7,980</td>
</tr>
<tr>
<td>Special events</td>
<td>1,481,968</td>
<td>2,763,828</td>
</tr>
<tr>
<td>Taxes- property</td>
<td>9,232</td>
<td>0-</td>
</tr>
</tbody>
</table>

Total expenses $7,907,976 $346,918 $8,254,894 $5,927,484

See notes to financial statements.
1. Organization and Summary of Significant Accounting Policies:

Georgia Advanced Technology Ventures, Inc. (the Organization), is a Georgia non-profit organization formed to support Georgia Institute of Technology’s technology transfer and economic development mission and its Advanced Technology Development Center (ATDC) incubator program. The Organization provides capital and operating support for technology transfer and economic activities including ATDC incubator facilities and services to ATDC affiliated companies. The Organization is the single member of four Limited Liability Companies: VLP 1, LLC, which holds ownership to property at 555 and 575 1st 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 property at 395 North Avenue; and Technology Enterprise Park 1, LLC, which had no active operations and held no assets during the current period.

Basis of Accounting
The 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 inter-company 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.

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
Advanced rental payments received from lessees is deferred and recognized over the periods to which the rental payments relate.
1. Organization and Summary of Significant Accounting Policies (continued):

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’s 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 Statement of Activities 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 Statement of Activities and in the 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(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 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 reclassifications have been made to prior year amounts to conform to the current year presentation.

2. Concentrations:

The financial instruments which potentially subject the Organization to concentrations of credit risk are cash and short-term 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 $1,304,299 at June 30, 2005. Short-term cash equivalents are held in an investment institution and are not federally insured. The amount of this uninsured investment is $214,189 at June 30, 2005.

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 and Restricted Net Assets:

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. Net assets in the amount of $212,745 remained restricted for this purpose at June 30, 2005 and 2004.
4. Unconditional Promises to Give From Affiliates—Restricted:

At June 30, 2005, the Organization had received a commitment from Georgia Institute of Technology (GIT) to fund the Organization’s remaining $500,000 balance due as a capital contribution to a limited liability company of which the Organization is a member (see Note 5), from funds available to GIT for that purpose.

5. Investment in Limited Liability Company, Subscription Payable—Limited Liability Company, and Restricted Net Assets:

During the period 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 of Georgia Foundation, Inc. Each member owns an equal interest in the LLC. The Organization agreed to contribute capital of $1,000,000 in exchange for its membership interest. The subscription agreement was finalized shortly before the end of the June 30, 2005, period. The investment is reflected as of that date at the full value of the Organization’s capital contribution commitment.

To fulfill this agreement, $500,000 was provided during the period by a contribution from the Wallace H. Coulter Foundation. The remaining $500,000 has been committed by Georgia Institute of Technology. This balance is to be provided during the subsequent period (see Note 4), and is included in the Restricted Net Assets balance at June 30, 2005.

6. Line of Credit:

The Organization has a line of credit arrangement with The University Financing Foundation, Inc. (TUFF), with a limit of $1,900,000. Interest at the Prime Rate plus 2% is payable each December 31, but 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, 2005 and 2004, advances under this line of credit total $1,500,000 and $1,300,000. Interest expense of $50 and $13,829 is accrued in association with this liability at June 30, 2005 and 2004.

7. Long Term Notes Payable:

<table>
<thead>
<tr>
<th>Loan from The University Financing Foundation; 120 monthly installments commencing September 1, 2005: interest at 6%, unsecured</th>
<th>June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>$230,313</td>
<td>$230,313</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loan from The University Financing Foundation; interest varies at LIBOR plus 5.10%; monthly interest-only payments; principal matures September 2009; secured by real property acquired by VLP3 (North Ave.)</th>
<th>June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>$6,000,000</td>
<td>$6,000,000</td>
</tr>
<tr>
<td>6,230,313</td>
<td>6,230,313</td>
</tr>
<tr>
<td>14,374</td>
<td>14,374</td>
</tr>
<tr>
<td>$6,215,939</td>
<td>$6,215,939</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Less current portion</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>
8. Capital Lease Obligations:

The Organization is party to a lease agreement with TUFF ATDC LLC under which the Organization leases 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 lease extends for thirty years, after which the Organization may purchase the property for a nominal charge. The leased space was occupied in August 2003.

The Organization is also party to a lease agreement with TUFF GATV45 LLC under which the Organization leases space on the fourth and fifth floors of the Centergy One Building, which it subleases to organizations compatible with its mission. This lease commenced April 1, 2005, and extends to December 2034, 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 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. These 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 $605,641 and $297,113 is accrued at June 30, 2005 and 2004.

At June 30, 2005 and 2004, properties under these capital leases total $56,622,871 and $40,283,272 and are included in the Buildings account. Related accumulated depreciation at June 30, 2005 and 2004 is $2,023,126 and $903,343. Depreciation expense for the years ended June 30, 2005 and 2004 is $1,119,783 and $903,343.

Future minimum lease payments under the capital leases, and the net present value of future minimum lease payments, are as follows at June 30, 2005:

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>Present Value of Future Minimum Lease Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>$ 3,020,724</td>
</tr>
<tr>
<td>2007</td>
<td>3,112,687</td>
</tr>
<tr>
<td>2008</td>
<td>3,200,365</td>
</tr>
<tr>
<td>2009</td>
<td>3,288,293</td>
</tr>
<tr>
<td>2010</td>
<td>3,383,249</td>
</tr>
<tr>
<td>Thereafter</td>
<td>110,800,335</td>
</tr>
<tr>
<td>Total</td>
<td>126,405,653</td>
</tr>
</tbody>
</table>

Less amounts representing interest
(70,168,067)

Present value of future minimum lease payments $ 50,237,586

9. Rental Income:

The Organization’s rental income is generated primarily by leasing facilities to tenants under various cancelable leases. Rental income from all sources is $5,377,562 and $2,915,106 for the years ended June 30, 2005 and 2004. Many of the leases provide tenants the option to terminate these leases at any time by giving the Organization 30 days written notice.
10. Management Services Revenue:

The Organization provides management services to the Georgia Institute of Technology (GIT) and to ATDC. Services include management of the facilities used by the technology start-up companies participating in the ATDC program. In exchange for these services, the Organization receives the use of facilities from the Georgia Institute of Technology, estimated at a fair rental value of $972,674 and $1,153,089 for the years ended June 30, 2005 and 2004, and the use of ATDC and GIT employees estimated at $36,936 and $48,850 for the years ended June 30, 2005 and 2004, based on the amount of time spent rendering services to the Organization at the employees’ compensation rates. These amounts are included in management services revenue and program services expense in the accompanying Statements of Activities.

11. Contingent Liabilities:

To guarantee performance under the capital lease described in Note 5, the Organization is required to maintain a letter of credit payable to the Landlord with a face amount of $4,800,000. Draws under the letter of credit bear interest at the rate of prime plus 2%. The letter of credit is collateralized by a cash deposit which is equal to the face amount, and is provided by Georgia Tech Foundation, Inc. There are no outstanding draws against the letter of credit at June 30, 2005.

12. Unallocated Payments to Affiliated Organizations:

At the end of the fiscal year, the Organization may remit an unallocated payment to Georgia Institute of Technology (GIT). No unallocated payment was made for the year ended June 30, 2005. In lieu of remitting such a payment for the year ended June 30, 2004, the Organization purchased $365,805 of furniture and fixtures for the Organization’s use which was originally to be supplied by GIT. This transaction is therefore recorded as a capitalized property purchase, and there is no unallocated payment for the period.