GEORGIA TECH FACILITIES, INC.

FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

with

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Georgia Tech Facilities, Inc.

We have audited the accompanying statement of financial position of Georgia Tech Facilities, Inc. (the Organization) as of June 30, 2010 and 2009 and the related statements of activities and changes in net assets (deficit) and cash flows 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 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the financial position of Georgia Tech Facilities, Inc. as of June 30, 2010 and 2009 and the changes in its net assets (deficit) and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith + Howard

September 24, 2010

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GEORGIA TECH FACILITIES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

ASSETS

	2010	2009
Cash and cash equivalents	$ 12,794,667	$ 12,939,444
Restricted cash	27,483,476	7,986,729
Due from related parties (Note 7)	393,600	424,833
Contribution receivable - affiliates (Note 7)	10,566,106	9,138,570
Accounts receivable	53,500	-
Lease payment receivable	3,037,406	5,467,330
Note receivable (Note 7)	5,000,000	-
Non-investment real estate (Note 4)	1,078,381	1,138,381
Bond issuance cost, net	7,728,731	7,879,059
Bond issuance discount, net	15,159	-
Investment in direct financing leases (Note 5)	234,403,196	243,443,274
Prepaid ground lease (Note 5)	5,231,250	5,425,000
Prepaid expense	18,323	72,966
Construction in progress	2,755,864	2,801,878
Total Assets	$ 310,559,659	$ 296,717,464

LIABILITIES AND NET ASSETS (DEFICIT)

	2010	2009
Liabilities:		
Accounts payable	$ 1,321,145	$ 2,685,436
Due to primary government (Note 7)	5,747,938	2,464,631
Contract retainage payable	106,767	192,614
Interest rate swap (Note 3)	-	5,138,353
Accrued bond interest	2,252,700	1,971,026
Lease payable (Note 5)	2,952,417	5,215,534
Accrued bond issuance premium	6,291,358	4,083,368
Bonds payable - current portion (Note 6)	7,825,411	7,083,411
Bonds payable - noncurrent (Note 6)	296,984,357	277,719,768
Deferred revenue	475,744	811,338
Total Liabilities	323,957,837	307,365,479
Net Assets (Deficit)		
Unrestricted net deficit	(23,964,284)	(19,786,585)
Temporarily restricted net assets (Notes 1 and 7)	10,566,106	9,138,570
Total Net Assets (Deficit)	(13,398,178)	(10,648,015)
Total Liabilities and Net Assets	$ 310,559,659	$ 296,717,464

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

GEORGIA TECH FACILITIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
YEARS ENDED JUNE 30, 2010 AND 2009

	Unrestricted	Temporarily Restricted	2010 Total	Summarized Financial Information 2009
Support from affiliates - rent	$ 10,763,134	$ -	$ 10,763,134	$ 9,793,475
Support from affiliates - other	863,755	-	863,755	1,484,972
Interest income	21,652	-	21,652	771,115
Management fees	32,312	-	32,312	117,140
Contribution revenue	-	1,765,000	1,765,000	-
Net assets released from restriction	337,464	(337,464)	-	-
Total Revenue	12,018,317	1,427,536	13,445,853	12,166,702
Program expense:				
Interest	12,625,460	-	12,625,460	11,721,415
Depreciation and amortization	431,717	-	431,717	425,234
Trustee fees	33,375	-	33,375	42,544
Rent - ground lease, electrical substation	193,750	-	193,750	193,750
Insurance and bonding	401,575	-	401,575	311,541
Donation expense	17,546	-	17,546	20,167
Letter of credit/remarketing fees	64,954	-	64,954	430,367
Miscellaneous fees	26,326	-	26,326	51,638
Total Program Expense	13,794,703	-	13,794,703	13,196,656
General and administrative expense:				
Supplies and materials	21,952	-	21,952	34,045
Insurance and bonding	53,528	-	53,528	40,476
Reimbursed administrative costs and salaries - Georgia Tech	141,627	-	141,627	102,010
Professional fees	138,935	-	138,935	438,758
Total General and Administrative Expense	356,042	-	356,042	615,289
Total Expenses	14,150,745	-	14,150,745	13,811,945
Loss on extinguishment of debt	(1,628,623)	-	(1,628,623)	-
Change in value of interest rate swap	(416,648)	-	(416,648)	(2,716,772)
Change in net assets	(4,177,699)	1,427,536	(2,750,163)	(4,362,015)
Net (deficit) assets, beginning of year	(19,786,585)	9,138,570	(10,648,015)	(6,286,000)
Net (deficit) assets, end of year	$ (23,964,284)	$ 10,566,106	$ (13,398,178)	$ (10,648,015)

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

GEORGIA TECH FACILITIES, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Cash Flows from Operating Activities:		
Change in net assets (deficit)	$ (2,750,163)	$ (4,362,015)
Adjustments to reconcile change in net assets (deficit) to net cash provided (required) by operating activities:		
Depreciation and amortization	60,000	60,000
Amortization of bond issuance costs	371,717	365,234
Amortization of bond premium costs	(327,942)	(196,820)
Changes in operating assets and liabilities:		
Investments	-	6,792,497
Accounts receivable	(53,500)	-
Due from related parties	31,233	(424,833)
Contribution receivable - affiliates	(1,427,537)	383,785
Accrued interest receivable	-	30,786
Lease payment receivable	2,429,924	2,429,924
Note receivable	(5,000,000)	-
Investment in direct financing leases	9,040,078	9,915,203
Prepaid ground lease	193,750	193,750
Prepaid expense	54,644	(17,782)
Accrued bond interest	281,674	329,746
Accounts and contract retainage payable	(1,450,138)	(419,253)
Due to primary government	3,283,307	(25,545,944)
Interest rate swap	(5,138,353)	2,716,772
Deferred revenue	(335,594)	(1,050,596)
Net Cash Required by Operating Activities	(736,900)	(8,799,546)
Cash Flows from by Investing Activities:		
Deletions from (additions to) capitalized development costs, net	46,013	(1,383,012)
Net Cash Provided (Required) by Investing Activities	46,013	(1,383,012)
Cash Flows from Financing Activities:		
Payments on lease payable	(2,263,117)	(2,178,819)
Repayments of bonds payable	(7,498,411)	(5,724,854)
Proceeds from bonds payable	28,175,762	-
Loss on extinguishment of debt	1,628,623	-
Reimbursement of bond issuance costs	-	170,888
Net Cash Provided (Required) by Financing Activities	20,042,857	(7,732,785)
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	19,351,970	(17,915,343)
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	20,926,173	38,841,516
Cash and Cash Equivalents and Restricted Cash, End of Year	$ 40,278,143	$ 20,926,173

Supplemental Disclosures of Cash Flow Information

	2010	2009
Cash paid during the year for interest	$ 12,343,786	$ 11,391,669

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Georgia Tech Facilities, Inc. (the Organization) was incorporated as Georgia Tech Foundation Facilities, Inc. in the State of Georgia in 1985 as a not-for-profit corporation. The Organization dropped “Foundation” from its name in 1999 to highlight that it is separate from and not affiliated with the Georgia Tech Foundation, Inc. The purpose of the Organization is to construct buildings and other facilities as appropriate to meet the needs and goals of the Georgia Institute of Technology (GIT). Funding for construction is obtained by the Organization from contributions or from financing with debt service funded by support from various sources.

Basis of Accounting and Presentation

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 financial position or results of operations.

The financial statements of the Organization have been prepared on the accrual basis of accounting. The financial statement presentation follows the recommendations of GAAP. Under GAAP, 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. Temporarily restricted net assets include purpose restricted gifts of $10,566,106 and $9,138,570 at June 30, 2010 and 2009, respectively (see Note 7).

Contributions Received

The Organization accounts for contributions received in accordance with GAAP. Under GAAP, contributions and unconditional promises to give are required to be recognized as revenue in the period received at their fair value. All promises to give and gifts received were donated by other cooperative organizations of GIT. These amounts were restricted by the donors to be used for projects administered by the Organization.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents and Restricted Cash

The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Restricted cash relates to funds that are restricted for use only on the North Avenue Apartments Dining facility, the Carbon-Neutral Entry Solution Laboratory building, and the 14th Street Building renovation.

Long-Lived Assets

Gifts associated with the construction of long-lived assets are reported as restricted support until the asset is placed in service. Buildings are depreciated on a straight-line basis over a useful life of 30 years.

Bond Issuance Costs

Bond issuance costs directly attributable to securing financing and the related discounts are amortized over the period the bonds are outstanding, and are presented net of accumulated amortization of $1,202,497 and $949,949 at June 30, 2010 and 2009, respectively.

Fair Value of Financial Instruments

Cash and cash equivalents, restricted cash, interest rate swaps, receivables, accounts and contract retainage payable and lease payables are carried at amounts which approximate their fair value due to the short-term nature of these instruments. Bonds payable are carried at the amount owed, less the discount, which approximates fair value.

Construction in Progress

The Organization records capitalized development costs for construction expenditures and capitalized interest related to uncompleted construction projects. As of June 30, 2010 and 2009, the amounts capitalized were $2,755,864 and $2,801,878, respectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through September 24, 2010, the date which the financial statements were available to be issued.

Tax Status

The Organization has received a ruling from the Internal Revenue Service that it is exempt from Federal income tax under Section 501(a) as an organization described in Section 501 (c)(3) of the Internal Revenue Code.

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.

Fair Values Measured on Recurring Basis

GAAP established 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 under GAAP 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

The following table sets forth by level within the fair value hierarchy the Organization's liabilities at fair value as of June 30, 2009. As required by GAAP, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement:

	Fair Value	Level 1	Level 2	Level 3
Interest rate swap liability	$ 5,138,353	$ -	$ 5,138,353	$ -
Total liabilities	$ 5,138,353	$ -	$ 5,138,353	$ -

NOTE 2 - CONCENTRATIONS

The Organization is potentially subject to concentrations of credit risk in its cash and cash equivalents balances. Cash and cash equivalents are held on deposit at various banks, and are insured by the Federal Deposit Insurance Corporation (FDIC) to a maximum of $250,000. The total amount of cash in excess of FDIC insurance at June 30, 2010 is $12,544,667.

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 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 – INTEREST RATE SWAPS

Series 2005A/2008A/2009A

In order to mitigate interest rate risk associated with the 2005A Series bonds described in Note 6, the Organization entered into an interest rate swap agreement with UBS AG. The agreement was settled monthly as the party obligated for the larger amount paid the net difference of these two payment streams. The Organization may terminate this agreement at any time upon settlement of any amounts due under the agreement.

During April 2008, the Series 2008A bonds described in Note 6 were issued to refund the Series 2005A bonds and the interest rate swap agreement covered the Series 2008A bonds. Pursuant to the agreement, the Organization paid a fixed 3.584% rate, based upon the outstanding principal of the bond issue, to UBS AG in exchange for UBS AG's payment of a floating rate based upon 68% of the one-month USD-LIBOR-BBA rate, determined weekly.

On August 13, 2009, in conjunction with the refunding of the 2008A Bonds and issuance of the 2009A Bonds as described in Note 10, the interest rate swap agreement with UBS AG covering the 2008A Bonds was terminated. In connection with the termination, the Organization made a payment to UBS AG in the amount of $3,995,000 in settlement of amounts due under the agreement.

During the years ended June 30, 2010 and 2009, the value of the interest rate swap agreement decreased by approximately $187,005 and $2,491,347, respectively. These amounts are included in the accompanying Statement of Activities and Changes in Net Assets (Deficit) for the years ended June 30, 2010 and 2009.

In order to monitor the effectiveness of the interest rate swap as a hedge against interest rate risk and to determine the current value of the interest rate swap, the Organization retained an independent entity to provide periodic valuations of the interest rate swap. At June 30, 2010 and 2009, the value is $- and $(3,807,995), respectively. These amounts are included in the accompanying Statement of Financial Position at June 30, 2010 and 2009.

NOTE 3 – INTEREST RATE SWAPS (Continued)

Series 1997A/2008C/2010B

During March 2003, the Organization entered into an interest rate swap option agreement with UBS AG with regard to the 1997A bond issue described in Note 6. The agreement was settled monthly as the party obligated for the larger amount paid the net difference of these two payment streams. The Organization may terminate this agreement at any time upon settlement of any amounts due under the agreement.

Under the agreement, UBS AG had the option, ten years after date of bond issuance, to require the Organization to enter into a variable to fixed rate swap. During 2008, the option was exercised and the Organization entered into an interest rate swap agreement with UBS AG. In conjunction with the interest rate swap transaction, the Organization refunded the Series 1997 fixed rate bonds with the Series 2008C variable rate demand bonds (VRDB) described in Note 6. The exercise of the option resulted in a gain of $618,000 during 2008. Pursuant to the agreement, the Organization paid a fixed 4.993% rate to UBS AG, based on the outstanding principal of the bond issue, in exchange for UBS AG's payment of a floating rate based on the SIFMA rate, determined weekly.

On June 23, 2010, in conjunction with the refunding of the 2008C Bonds and issuance of the 2010B Bonds as described in Note 10, the interest rate swap agreement with UBS AG covering the 2008C Bonds was terminated. In connection with the termination, the Organization made a payment to UBS AG in the amount of $1,560,000 in settlement of amounts due under the agreement.

During the years ended June 30, 2010 and 2009, the value of the interest rate swap agreement decreased by approximately $229,643 and $225,425, respectively. These amounts are included in the accompanying Statement of Activities and Changes in Net Assets (Deficit) for the years ended June 30, 2010 and 2009.

In order to monitor the effectiveness of the interest rate swap as a hedge against interest rate risk and to determine the current value of the interest rate swap, the Organization retained an independent entity to provide periodic valuations of the interest rate swap. At June 30, 2010 and 2009, the value is $- and $(1,330,357), respectively. These amounts are included in the accompanying Statement of Financial Position at June 30, 2010 and 2009.

NOTE 4 – NON-INVESTMENT REAL ESTATE

The Organization's real estate consists of the Habersham Building, which is located on the GIT campus. The building was placed into service in 1997. A summary of real estate at June 30 is as follows:

	2010	2009
Land	$ 598,381	$ 598,381
Building	1,200,000	1,200,000
	1,798,381	1,798,381
Less accumulated depreciation	(720,000)	(660,000)
	$ 1,078,381	$ 1,138,381

Depreciation expense was $60,000 during the years ended June 30, 2010 and 2009.

NOTE 5 – LEASING ARRANGEMENTS

The Organization's Statement of Financial Position includes Investments in Direct Financing Leases based on the cost of construction. The balance of the minimum lease payments and the unearned income decrease by the straight-line method over the life of the lease. The components of the net investment in direct financing leases as of June 30 are as follows:

2010	Minimum lease payment receivable	Less unearned income	Net investment in direct financing lease
Series 1997B/2008-Bioengineering and Bioscience Building	$ 25,650,125	$ (6,453,798)	$ 19,196,327
Series 2003-Family Housing and Klaus Parking	95,746,702	(43,280,611)	52,466,091
Series 2004-Molecular Science and Engineering Building	135,000,000	(68,387,786)	66,612,214
Series 2005-Electrical Substation and System	88,500,000	(57,423,686)	31,076,314
Series 2007-North Avenue Apartments	116,160,000	(51,107,750)	65,052,250
Total	$ 461,056,827	$ (226,653,631)	$ 234,403,196

NOTE 5 – LEASING ARRANGEMENTS (Continued)

2009	Minimum lease payment receivable	Less unearned income	Net investment in direct financing lease
Series 1997B/2008-Bioengineering and Bioscience Building	$ 27,074,435	$ (6,793,471)	$ 20,280,964
Series 2003-Family Housing and Klaus Parking	100,832,500	(45,444,642)	55,387,858
Series 2004-Molecular Science and Engineering Building	140,000,000	(70,920,667)	69,079,333
Series 2005-Electrical Substation and System	85,500,000	(54,459,882)	31,040,118
Series 2007-North Avenue Apartments	121,440,000	(53,784,999)	67,655,001
Total	$ 474,846,935	$ (231,403,661)	$ 243,443,274

In connection with the Series 2010A Revenue Bonds, the Organization entered into the following leasing arrangements:

Carbon-Neutral Energy Solutions Laboratory

The Organization leased land on the GIT campus, from the Board of Regents, on which to construct a Carbon-Neutral Energy Solutions Laboratory. The ground lease was signed on June 23, 2010, and has a primary term from Issuance of Certificate of Occupancy until 30 years from the completion of the Carbon-Neutral Energy Solutions Laboratory. The Certificate of Occupancy is expected to be received in the year ending June 30, 2012. Use of the land reverts back to the Board of Regents at the end of the lease term.

On June 23, 2010, the Organization entered into a Rental Agreement with the Board of Regents whereby the Organization agreed to lease the Carbon-Neutral Energy Solutions Laboratory to the Board of Regents. The initial agreement term commences with the issuance of a Certificate of Occupancy. A Certificate of Occupancy has not been issued at June 30, 2010, and the lease term has not commenced. The Board of Regents has the exclusive option to annually renew the lease on a year-to-year basis, for thirty (30) consecutive years at a fixed annual rate that is sufficient to enable the Organization to pay debt service on the Series 2010A Bonds, as described in Note 6.

NOTE 5 – LEASING ARRANGEMENTS (continued)

North Avenue Apartments – Dining Hall

On June 23, 2010, the Organization amended the Rental Agreement with the Board of Regents dated July 23, 2007, whereby the Organization agreed to lease the North Avenue Apartments to the Board of Regents. The amendment extended the Board of Regents option to renew the Rental Agreement on a year-to-year basis for twenty-eight (28) consecutive years. In the event of such annual renewals, the Board of Regents will be obligated to pay an annual rent which the Organization has determined to be sufficient to pay the debt service on the Series 2007A Bonds, Series 2009B-1 Bonds, Series 2009B-2 Bonds, and Series 2010A Bonds, as described in Note 6.

14th Street Building Renovation

On June 23, 2010, the Organization entered into a Construction Loan Agreement with Georgia Advanced Technology Ventures, Inc. (GATV) whereby the Organization agreed to renovate the 14th Street Building. The agreement commences on July 1, 2010 with a maturity date of June 1, 2020. The Schedule of Payments for this agreement is sufficient to enable the Organization to pay debt service on the Series 2010A Bonds, as described in Note 6.

Electrical Substation and System

During the year ended June 30, 2006, in accordance with the terms of the lease, the Organization made a payment of $6,200,000 representing payment for the entire term of the lease. The payment was initially recorded as a prepaid expense, and will be recognized as an expense on a straight-line basis over the life of the ground lease. For each of the years ended June 30, 2010 and 2009, rental expense under this agreement was $193,750, and at June 30, 2010 and 2009, the related prepaid expense was $5,231,250 and $5,425,000, respectively.

NOTE 5 – LEASING ARRANGEMENTS (continued)

Telecommunications

Effective April 15, 2007, the Organization entered into an installment sale agreement with GIT for telecommunications equipment and installation. The agreement is renewable at the option of GIT, annually on July 1 for five successive one-year terms. The total extended term of the agreement will be approximately 63 months, to July 15, 2011. Should GIT fail to exercise its options to renew, it must pay the remaining principal balance plus accrued interest as additional rent.

In order to finance this equipment, the Organization (as sub-lessee) entered into a Master Lease and Sublease Agreement with SunTrust Leasing Corporation (as lessor) and the Development Authority of Fulton County (as lessee) in the amount of $9,733,571. Future minimum lease payments due in each of the next five years and in the aggregate are as follows:

Year ending June 30,	
2011	$ 2,350,674
2012	601,743
	$ 2,952,417

NOTE 6 – BONDS PAYABLE

Bonds payable at June 30 consists of the following:

	2010	2009
$70,320,000 Series 2003-Family Housing and Klaus Parking bonds, payable in annual interest installments until 2030 at rates between 3.50% and 5.25%.	$ 61,395,000	$ 63,345,000
$75,205,000 Series 2004-Molecular Science and Engineering Building bonds, payable in annual interest installments until 2036 at rates between 3.75% and 5.25%.	71,210,000	72,585,000
$7,295,000 Series 2005B-Electrical Substation and System bonds, payable in annual interest installments until 2017 at rates between 4.92% and 5.30%.	5,775,000	6,540,000

NOTE 6 – BONDS PAYABLE (Continued)

	2010	2009
$24,540,000 Series 2007-North Avenue Apartments bonds, payable in annual interest installments until 2032 at a fixed rate of 5.00%.	24,540,000	24,540,000
$19,900,000 Series 2008-Bioengineering and Bioscience Building bonds, payable in annual interest installments until 2027 at a fixed rate of 3.93%.	18,525,000	19,225,000
$32,895,000 Series 2008A-Electrical Substation and Systems bonds, payable in annual interest installments until 2037 at a variable rate. (a)	-	32,895,000
$33,760,000 Series 2008B-North Avenue Apartments bonds, payable in annual interest installments until 2032 at a variable rate. (b)	-	33,760,000
$9,730,000 Series 2008C-Wardlaw and Success Center Buildings, and the acquisition of the Habersham Building bonds, payable in annual interest installments until 2028 at a variable rate. (e)	-	9,085,000
$18,495,000 Series 2008D-North Avenue Apartments bonds, payable in annual interest installments until 2020 at a variable rate. (c)	-	17,910,000
$37,175,000 Series 2009A-Electrical Substation and System bonds, payable in annual interest installments until 2040 at rates between 3.25% and 5.00%. (a)	37,175,000	-
$30,580,000 Series 2009B-1-North Avenue Apartments bonds, payable in annual interest installments until 2032. (b)	30,580,000	-
$15,280,000 Series 2009B-2-North Avenue Apartments bonds, payable in annual interest installments until 2020 at rates between 3.00% and 5.00%. (c)	13,070,000	-

NOTE 6 – BONDS PAYABLE (Continued)

	2010	**2009**
$27,270,000 Series 2010A-Carbon-Neutral Laboratory/ North Avenue Apartments-Dining Hall/14th Street Building bonds, payable in annual interest installments until 2041 at rates between 2.00% and 5.00%. (d)	27,270,000	-
$10,555,000 Series 2010B Wardlaw/Habersham/ Success Center bonds, payable in annual interest installments until 2027at rates between 2.00% and 4.00%. (e)	10,555,000	-
	300,095,000	279,885,000
Series 2003 interest rate swaption premium (f)	1,913,043	2,008,696
Series 2004 interest rate swaption premium (g)	2,801,725	2,909,483
	$304,809,768	$284,803,179

The following represent the mandatory bond principal redemptions on the above bonds payable for the years ending June 30:

2011	$ 7,622,000
2012	8,526,000
2013	8,895,000
2014	9,276,000
2015	8,128,000
Thereafter	257,648,000
	$300,095,000

(a) Series 2009A

In July 2009, the Organization issued $37,175,000 Series 2009A Refunding Revenue Bonds. The proceeds of the bonds were used to refund the Series 2008A variable rate bonds (the “Electrical Substation project”) and to pay certain cost of issuance of the bonds.

NOTE 6 – BONDS PAYABLE (Continued)

(b) Series 2009B-1

In July 2009, the Organization issued $30,580,000 Series 2009B-1 Refunding Revenue Bonds. The proceeds of the bonds were used to refund the Series 2008B variable rate bonds (the “North Avenue Apartment Complex project”) and to pay certain cost of issuance of the bonds.

(c) Series 2009B-2

In August 2009, the Organization issued $15,280,000 Series 2009B-2 Refunding Revenue Bonds. The proceeds of the bonds were used to refund the Series 2008D variable rate bonds (the “North Avenue Apartment Complex project – GSU”) and to pay certain cost of issuance of the bonds.

(d) Series 2010A

In June 2010, the Organization issued $27,270,000 Series 2010A Revenue Bonds. The proceeds of the bonds were used to finance the costs of issuance of the bonds and the construction, improvements and renovation of the:

i. North Avenue Apartment Dining Hall and complex improvements;
ii. Carbon-Neutral Energy Solution Laboratory;
iii. 14^{th} Street Building renovation.

(e) Series 2010B

In June 2010, the Organization issued $10,555,000 Series 2010B Refunding Revenue Bonds. The proceeds of the bonds were used to refund the variable rate Series 2008C bonds to pay certain costs associated with the termination of a swap related to the Refunded bonds as well as certain cost of issuance of the bonds.

NOTE 6 – BONDS PAYABLE (Continued)

(f) Series 2003

On October 19, 2007, the Organization entered into an interest rate swap option agreement (swaption) with UBS AG with regard to the Series 2003 Revenue Bonds. Under the agreement, UBS AG has the option, exercisable ten years after the date of bond issuance and six consecutive six-month periods thereafter, to enter into a variable to fixed rate swap. The swaption premium generated by this agreement was an upfront payment to the Organization of $2,200,000.

The swaption premium is recorded as a component of bonds payable in the Statement of Financial Position and is being amortized on a straight-line basis over the remaining life of the bonds. The amortization of the swaption premium is recorded as a component of interest expense in the Statement of Activities and Changes in Net Assets (Deficit). At June 30, 2010 and 2009, the unamortized value on the accompanying Statement of Financial Position is $1,913,043 and $2,008,696, respectively.

(g) Series 2004

On October 15, 2007, the Organization entered into an interest rate swap option agreement (swaption) with UBS AG with regard to the Series 2004 Revenue Bonds. Under the agreement, UBS has the option, exercisable ten years after the date of bond issuance and six consecutive six month periods thereafter, to enter into a variable to fixed rate swap. The swaption premium generated by this agreement was an upfront payment to the Organization of $3,125,000.

The swaption premium is recorded as a component of bonds payable in the Statement of Financial Position and is being amortized on a straight-line basis over the remaining life of the bonds. The amortization of the swaption premium is recorded as a component of interest expense in the Statement of Activities and Changes in Net Assets (Deficit). At June 30, 2010 and 2009, the unamortized value on the accompanying Statement of Financial Position is $2,801,725 and $2,909,483, respectively.

NOTE 7 – RELATED PARTIES

Payment of the principal and related interest and fees on the Series 2010B Bonds has been guaranteed by Georgia Tech Foundation, Inc. (the "Foundation") through a Commitment of Support dated as of May 10, 2010. The Foundation is a separate not-for-profit corporation, which was formed in 1932 primarily to raise and receive funds to support GIT. Certain members of the Board of Directors (the "Board") of the Organization also serve as trustees of the Foundation. The unconditional promise to pay future bond payments from the Foundation is recorded as contributions receivable in the financial statements in accordance with GAAP. The total contribution receivable recorded at June 30, 2010 and 2009, is approximately $10,566,106 and $9,138,570, respectively on the Series 2010B Bonds and is paid according to the debt schedule in Note 6 after the use of any cash held by the Organization.

On December 15, 2009, the Organization entered into a binding Memorandum of Understanding with GIT to confirm the responsibilities in connection with the planning, design, financing, and construction of a Carbon-Neutral Energy Solutions Lab Building on the GIT campus. The Organization is responsible for the financing, design, and construction of the $24,000,000 project and assesses a management fee of three-quarters percent payable by the project funding. This project is jointly funded with a tax exempt bond issue by the Organization and a federal grant from the National Institute of Standards & Technology.

On December 15, 2009, the Organization entered into a binding Memorandum of Understanding with GIT to confirm the responsibilities in connection with the planning, design, financing, and construction of the North Avenue Apartments Student Dining Hall on the GIT campus. The Organization is responsible for the financing, design, and construction of the $8,250,000 project and assesses a management fee of three-quarters percent payable by the project funding. At June 30, 2010, amounts due from GIT totaled approximately $829,000 and are included in Due to Primary Government in the accompanying Statement of Financial Position.

On May 1, 2010, the Organization entered into a Construction Loan Agreement for $5,000,000 with GATV for the renovation of the 14th Street Building. The Organization and GATV share common officers. As of June 30, 2010, the Organization has recorded a Note Receivable of $5,000,000 in the accompanying Statement of Financial Position. The Organization has provided $81,062 of improvements to the property as of June 30, 2010 and has recorded a liability of $4,918,938 which is included in Due to Primary Government in the accompanying Statement of Financial Position.

NOTE 7 – RELATED PARTIES (Continued)

On December 15, 2009, the Organization entered into a Development Management Services Agreement with GIT for the renovation and expansion of the Physiological Research Laboratory.

On October 28, 2009, the Organization entered into a Development Management Services Agreement with GIT for construction of the North Avenue Apartments Dining Hall.

For the years ended June 30, 2010 and 2009, the Organization charged management fees of $32,312 and $117,140, respectively, related to certain of the aforementioned projects.

NOTE 8 – CONTINGENCIES AND LITIGATION

In September 2004, the construction manager for the Family Housing project filed a Complaint for Declaratory Judgment against the Organization seeking a determination that it was entitled to an increase in the contract amount and an extension of time for completion of the project. In December 2004, the construction manager amended its complaint to add claims for monetary damages. In September 2009, the Organization entered into a Settlement Agreement and Mutual Release under which all claims and causes of action by the construction manager were released.

NOTE 9 – SUBSEQUENT EVENT

In August 2010, the Organization issued $5,400,000 Series 2010C Revenue Bonds. The proceeds of the bonds are to be used to finance the renovations and improvements for the Academy of Medicine Building as well as certain costs of issuance and capitalized interest. The Organization also entered into a ground lease with the Board of Regents of the University System of Georgia and rental agreement with the Georgia Institute of Technology.

NOTE 10 – FINANCIAL INFORMATION FOR 2009

The financial statements include certain prior-year summarized comparative information in total, but not by net asset 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 financial statements for the year ended June 30, 2009, from which the summarized information was derived.

Certain 2009 amounts previously reported have been reclassified to conform to the current year financial statement presentation.