GEORGIA TECH FACILITIES, INC.

FINANCIAL STATEMENTS
(with report of independent auditors)

YEARS ENDED JUNE 30, 2006 AND 2005

Tomkiewicz Wright, LLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Georgia Tech Facilities, Inc.
Atlanta, Georgia

We have audited the accompanying statements of financial position of Georgia Tech Facilities, Inc. (a nonprofit organization) as of June 30, 2006 and 2005, and the related statements of activities and changes in net assets 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. for the years ended June 30, 2006 and 2005, 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.

Tomkiewicz Wright, LLC

August 18, 2006

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GEORGIA TECH FACILITIES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2006
(in thousands)

	Unrestricted	Temporarily Restricted								
	Administrative/ Unallocated	Wardlaw	Habersham	Success Center	Bioengineering Bioscience	Family Housing	Molecular Science & Engineering	Electrical Substation	Telecom Project	Total
ASSETS										
Cash & Cash Equivalents	$ 424	$ -	$ -	$ -	$ -	$ (55)	$ -	$ 7	$ (1)	$ 375
Investments							11,869	26,176	8,764	46,809
Interest Rate Swap								1,231		1,231
Bond Principal Receivable- Affiliates		4,941	1,611	3,338						9,890
Bond Interest Receivable- Affiliates		82	27	55						164
Accrued Interest Receivable								772		772
Other Receivables- Affiliates						46			33	79
Lease Receivable						115,364				115,364
Non-Investment Real Estate (See Note 4)	1,318									1,318
Bond Issuance Costs (See Note 1)		208	68	140	829	1,302	1,481	1,094		5,122
Investment in Direct Finance Lease					28,645					28,645
Due from Unrestricted						4,710	4,879	292		9,881
Prepaid Ground Lease								6,006		6,006
Construction in Progress							61,526	5,627	1,013	68,166
TOTAL ASSETS	$ 1,742	$ 5,231	$ 1,706	$ 3,533	$ 29,474	$ 121,367	$ 79,755	$ 41,205	$ 9,809	$ 293,822
LIABILITIES										
Accounts Payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 119	$ -	$ 119
Contract Retainage Payable							3,543	185		3,728
Accrued Bond Interest		82	27	56	316	549	615			1,645
Lease Payable									9,734	9,734
Accrued Bond Issuance Premium						1,529	392			1,921
Bonds Payable- current portion		127	42	86	490	1,805				2,550
Bonds Payable- noncurrent		4,814	1,570	3,251	18,535	67,080	75,205	39,670		210,125
Deferred Revenue						50,404				50,404
Due to Restricted Funds	9,881									9,881
TOTAL LIABILITIES	9,881	5,023	1,639	3,393	19,341	121,367	79,755	39,974	9,734	290,107
NET ASSETS										
Net Assets- Temporarily Restricted	-	208	67	140	10,133	-	-	1,231	75	11,854
Net Assets- Unrestricted	(8,139)	-	-	-	-	-	-	-	-	(8,139)
TOTAL NET ASSETS	(8,139)	208	67	140	10,133	-	-	1,231	75	3,715
TOTAL LIABILITIES AND NET ASSETS	$ 1,742	$ 5,231	$ 1,706	$ 3,533	$ 29,474	$ 121,367	$ 79,755	$ 41,205	$ 9,809	$ 293,822

See notes to financial statements.

GEORGIA TECH FACILITIES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2005
(in thousands)

	Unrestricted	Temporarily Restricted									
	Administrative/ Unallocated	Wardlaw	Habersham	Success Center	Bioengineering Bioscience	Technology Square	Biomedical Engineering	Family Housing	Molecular Science & Engineering	Electrical Substation	Total
ASSETS											
Cash & Cash Equivalents	$ 192	$ -	$ -	$ -	$ -	$ -	$ -	$ (43)	$ (11)	$ (75)	$ 63
Investments								4,793	60,665		65,458
Bond Principal Receivable- Affiliates		5,063	1,651	3,420							10,134
Bond Interest Receivable- Affiliates		84	27	57							168
Other Receivables- Affiliates								18			18
Lease Receivable								115,834			115,834
Non-Investment Real Estate (See Note 4)	1,378										1,378
Bond Issuance Costs (See Note 1)		217	71	146	868			1,350	1,497	94	4,243
Investment in Direct Finance Lease					29,330						29,330
Due from Unrestricted								5,065	2,213		7,278
Construction in Progress									11,862		11,862
TOTAL ASSETS	$ 1,570	$ 5,364	$ 1,749	$ 3,623	$ 30,198	$ -	$ -	$ 127,017	$ 76,226	$ 19	$ 245,766
LIABILITIES											
Accounts Payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 72	$ -	$ 19	$ 91
Accrued Bond Interest		84	27	57	322			554	615		1,659
Accrued Bond Issuance Premium								1,583	406		1,989
Bonds Payable- current portion		123	39	83	470			1,435	-		2,150
Bonds Payable- noncurrent		4,940	1,613	3,337	19,025			68,885	75,205		173,005
Deferred Revenue								54,488			54,488
Due to Restricted Funds	7,278										7,278
TOTAL LIABILITIES	7,278	5,147	1,679	3,477	19,817	-	-	127,017	76,226	19	240,660
NET ASSETS											
Net Assets- Temporarily Restricted	-	217	70	146	10,381	-	-	-	-	-	10,814
Net Assets- Unrestricted	(5,708)	-	-	-	-	-	-	-	-	-	(5,708)
TOTAL NET ASSETS	(5,708)	217	70	146	10,381	-	-	-	-	-	5,106
TOTAL LIABILITIES AND NET ASSETS	$ 1,570	$ 5,364	$ 1,749	$ 3,623	$ 30,198	$ -	$ -	$ 127,017	$ 76,226	$ 19	$ 245,766

See notes to financial statements.

GEORGIA TECH FACILITIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended June 30, 2006
(in thousands)

	Unrestricted	Temporarily Restricted								
	Administrative/ Unallocated	Wardlaw	Habersham	Success Center	Bioengineering Bioscience	Family Housing	Molecular Science & Engineering	Electrical Substation	Telecom Project	Total
Support From Affiliates	$ 150	$ 248	$ 81	$ 168	$ -	$ 3,108	$ -	$ -	$ -	$ 3,755
Direct Financing Lease Revenue					745					745
Interest Income	67					589	1,025	858	75	2,614
Management Fees	476									476
Recognition of Bond Issuance Premium	68									68
Other Revenue	4									4
Net Assets Released from Restriction	7,088	(257)	(84)	(174)	(993)	(3,697)	(1,025)	(858)		-
Total Revenues	$ 7,853	$ (9)	$ (3)	$ (6)	$ (248)	$ -	$ -	$ -	$ 75	$ 7,662
Interest Expense - Habersham	$ 80	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 80
Interest Expense - Wardlaw Center	246									246
Interest Expense - Success Center	166									166
Interest Expense - Bioengineering/Bioscience	948									948
Interest Expense - Married Family Housing	3,303									3,303
Interest Expense - Molecular Science Engineering	3,690									3,690
Interest Expense - Electrical Substation	770									770
Depreciation and Amortization Expense -										
Habersham Building	63									63
Amortization Expense - Wardlaw	10									10
Amortization Expense - Success Center	7									7
Amortization Expense - Bioengineering/Bioscience	39									39
Amortization Expense - Married Family Housing	48									48
Amortization Expense - Molecular Science Engineering	15									15
Amortization Expense - Electrical Substation	37									37
Trustee Fees - Habersham	1									1
Trustee Fees- Wardlaw	1									1
Trustee Fees - Success Center	1									1
Trustee Fees - Bioengineering/Bioscience	6									6
Administrative Fees - Married Family Housing	11									11
Broker Fees - Electrical Substation	50									50
Final Payment for Design Services - Tech Square	150									150
General and Administrative Expenses:										
Supplies and Materials	40									40
Insurance and Bonding	96									96
Reimbursed Admin and Salaries - Georgia Tech	201									201
Professional Fees	41									41
Rent- Ground Lease, Electrical Substation	194									194
Other Expense- Current Interest Rate Swap Activity	70									70
Total Expenses	10,284	-	-	-	-	-	-	-	-	10,284
Change in Net Assets Attributable to Operations	(2,431)	(9)	(3)	(6)	(248)	-	-	-	75	(2,622)
Change in Net Assets Attributable to Value of Interest Rate Swap								1,231		1,231
Net Assets, beginning of year	(5,708)	217	70	146	10,381	-	-	-	-	5,106
Net Assets,end of year	$ (8,139)	$ 208	$ 67	$ 140	$ 10,133	$ -	$ -	$ 1,231	$ 75	$ 3,715

See notes to financial statements.

GEORGIA TECH FACILITIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended June 30, 2005
(in thousands)

	Unrestricted	Temporarily Restricted								
	Administrative/ Unallocated	Wardlaw	Habersham	Success Center	Bioengineering Bioscience	Technology Square	Biomedical Engineering	Family Housing	Molecular Science & Engineering	Total
Support From Affiliates	$ -	$ 253	$ 84	$ 171	$ -	$ -	$ -	$ -	$ -	$ 508
Direct Financing Lease Revenue					745					745
Interest Income	26							304	1,499	1,829
Management Fees	228									228
Recognition of Bond Issuance Premium	68									68
Other Revenue								36		36
Net Assets Released from Restriction	3,513	(263)	(86)	(178)	(1,014)	(120)	(13)	(340)	(1,499)	-
Total Revenues	$ 3,835	$ (10)	$ (2)	$ (7)	$ (269)	$ (120)	$ (13)	$ -	-	$ 3,414
Interest Expense - Habersham	$ 82	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-	$ 82
Interest Expense - Wardlaw Center	252									252
Interest Expense - Success Center	170									170
Interest Expense - Bioengineering/Bioscience	969									969
Interest Expense - Married Family Housing	3,322									3,322
Interest Expense - Molecular Science Engineering	3,710									3,710
Depreciation and Amortization Expense -										
Habersham Building	63									63
Amortization Expense - Wardlaw	10									10
Amortization Expense - Success	7									7
Amortization Expense - Bioengineering/Bioscience	39									39
Amortization Expense - Married Family Housing	48									48
Amortization Expense - Molecular Science Engineering	15									15
Trustee Fees - Habersham	1									1
Trustee Fees- Wardlaw	1									1
Trustee Fees - Success Center	1									1
Trustee Fees - Bioengineering/Bioscience	6									6
Contribution of Assets to Georgia Tech	133									133
General and Administrative Expenses:										
Supplies and Materials	43									43
Food and Catering	8									8
Insurance and Bonding	82									82
Professional Fees and Consulting	198									198
Total Expenses	9,160	-	-	-	-	-	-	-	-	9,160
Change in Net Assets	(5,325)	(10)	(2)	(7)	(269)	(120)	(13)	-	-	(5,746)
Net Assets, beginning of year	(383)	227	72	153	10,650	120	13	-	-	10,852
Net Assets,end of year	$ (5,708)	$ 217	$ 70	$ 146	$ 10,381	$ -	$ -	$ -	-	$ 5,106

See notes to financial statements.

GEORGIA TECH FACILITIES, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2006 AND 2005
(IN THOUSANDS)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	$ (2,622)	$ (5,746)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	60	60
Amortization of bond issue costs	159	122
Recognition of bond premium revenue	(68)	(67)
Transfer of capitalized development costs to lease receivable	-0-	34,112
Changes in operating assets and liabilities:		
Accounts receivable	(61)	(18)
Bond principal receivable	244	1,185
Bond interest receivable	4	1
Lease receivable	470	(115,834)
Interest receivable	(772)	-0-
Direct financing leases	685	688
Due from unrestricted	(2,603)	(5,224)
Prepaid ground lease	(6,006)	-0-
Interest payable	(14)	462
Accounts payable	3,756	(5,441)
Deferred revenue	(4,084)	54,488
Due to restricted funds	2,603	5,224
Net cash used in operating activities	(8,249)	(35,988)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to capitalized development costs	(56,304)	(10,410)
Net sales of investments	18,649	47,032
Net cash (used in) provided by investing activities	(37,655)	36,622
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of bond issue costs	(1,038)	(223)
Proceeds from bond issuance – Electrical Substation	39,670	-0-
Proceeds from lease payable – Telecom project	9,734	-0-
Repayment of Habersham debt	(40)	(38)
Repayment of Success Center debt	(83)	(79)
Repayment of Wardlaw Center debt	(122)	(118)
Repayment of Bioengineering Bioscience Complex debt	(470)	(450)
Repayment of Married Family Housing debt	(1,435)	-0-
Net cash provided by (used in) financing activities	46,216	(908)

(continued)

GEORGIA TECH FACILITIES, INC.

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2006 AND 2005
(IN THOUSANDS)

	2006	2005
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	312	(274)
CASH AND CASH EQUIVALENTS, beginning of year	63	337
CASH AND CASH EQUIVALENTS, end of year	$ 375	$ 63

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

	Year Ended June 30,	
	2006	2005
Cash paid during the year for interest:		
Habersham Building	$ 80	$ 83
Wardlaw Center	248	253
Success Center	167	171
Bioengineering Bioscience Complex	954	976
Married Family Housing	3,308	3,322
Molecular Science & Engineering	3,690	3,238
Electrical Substation	770	-0-
	$ 9,217	$ 8,043

See notes to financial statements.

1. Summary of Significant Accounting Policies:

Organization
Georgia Tech Facilities, Inc. (Facilities) was incorporated in the State of Georgia in 1985 as a not-for-profit corporation. The purpose of Facilities is to construct buildings and other facilities as may be appropriate to meet the needs and goals of the Georgia Institute of Technology (GIT). Funding for construction is obtained by Facilities from contributions or from financing with debt service funded by support from various sources.

Basis of Presentation
The financial statements of Facilities have been prepared on the accrual basis of accounting. 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.

Contributions Received
Facilities accounts for contributions received in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. SFAS 116 requires contributions and unconditional promises to give to be recognized as revenue in the period received at their fair value. Promises to give and gifts received include amounts originally promised or received by other cooperative organizations of GIT. These amounts were restricted by the donors to be used for projects administered by Facilities. Therefore, such promises to give and gifts are transferred to Facilities by the related cooperative organization.

Cash and Cash Equivalents
Facilities considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents.

Long-Lived Assets
Gifts of long-lived assets are reported as restricted support. Buildings are depreciated on a straight-line basis based over a useful life of 20 years.

Investments
Investments consist of marketable securities and bonds. Facilities accounts for its investment securities under the provisions of SFAS 124, *Accounting for Certain Investments Held for Not-for-Profit Organizations*. SFAS 124 requires investments in equity securities with readily determinable fair values, and all investments in debt securities, to be reported at fair value with unrealized gains and losses included in the Statement of Activities and Changes in Net Assets. For the years ended June 30, 2006 and 2005, no unrealized losses are included in the Statements of Activities and Changes in Net Assets.

Bond Issue Costs
Bond issue 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 at June 30, 2006 and 2005 of $706 and $547.

1. Summary of Significant Accounting Policies (continued):

Fair Value of Financial Instruments
Cash and cash equivalents, receivables, and accounts payable 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. Long-term contributions receivable amounts are estimated by discounting future cash flows at market interest rates.

Capitalized Development Costs
Facilities records capitalized development costs for construction expenditures and capitalized interest related to uncompleted construction projects. As of June 30, 2006 and 2005, the amounts capitalized were $68,166 and $11,862. Construction of Married Family Housing was completed during the year ended June 30, 2005, and the project was leased to the Board of Regents of the University System of Georgia (see Note 5, Leasing Arrangements- Family Housing and Klaus Parking).

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status
Facilities has received a ruling from the Internal Revenue Service that it is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

2. Concentrations:

Facilities is potentially subject to concentrations of credit risk in its cash balances. Cash is held on deposit at one bank, and is insured by the Federal Deposit Insurance Corporation (FDIC) to a maximum of $100. Facilities also utilizes a repurchase agreement with the bank which involves sweeping balances from the account overnight, and these balances are not insured by the FDIC. The total amount of cash in excess of FDIC insurance at June 30, 2006 is $12,097.

3. Interest Rate Swap:

In order to mitigate interest rate risk associated with the 2005 Series A bonds described in Note 6, Facilities entered into an interest rate swap agreement with UBS AG. Pursuant to the agreement, Facilities pays 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 1-month USD-LIBOR-BBA rate, determined weekly. The agreement is settled monthly as the party obligated for the larger amount pays the net difference of these two payment streams. Facilities may terminate this agreement at any time upon settlement of any amounts due under the agreement. During the year ended June 30, 2006, the monthly settlement activity resulted in a net expense of $70 to Facilities, which is included in the Statement of Activities for the year ended June 30, 2006.

3. Interest Rate Swap (continued):

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, Facilities retains an independent entity to provide periodic valuations of the interest rate swap. At June 30, 2006, the value is $1,231. The current change in value of the interest rate swap is reflected as an increase in net assets in the Statement of Activities and Changes in Net Assets for the year ended June 30, 2006. As this period was the period of inception for the interest rate swap, the current change is equivalent to the current value of the swap.

Subsequent to June 30, 2006, Facilities and UBS AG executed an amendment to the swap agreement to change the variable rate paid by UBS AG. The new rate, effective August 1, 2006, is the sum of a) 34% of the five-year USD-ISDA swap rate plus 16.5 basis points, and b) 34% of the ten-year USD-ISDA swap rate plus 20.9 basis points.

4. Non-Investment Real Estate:

Facilities' 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, 2006 and 2005 is as follows:

	2006	2005
Land	$ 598	$ 598
Building	1,200	1,200
	1,798	1,798
Less accumulated depreciation	(480)	(420)
	$ 1,318	$ 1,378

Depreciation expense was $60 during each of the years ended June 30, 2006 and 2005.

5. Leasing Arrangements:

Series 1997B – Bioengineering and Biosciences Building
In connection with the issuance of Series 1997B Bonds, Facilities entered into the following leasing arrangements:

Ground Lease
Facilities leased land on the campus of GIT from the Board of Regents of the University System of Georgia (Board of Regents) under a ground lease, on which it constructed a new Bioengineering and Biosciences Complex (the Complex). The ground lease was signed on November 13, 1997 and has a term from inception until 30 years from the completion of the Complex at a nominal rental cost. Use of the land reverts back to the Board of Regents at the end of the lease term.

Facility
During 1997, Facilities entered into a Facility Lease Agreement with Georgia Tech Research Corporation (GTRC) whereby Facilities agreed to lease the Complex and to sublease the land on which the Complex is built to GTRC. The Complex was completed in July 1999. Under the 30-year lease arrangement, GTRC's lease payments began on September 1, 1999 and are equal to the debt service, including interest and redemption premiums due, on the 1997B Bonds.

5. Leasing Arrangements (continued):

The Complex and the land are leased by GTRC to the Board of Regents. In the event the Complex and land are leased to someone other than the Board of Regents, Facilities is required to pay to the Board of Regents all rentals received over the amount paid under the ground lease.

The lease is represented in Facility's financial statements by an Investment in Direct Financing Lease asset in the amount of the minimum payments due over the term of the lease, including principal and interest, and a residual value representing building costs incurred in excess of the bond proceeds, less estimated executory costs and unearned interest income. The balances of the minimum lease payments and the unearned income decrease by the straight-line method over the life of the related bond issue. The components of the net investment in the direct financing lease as of June 30, 2006 and 2005 are as follows:

	2006	2005
Total minimum lease payments to be received	$ 32,826	$ 34,258
Residual value	12,300	12,300
Less amounts representing estimated executory costs included in total minimum lease payments	(83)	(83)
Minimum lease payment receivable	45,043	46,475
Less unearned income	(16,398)	(17,145)
Net investment in direct financing lease	$ 28,645	$ 29,330

At June 30, 2006 and 2005, the net investment in direct financing lease included $755 and $761 in cash and cash equivalents.

Series 2003 – Family Housing and Klaus Parking
In connection with the issuance of Series 2003 Bonds, Facilities entered into the following leasing arrangements:

Family Housing Agreements:

Ground Lease
Facilities leased land on the GIT campus from the Board of Regents under a ground lease on which to construct the new Family Housing complex, including a parking deck. The ground lease was signed on June 24, 2003 and has a term from inception until 25 years from the completion of the complex at a nominal rental cost. Use of the land reverts to the Board of Regents at the end of the lease term.

5. Leasing Arrangements (continued):

Facility Rental
During July 2003, Facilities entered into a Facility Rental Agreement with the Board of Regents whereby Facilities agreed to lease the Family Housing complex and related parking structure to the Board of Regents upon completion of the complex and issuance of a Certificate of Occupancy. During the year ended June 30, 2005, the Certificate of Occupancy was issued and the lease term commenced. The Board of Regents has the right to renew the rental agreement on a year-to-year basis for twenty-five (25) consecutive years. In the event of such renewal, the Board of Regents is obligated to pay a fixed annual rental which will be sufficient, when combined with the rental payment due under the Klaus Parking Facility Rental Agreement, to enable Facilities to pay debt service on the 2003 bonds. At June 30, 2006, the Board of Regents has exercised its right to renew the Facility Rental Agreement for the year ended June 30, 2007.

Klaus Parking Facility Agreements:

Parking Facility Lease
Facilities entered into a Parking Facility Lease with the Board of Regents on July 17, 2003 for the premises upon which the Klaus Parking Facility is being constructed. The initial term commenced upon execution of the lease and continues until the Issuance of a Certificate of Occupancy for the Klaus Parking Facility. The initial term payment of $9 million is being used by the Georgia State Financing Investment Commission for the purpose of constructing the Klaus Advanced Computing Building, which includes the parking facility. The primary term of the Parking Facility Lease is twenty (20) years after the issuance of the Certificate of Occupancy.

Facility Rental
On July 17, 2003, Facilities entered into a Rental Agreement with the Board of Regents pursuant to which the Board of Regents will lease the Klaus Parking Facility from Facilities upon the issuance of a Certificate of Occupancy. A Certificate of Occupancy has not been issued as of June 30, 2006, and the lease term has not yet commenced. The Board of Regents will have the option to renew on a year-to-year basis for twenty (20) years. In the event of such annual renewals, the Board of Regents will be obligated to pay a fixed annual rental which, when combined with rental payments due under the Family Housing Facility Rental Agreement described above, will be sufficient to enable Facilities to pay debt service on the 2003 Bonds.

Series 2004 – Molecular Science and Engineering Building
In connection with the Series 2004 Revenue Bonds, Facilities entered into the following leasing arrangements:

Ground Lease
Facilities leased land on the GIT campus from the Board of Regents under a ground lease on which to construct a new Molecular Science and Engineering Building (MSE Building). The ground lease was signed on May 17, 2004 and has a term from inception until 30 years from the completion of the MSE Building at a nominal rental cost. Use of the land reverts back to the Board of Regents at the end of the lease term.

5. Leasing Arrangements (continued):

Facility Rental
On May 17, 2004, Facilities entered into a Rental Agreement with the Board of Regents whereby Facilities agreed to lease the MSE Building to the Board of Regents. The initial agreement term commences with the completion of the MSE Building and issuance of a Certificate of Occupancy. A Certificate of Occupancy has not been issued as of June 30, 2006, and the lease term has not commenced. The Board of Regents will have the exclusive option to annually renew the lease on a year-to-year basis for thirty (30) consecutive years. In the event of such annual renewals, the Board of Regents will be obligated to pay a fixed annual rental which will be sufficient to enable Facilities to pay debt service on the 2004 bonds.

Series 2005 – Electrical Substation & Distribution System
In connection with the Series 2005 Revenue Bonds, Facilities entered into the following leasing arrangements:

Ground Lease
Facilities leased land adjacent to the GIT campus, with easements and other rights to connect to the campus, from the Board of Regents, on which to construct a new Electrical Power Substation and a related distribution system. The ground lease was signed on August 31, 2005 and has a primary term from issuance of a Certificate of Occupancy until 30 years from the completion of the Electrical Power Substation. Use of the land reverts back to the Board of Regents at the end of the lease term.

During the year ended June 30, 2006, in accordance with the terms of the lease, Facilities made a payment of $6,200 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 the year ended June 30, 2006, rental expense under this agreement was $194, and at June 30, 2006, the related prepaid expense was $6,006.

Facility Rental
On August 31, 2005, Facilities entered into a Rental Agreement with the Board of Regents whereby Facilities agreed to lease the Electrical Power Substation and the related distribution system to the Board of Regents. The initial agreement term commences with the completion of the Electrical Power Substation and issuance of a Certificate of Occupancy. A Certificate of Occupancy has not been issued at June 30, 2006, 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 Facilities to pay debt service on the 2005 bonds.

Telecommunications
On February 17, 2006, Facilities entered into an installment sale agreement with GIT for telecommunications equipment and installation. The agreement commences on the date the equipment is accepted and 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. Should GIT fail to exercise its options to renew, it must pay the remaining principal balance plus accrued interest as additional rent. At June 30, 2006, installation had not been completed, the equipment had not been accepted by GIT, and the agreement had not yet commenced.

5. Leasing Arrangements (continued):

In order to finance this equipment, Facilities (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 $9,734. Future minimum lease payments due in each of the next five years and in the aggregate are as follows:

Year Ending June 30,		Principal
2007	$	242
2008		2,098
2009		2,179
2010		2,263
2011		2,350
Thereafter		602
	$	9,734

6. Bond Issues:

Series 1997
During December 1997, Facilities issued $11,580 of Series 1997A Bonds and $21,560 Series 1997B Bonds. The Series 1997A Bonds provided funds to repay outstanding Variable Rate Demand Bonds, Series 1992A and 1992B, and to finance the acquisition of a building, known as the Habersham Building, which is located on the campus of GIT. The Series 1997B Bonds were issued to provide funds to finance the costs of acquisition, construction and installation of the Complex described in Note 5.

The following represents the applicable interest rates and mandatory bond principal redemptions on the Series 1997A Bonds until maturity on September 1, 2027:

Year Ending June 30,		Principal	Rate
2007	$	255	4.60%
2008		270	4.63%
2009		280	4.75%
2010		295	4.80%
2011		310	5.00%
Thereafter		8,480	5.00%
	$	9,890	

6. Bond Issues (continued):

The following represents the applicable interest rates and mandatory bond principal redemptions on the Series 1997B Bonds until maturity on September 1, 2027:

Year Ending June 30,		Principal	Rate
2007	$	490	4.60%
2008		515	4.63%
2009		540	4.75%
2010		565	4.75%
2011		595	5.00%
Thereafter		16,320	5.00%
	$	19,025	

Series 2003
During July 2003, Facilities issued $70,320 of Series 2003 Revenue Bonds. The proceeds from these bonds are being used to finance the construction of the family and graduate student apartments and related parking facility for the Family and Graduate Housing project, and a parking facility for the Klaus Advanced Computing Building on the campus of GIT. The Series 2003 Revenue Bonds were issued to provide funds to finance the costs of acquisition, construction, and installation of the above projects.

The following represents the applicable interest rates and mandatory bond principal redemptions on the Series 2003 bonds until maturity on November 1, 2029:

Year Ending June 30,		Principal	Rate
2007	$	1,805	2.00%
2008		1,845	2.30%
2009		1,890	2.625%
2010		1,950	3.00%
2011		2,020	3.5% to 5.0%
Thereafter		59,375	3.75% to 5.25%
	$	68,885	

Series 2004
During June 2004, Facilities issued $75,205 of Series 2004 Revenue Bonds. The proceeds from these bonds are being used to finance the construction of the Molecular Science and Engineering Building on the GIT campus. The Series 2004 Revenue Bonds were issued to provide funds to finance the costs of acquisition, construction, and installation of the above project.

6. Bond Issues (continued):

The following represents the applicable interest rates and mandatory bond principal redemptions on the Series 2004 bonds until maturity on May 1, 2036:

Year Ending June 30,	Principal	Rate
2007	$ -0-	N/A
2008	1,290	3.00%
2009	1,330	3.25%
2010	1,375	3.50%
2011	1,420	3.75%
Thereafter	69,790	4.00% to 5.25%
	$ 75,205	

Series 2005

During November 2005, Facilities issued $32,375 of Series 2005A Revenue Bonds (non-taxable) and $7,295 of Series 2005B Revenue Bonds (taxable). The proceeds from these bonds are being used to finance the cost of constructing, installing and equipping an electrical power substation and related distribution system to serve the campus of GIT, as described in Note 5.

The following represents the mandatory bond principal redemptions on the Series 2005A Bonds until maturity on May 1, 2037:

Year Ending June 30,	Principal
2007	$ -0-
2008	-0-
2009	-0-
2010	-0-
2011	-0-
Thereafter	32,375
	$ 32,375

The Series A bonds were issued as Auction Rate Certificates, and bear interest at a rate determined by a weekly auction process. The rate for the final weekly period of the year ended June 30, 2006 was 3.75%. In conjunction with the issuance of the 2005A bonds, Facilities entered the interest rate swap agreement described in Note 3.

6. Bond Issues (continued):

The following represents the applicable interest rates and mandatory bond principal redemptions on the Series 2005B Bonds until maturity on May 1, 2017:

Year Ending June 30,		Principal	Rate
2007	$	-0-	N/A
2008		-0-	N/A
2009		755	4.79%
2010		765	4.88%
2011		825	4.92%
Thereafter		4,950	4.96% to 5.20%
	$	7,295	

7. Related Parties:

Payment of the principal and related interest and fees on the Series 1997A Bonds has been guaranteed by Georgia Tech Foundation, Inc. (the Foundation) through a Commitment of Support dated December 1, 1997. 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 of Facilities also serve as trustees of the Foundation.

The guaranteed future bond payments from the Foundation are recorded as contributions receivable in the financial statements in accordance with SFAS 116. The total contribution receivable recorded at June 30, 2006 and 2005 is $9,890 and $10,302 on the Series 1997A Bonds, and is paid according to the debt schedule above after the use of any cash held by Facilities. Payment of the principal and related interest and fees on the Series 1997B Bonds will be funded by any cash held by Facilities and by lease payments made under the Facility Lease Agreement between Facilities and Georgia Tech Research Corporation (GTRC). GTRC is a separate not-for-profit corporation formed in 1937 for the purpose of serving GIT and is operated exclusively for scientific, literary and education purposes, to engage in scientific research, and to distribute and disseminate information resulting from research. In accordance with the Bond Agreement, Facilities has assigned all interests in the Facility Lease Agreement to SunTrust Bank, the trustee.

On March 17, 2003, to accommodate the Foundation, Facilities entered into an interest rate swap transaction agreement (the Agreement) with UBS AG with regard to the 1997A bond issue described in Note 6. Under the agreement, UBS AG has the option, ten years after the date of bond issuance, to require Facilities to enter into a variable to fixed rate swap. By a Memorandum of Understanding dated March 12, 2003, the Foundation expands the Commitment of Support described above to guarantee any new bonds issued as a result of the Agreement to replace the current bonds.

On August 20, 2003, Facilities entered into a binding Memorandum of Understanding with GIT to confirm the responsibilities in connection with the financing and construction of the MSE Building on the GIT campus. Facilities is responsible for the financing, design, and construction of the $66,000 project and assesses a management fee of three-quarters percent payable by the project funding. Facilities funded the project through issuance of tax-exempt bonds.

7. Related Parties (continued):

On April 14, 2004, Facilities entered into a binding Memorandum of Understanding with GIT to confirm the responsibilities in connection with the financing and construction of a Main Campus Electrical Substation and related distribution systems and other capital needs on the GIT campus. Facilities is responsible for the financing, design, and construction of the $35,500 project and assesses a management fee of three-quarters percent payable by the project funding. Facilities funded the project through issuance of tax-exempt and taxable bonds.

In connection with the above Memoranda of Understanding for the MSE Building and Main Campus Electrical Substation projects, Facilities has entered into Development Management Services Agreements with GIT under which the GIT has agreed to provide services such as project management and coordination, technical direction, and other services for a fee based on each service.

On February 15, 2006, Facilities entered into a binding Memorandum of Understanding with GIT to confirm the responsibilities of the parties in connection with the acquisition, installation and financing of telecommunications equipment and services for use by GIT. Facilities is responsible for the acquisition and financing of the $9,734 project and assesses a management fee of three-quarters percent payable by the project funding. Facilities funded the project through a tax-exempt lease.

For the years ended June 30, 2006 and 2005, Facilities charged management fees of $476 and $228 related to certain of the aforementioned properties.

For the year ended June 30, 2005, the Statement of Activities and Changes in Net Assets reflects contributions to GIT in the amount of $133. This balance is comprised of receivables or other assets available in the Technology Square and Biomedical Engineering Building projects in the amounts of $120 and $13, respectively, which were not required for project completion and therefore forgiven or otherwise ceded to GIT.

8. Commitments:

During the year ended June 30, 2006, Facilities entered into agreements with contractors for the construction of the MSE Building. At June 30, 2006, outstanding commitments under these agreements total $6,999. During the year ended June 30, 2006, Facilities entered into agreements with contractors for the construction and installation of the Electrical Power Substation and telecommunication system. At June 30, 2006, the outstanding commitments under these arrangements total $19,100.

9. Contingencies and Litigation:

On September 17, 2004, the construction manager for the Family Apartment project filed a Complaint for Declaratory Judgment against Facilities seeking a determination that it was entitled to an increase in the contract amount and an extension of time for completion of the project. On December 9, 2004, the construction manager amended its complaint to add claims for money damages in excess of three million dollars. In January 2006, Facilities was awarded a partial summary judgment in its favor. The construction manager has appealed the trial court decision. Facilities denies that the construction manager is entitled to either money damages or an extension of time, except as previously granted through change order to the contract, and is vigorously defending the claim. No provision for any estimated loss is reflected in the accompanying financial statements.

9. Contingencies and Litigation (continued):

On August 29, 2005, Facilities was added as a third party defendant in a lawsuit by a contractor for the Technology Square project against the Board of Regents of the University System of Georgia d/b/a the Georgia Institute of Technology (BOR) for damages arising out of the BOR's alleged breach of a construction contract. The contractor amended its complaint on June 21, 2006, to add several additional defendants, including Facilities. Facilities denies that the contractor is entitled to damages. No provision for any estimated loss is reflected in the accompanying financial statements.