FINANCIAL STATEMENTS

Georgia Tech Facilities, Inc.
Years Ended June 30, 2008 and 2007
With Report of Independent Auditors

Georgia Tech Facilities, Inc.

Audited Financial Statements

Years Ended June 30, 2008 and 2007

Contents

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Report of Independent Auditors

The Board of Trustees
Georgia Tech Facilities, Inc.

We have audited the accompanying balance sheet of Georgia Tech Facilities, Inc. (the Organization) as of June 30, 2008, and the related statements of activities, changes in net assets, and cash flows for the year 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. The prior year summarized comparative information has been derived from the Organization's 2007 financial statements and, in our report dated November 5, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Organization's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

We also audited the adjustments described in Note 12 that were applied to restate the prior year financial statements and net assets at the beginning of the year. In our opinion, such adjustments are appropriate and have been properly applied.

Ernst & Young LLP

October 21, 2008

0807-0963533

Georgia Tech Facilities, Inc.

Balance Sheets
(In Thousands)

	June 30 2008	June 30 2007
Assets		
Cash and cash equivalents	**$ 3,120**	$ 4,343
Investments	**6,792**	–
Restricted cash	**35,722**	13,852
Contribution receivable – affiliates	**9,522**	9,795
Lease payment receivable	**7,897**	–
Accrued interest receivable	**31**	33
Non-investment real estate	**1,198**	1,258
Bond issuance cost, net	**8,415**	4,863
Investment in direct financing lease	**253,358**	157,687
Prepaid ground lease	**5,619**	5,813
Prepaid expense	**55**	–
Construction in progress	**1,419**	33,494
Total assets	**$ 333,148**	$ 231,138
Liabilities and net assets		
Liabilities:		
Accounts payable	**$ 2,628**	$ 975
Due to primary government	**28,011**	–
Contract retainage payable	**669**	852
Interest rate swap	**2,422**	(896)
Accrued bond interest	**1,641**	1,761
Lease payable	**7,394**	9,492
Accrued bond issuance premium	**4,280**	1,823
Bonds payable – current portion	**5,723**	3,920
Bonds payable – noncurrent	**284,804**	206,205
Deferred revenue	**1,862**	607
Total liabilities	**339,434**	224,739
Unrestricted net deficit	**(15,808)**	(7,896)
Temporarily restricted net assets	**9,522**	14,295
Total net assets	**(6,286)**	6,399
Total liabilities and net assets	**$ 333,148**	$ 231,138

See accompanying notes.

Georgia Tech Facilities, Inc.

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2008
With Summarized Financial Information for the Year Ended June 30, 2007
(In Thousands)

	Unrestricted	Temporarily Restricted	2008 Total	2007 Total *(As Restated)*
Support from affiliates – rent	**$ 10,337**	**$ –**	**$ 10,337**	$ 9,729
Support from affiliates – other	**400**	**631**	**1,031**	–
Interest income	**2,162**	**–**	**2,162**	1,585
Management fees	**152**	**–**	**152**	232
Other resources	**1**	**–**	**1**	8
Net assets released from restriction	**5,404**	**(5,404)**	**–**	–
Total revenue	**18,456**	**(4,773)**	**13,683**	11,554
Program expense:				
Interest	**12,623**		**12,623**	6,342
Depreciation and amortization	**369**		**369**	255
Trustee fees	**43**		**43**	12
Rent – ground lease, Electrical Substation	**194**		**194**	194
Insurance and bonding	**382**		**382**	93
Professional fees	**–**		**–**	8
Donation expense	**5,816**		**5,816**	–
Miscellaneous fees	**166**		**166**	102
Total program expense	**19,593**		**19,593**	7,006
General and administrative expense:				
Supplies and materials	**61**		**61**	38
Insurance and bonding	**55**		**55**	58
Reimbursed administrative costs and salaries – Georgia Tech	**217**		**217**	169
Professional fees	**528**		**528**	133
Total general and administrative expense	**861**		**861**	398
Total expenses	**20,454**		**20,454**	7,404
Loss on extinguishment of debt	**(3,214)**		**(3,214)**	–
Change in value of interest rate swap	**(2,700)**		**(2,700)**	(335)
Change in net assets	**(7,912)**	**(4,773)**	**(12,685)**	3,815
Net assets at beginning of year, as previously reported	**(7,896)**	**14,295**	**6,399**	3,715
Correction of prior period errors	**–**	**–**	**–**	(1,131)
Net (deficit) assets at beginning of year, as restated	**(7,896)**	**14,295**	**6,399**	2,584
Net (deficit) assets, end of year	**$ (15,808)**	**$ 9,522**	**$ (6,286)**	$ 6,399

See accompanying notes.

Georgia Tech Facilities, Inc.

Statements of Cash Flows
(In Thousands)

	June 30 2008	June 30 2007 *(As Restated)*
Operating activities		
Change in net assets	**$ (12,685)**	$ 3,815
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	**60**	60
Amortization of bond issue costs	**309**	195
Gain on settlement of interest rate swap	**(618)**	–
Amortization of bond premium costs	**(133)**	–
Changes in operating assets and liabilities:		
Investments	**(6,792)**	–
Accounts receivable	**–**	79
Contribution receivable – affiliates	**273**	259
Accrued interest receivable	**2**	739
Lease payment receivable	**(7,897)**	–
Investment in direct financing leases	**(95,671)**	(13,678)
Prepaid ground lease	**194**	193
Prepaid expense	**(55)**	–
Accrued bond interest	**(120)**	116
Accounts and contract retainage payable	**1,470**	(2,020)
Due to primary government	**28,011**	–
Interest rate swap	**3,318**	–
Deferred revenue	**1,255**	(46,528)
Net cash used in operating activities	**(89,079)**	(56,770)
Investing activities		
Additions to capitalized development costs	**32,075**	30,573
Net cash provided by investing activities	**32,075**	30,573
Financing activities		
Payments on lease payable – Telecom project	**(2,098)**	(242)
Repayment of debt	**(3,920)**	(2,550)
Issuance of debt	**80,455**	–
Loss on extinguishment of debt	**3,214**	–
Net cash provided by (used in) financing activities	**77,651**	(2,792)
Net increase (decrease) in cash and cash equivalents	**20,647**	(28,989)
Cash and cash equivalents at beginning of year	**18,195**	47,184
Cash and cash equivalents at end of year	**$ 38,842**	$ 18,195
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	**$ 11,476**	$ 11,067

See accompanying notes.

Georgia Tech Facilities, Inc.

Notes to Financial Statements

June 30, 2008
(In Thousands)

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 Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. The 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. Temporarily restricted net assets include a time restricted gift of $9,522 and $9,795 at June 30, 2008 and 2007, respectively, and a purpose restricted gift of $- and $4,500 at June 30, 2008 and 2007, respectively

Contributions Received

The Organization 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. 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.

Cash and Cash Equivalents

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

1. Summary of Significant Accounting Policies (continued)

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 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 of $585 and $970 at June 30, 2008 and 2007, 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.

Capitalized Development Costs

The Organization records capitalized development costs for construction expenditures and capitalized interest related to uncompleted construction projects. As of June 30, 2008 and 2007, the amounts capitalized were $1,419 and $33,494, respectively. Construction of the Electrical Substation Project was substantially completed during the year ended June 30, 2008, and the project was leased to the Board of Regents of the University System of Georgia (see Note 6, Leasing Arrangements – Series 2005 Electrical Substation and System).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

1. Summary of Significant Accounting Policies (continued)

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.

2. Concentrations

The Organization 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. The Organization 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, 2008 and 2007 is $3,020 and $4,243, respectively.

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.

3. Investments

Included in investments at June 30, 2008 are auction rate securities held at JP Morgan Securities Inc. totaling $7,000. During February 2008, the auction market for many of these securities began to fail on an industry wide basis. Should the Organization have to sell the underlying securities prior to their maturity date or in a secondary market, the price received upon sale will be subject to prevailing market conditions and could be lower than par value. Management assessed the value of these securities as of June 30, 2008, using a present value methodology and recorded a discount of approximately $200 on the June 30, 2008 balance.

4. Interest Rate Swaps

Series 2005A/2008A

In order to mitigate interest rate risk associated with the 2005A Series bonds described in Note 7, the Organization entered into an interest rate swap agreement with UBS AG. During April 2008, the Series 2008A bonds described in Note 7 were issued to refund the Series 2005A bonds and the interest rate swap agreement now covers the Series 2008A bonds. Pursuant to the agreement, the Organization 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 one-month USD-LIBOR-BBA rate, determined weekly. Effective June 1, 2013, UBS AG’s payment of floating rates are based upon 34% of USD-ISDA 5 year designated maturity swap rate minus 16.5 basis points and 34% of USD-ISDA 10 year designated maturity swap rate minus 20.9 basis points. The agreement is settled monthly as the party obligated for the larger amount pays 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 the years ended June 30, 2008 and 2007, the value of the interest rate swap agreement decreased by approximately $1,595 and $335, respectively. These amounts are included in the Statement of Activities and Changes in Net Assets for the years ended June 30, 2008 and 2007.

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 retains an independent entity to provide periodic valuations of the interest rate swap. At June 30, 2008 and 2007, the value is $(1,317) and $896, respectively.

Series 1997A/2008C

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 7. 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. The exercise of this option resulted in a gain of $618 during 2008. Pursuant to the agreement, the Organization pays 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. The agreement is settled monthly as the party obligated for the larger amount pays the net difference of these two payment streams. The Organization may terminate this agreement at any time upon settlement of any

4. Interest Rate Swaps (continued)

amounts due under the agreement. During the year ended June 30, 2008, the value of the interest rate swap agreement decreased by approximately $1,105. This amount is included in the Statement of Activities and Changes in Net Assets for the year ended June 30, 2008.

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 7.

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 retains an independent entity to provide periodic valuations of the interest rate swap. At June 30, 2008, the value is $(1,105).

5. 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:

	2008	2007
Land	**$ 598**	$ 598
Building	**1,200**	1,200
	1,798	1,798
Less accumulated depreciation	**(600)**	(540)
	$ 1,198	$ 1,258

Depreciation expense was $60 during the years ended June 30, 2008 and 2007.

6. Leasing Arrangements

Series 1997B – Bioengineering and Biosciences Building

In connection with the issuance of Series 1997B Bonds, the Organization entered into the following leasing arrangements:

Ground Lease

The Organization 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 Building (the Building). The ground lease was signed on November 13, 1997, and has a term from inception until 30 years from the completion of the Building at a nominal rental cost. Use of the land reverts back to the Board of Regents at the end of the lease term.

Facility Rental

During 1997, the Organization entered into a Facility Lease Agreement with Georgia Tech Research Corporation (GTRC) whereby the Organization agreed to lease the Building and to sublease the land on which the Building is built to GTRC. The Facility Lease Agreement was amended and restated during April 2008 in connection with the issuance of the 2008 Bond to refund the 1997B Bonds. The Building 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 2008 Bond.

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

6. Leasing Arrangements (continued)

The lease is included in the Organization's balance sheet as an Investment in Direct Financing Lease based on the costs to construct the building. 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 the direct financing lease as of June 30 are as follows:

	2008	**2007**
Minimum lease payment receivable	**$ 28,500**	$ 29,926
Less unearned income	**(7,133)**	(7,473)
Net investment in direct financing lease	**$ 21,367**	$ 22,453

Series 2003 – Family Housing and Klaus Parking

In connection with the issuance of Series 2003 Bonds, the Organization entered into the following leasing arrangements:

Ground Lease

The Organization 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.

Facility Rental

During July 2003, the Organization entered into a Facility Rental Agreement with the Board of Regents whereby the Organization 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,

6. Leasing Arrangements (continued)

when combined with the rental payment due under the Klaus Parking Facility Rental Agreements, to enable the Organization to pay debt service on the 2003 bonds. As of June 30, 2008, the Board of Regents has exercised its right to renew the Facility Rental Agreement for the year ended June 30, 2009.

Klaus Parking Facility Agreements

Parking Facility Lease

The Organization entered into a Parking Facility Lease with the Board on Regents on July 17, 2003, for the premises upon which the Klaus Parking Facility was constructed. The Parking Facility Lease is for an initial term commencing upon execution of the lease and continuing until the first day of the first month after the issuance of a certificate of occupancy, followed by a primary term of twenty (20) years and one (1) month. The certificate of occupancy was issued in August 2006 and the primary term commenced on September 1, 2006. The initial term payment of $9 million was used by the Georgia State Financing and Investment Commission for the purpose of constructing the Klaus Advanced Computing Building, which includes the Parking Facility. Use of the Parking Facility reverts back to the Board of Regents at the end of the lease term.

Facility Rental

On July 17, 2003, the Organization entered into a Rental Agreement with the Board of Regents pursuant to which the Board of Regents will lease the Klaus Parking Facility from the Organization. The initial term of the Rental Agreement commences on the first day of the first month after the issuance of the certificate of occupancy and ends on the last day of the commencement month. The Board of Regents has the option to renew the Rental Agreement following the initial term on a year-to-year basis for twenty (20) consecutive years. In the event of such annual renewals, the Board of Regents will be obligated to pay an annual rental which, when combined with rental payments due under the Family Housing Facility Rental Agreement described above, will be sufficient to enable the Organization to pay debt service on the 2003 Bonds. The certificate of occupancy was issued in August 2006, and the initial term of the Rental Agreement ran from September 1, 2006 to September 30, 2006. As of June 30, 2008, the Board of Regents has exercised its renewal option for the period from October 1, 2007 through September 30, 2008.

6. Leasing Arrangements (continued)

The Family Housing and Klaus parking leases are included in the Organization's balance sheet as an Investment in Direct Financing Lease based on the costs to construct the building. 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 the direct financing lease as of June 30 are as follows:

	2008	**2007**
Minimum lease payment receivable	**$ 105,912**	$ 110,993
Less unearned income	**(47,609)**	(49,773)
Net investment in direct financing lease	**$ 58,303**	$ 61,220

Series 2004 – Molecular Science and Engineering Building

In connection with the Series 2004 Revenue Bonds, the Organization entered into the following leasing arrangements:

Ground Lease

The Organization leased land on the GIT campus from the Board of Regents on which to construct a new Molecular Science and Engineering Building (MSE Building) under a ground lease dated May 17, 2004, for a nominal amount. The ground lease is for a construction term commencing upon execution of the lease and continuing until the first day of the first month after the issuance of a certificate of occupancy, followed by a primary term for a period of 30 years. The certificate of occupancy was issued in August 2006, and the primary term commenced on September 1, 2006. Use of the land and building reverts back to the Board of Regents at the end of the lease term.

6. Leasing Arrangements (continued)

Facility Rental

The Organization entered into a Rental Agreement with the Board of Regents on May 17, 2004, pursuant to which the Board of Regents agreed to lease the MSE Building from the Organization. The initial term of the Rental Agreement commenced on the first day of the first month after the issuance of the certificate of occupancy and ends on the following June 30. The Board of Regents has the option to renew the Rental Agreement following the initial term on a year-to-year basis for thirty (30) consecutive years, with the thirtieth renewal term to expire on the thirtieth anniversary of commencement of the initial term. In the event of such annual renewals, the Board of Regents will be obligated to pay an annual rent which will be sufficient to enable the Organization to pay debt service on the 2004 Bonds. The certificate of occupancy was issued in August 2006, and the initial term commenced on September 1, 2006, and ended on June 30, 2007. At June 30, 2008, the Board of Regents has exercised its renewal option for the period from July 1, 2008 through June 30, 2009.

The lease is included in the Organization's balance sheet as an Investment in Direct Financing Lease based on the costs to construct the building. 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 the direct financing lease as of June 30 are as follows:

	2008	**2007**
Minimum lease payment receivable	**$ 145,000**	$ 150,000
Less unearned income	**(73,454)**	(75,986)
Net investment in direct financing lease	**$ 71,546**	$ 74,014

Series 2005 – Electrical Substation and System

In connection with the Series 2005 Revenue Bonds, the Organization entered into the following leasing arrangements:

6. Leasing Arrangements (continued)

Ground Lease

The Organization 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 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, the Organization 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 years ended June 30, 2008 and 2007, rental expense under this agreement was $194 and $194, respectively, and at June 30, 2008 and 2007, the related prepaid expense was $5,619 and $5,813, respectively.

Facility Rental

On August 31, 2005, the Organization entered into a Rental Agreement with the Board of Regents whereby the Organization 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 and ends on the following June 30. The Board of Regents has the option to renew the Rental Agreement on a year to year basis for thirty (30) consecutive years, with the thirtieth renewal term to expire on the thirtieth anniversary of the commencement term. In the event of such annual renewals, the Board of Regents will be obligated to pay an annual rent which will be sufficient to pay debt service on the 2005B Bonds, amounts due under the interest rate swap agreement described in Note 4, and debt service on the 2008A Bonds that refunded the 2005A Bonds in excess of amounts received under the interest rate swap agreement. A certificate of occupancy was issued on October 9, 2007, and the initial term commenced on October 29, 2007 and ended on June 30, 2008. As of June 30, 2008, the board of Regents has exercised its renewal option for the period from July 1, 2008 to June 30, 2009.

6. Leasing Arrangements (continued)

The lease is included in the Organization's balance sheet as an Investment in Direct Financing Lease based on the costs to construct the Electrical Power Substation and the related distribution system. 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 the direct financing lease as of June 30, 2008, are as follows:

Minimum lease payment receivable	$ 88,500
Less unearned income	(56,955)
Net investment in direct financing lease	$ 31,545

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 $9,734. Future minimum lease payments due in each of the next five years and in the aggregate are as follows:

	Principal
Year ending June 30,	
2009	$ 2,179
2010	2,263
2011	2,350
2012	602
2013	–
	$ 7,394

6. Leasing Arrangements (continued)

Series 2007 North Avenue Apartments

In connection with the Series 2007 Bonds, the Organization entered into the following leasing arrangement:

Ground Lease

The Organization leased land and buildings on the GIT campus from the Board of Regents on which to renovate and enhance the North Avenue Apartments under a ground lease dated July 23, 2007. The advance rental payment of $45,745 was used by the Board of Regents to refund obligations of the State of Georgia issued in connection with the construction of the buildings and to fund capital projects at Georgia State University and at GIT. The ground lease is for a term of twenty-five years commencing July 1, 2007. Use of the land and buildings reverts back to the Board of Regents at the end of the lease term.

Facility Rental

The Organization entered into a Rental Agreement with the Board of Regents on July 23, 2007, pursuant to which the Board of Regents leased the North Avenue Apartments from the Organization. The initial term of the Rental Agreement commenced on July 1, 2007, and ended on June 30, 2008. The Board of Regents has the option to renew the Rental Agreement following the initial term of a year-to-year basis for twenty-four (24) 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 2007A Bonds and on the 2008B and 2008D bonds issued to refund the 2007B and 2007C Bonds, as described in Note 7.

The lease is included in the Organization's balance sheet as an Investment in Direct Financing Lease based on the costs of acquiring the ground lease and renovating the buildings. 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 the direct financing lease as of June 30, 2008, are as follows:

Minimum lease payment receivable	$ 126,720
Less unearned income	(56,123)
Net investment in direct financing lease	$ 70,597

7. Bond Issues

Series 1997

During December 1997, the Organization 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 Bonds, and to finance the acquisition of the Habersham Building, 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 Bioengineering and Biosciences Building described in Note 6.

The Series 1997B Bonds were refunded with the Series 2008 Bonds issued during April 2008. The Series 1997A Bonds were refunded with the Series 2008C Bonds issued during April 2008.

Series 2003

During July 2003, the Organization issued $70,320 of Series 2003 Revenue Bonds. The proceeds from these bonds were used to finance the construction of the Family Housing Complex and related parking facility structure, and a parking facility for the Klaus Advanced Computing Building on the GIT campus.

The Series 2003 Revenue Bonds were issued to provide funds to finance the costs of acquisition, construction, and installation of the above projects.

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.

The swaption premium is recorded as a component of bonds payable in the Balance Sheet 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. At June 30, 2008 and 2007, the unamortized value on the Balance Sheet is $2,104 and $0, respectively.

7. Bond Issues (continued)

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

	Principal	Rate
Year ending June 30,		
2009	$ 1,890	2.625%
2010	1,950	3.000%
2011	2,020	3.500% to 5.000%
2012	2,115	3.750% to 5.250%
2013	2,225	3.875% to 5.250%
Thereafter	55,036	4.000% to 5.250%
	$ 65,236	

Series 2004

During July 2004, the Organization issued $75,205 of Series 2004 Revenue Bonds. The proceeds from these bonds were 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.

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.

The swaption premium is recorded as a component of bonds payable in the Balance Sheet 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. At June 30, 2008 and 2007, the unamortized value on the Balance Sheet is $3,017 and $0, respectively.

7. 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:

	Principal	Rate
Year ending June 30,		
2009	$ 1,330	3.25%
2010	1,375	3.50%
2011	1,420	3.75%
2012	1,475	4.00%
2013	1,535	4.00%
Thereafter	66,780	4.00% to 5.25%
	$ 73,915	

Series 2005

During November 2005, the Organization issued $32,375 of Series 2005A Revenue Bonds (non-taxable) and $7,295 of Series 2005B Revenue Bonds (taxable). The proceeds from these bonds were 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 6.

The Series 2005A Bonds were refunded with the Series 2008A Bonds issued during April 2008. In conjunction with the issuance of the 2008A Bonds, the interest rate swap agreement described in Note 4 was amended to cover the 2008A Bonds.

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

	Principal	Rate
Year ending June 30,		
2009	$ 755	4.79%
2010	765	4.88%
2011	825	4.92%
2012	865	4.96%
2013	910	4.99%
Thereafter	3,175	5.05% to 5.20%
	$ 7,295	

7. Bond Issues (continued)

Series 2007

During August 2007, the Organization issued $24,540 of Series 2007A Revenue Bonds. The proceeds from these bonds were used to establish a defeasance escrow with respect to obligations of the State of Georgia in connection with the acquisition by the Organization of the North Avenue Apartments, as described in Note 6.

The following represents the mandatory bond principal redemptions of the Series 2007A bonds until maturity on June 1, 2032:

	Principal	Rate
Year ending June 30,		
2009	$ –	
2010	–	
2011	–	
2012	–	
2013	–	
Thereafter	24,540	5.00%
	$ 24,540	

During August 2007, the Organization issued $33,225 of Series 2007B Revenue Bonds. The proceeds from these bonds were used to finance the costs of renovating and enhancing the North Avenue Apartments described in Note 6, and to fund other capital projects at GIT in connection with the acquisition by the Organization of the North Avenue Apartments. The Series 2007B Bonds were refunded with the Series 2008B Bonds issued during April 2008.

During August 2007, the Organization issued $18,200 of Series 2007C Revenue Bonds. The proceeds from these bonds were used to fund capital projects at Georgia State University in connection with the acquisition by the Organization of the North Avenue Apartments described in Note 6. The Series 2007C Bonds were refunded with the Series 2008D Bonds issued during April 2008.

7. Bond Issues (continued)

Series 2008

During April 2008, the Organization issued $19,900 Series 2008 Revenue Refunding Bond. The proceeds from the Bond were used to refund the Series 1997B Bonds issued to provide funds to finance the costs of acquisition, construction, and installation of the Bioengineering and Bioscience Building described in Note 6.

The following represents the applicable interest rates and mandatory bond principal redemptions remaining on the Series 2008 Bond until maturity on September 1, 2027.

	Principal	Rate
Year ending June 30,		
2009	$ 675	3.93%
2010	700	3.93%
2011	727	3.93%
2012	756	3.93%
2013	785	3.93%
Thereafter	16,257	3.93%
	$ 19,900	

Series 2008A

During April 2008, the Organization issued $32,895 Series 2008A Refunding Revenue Bonds. The proceeds from these bonds were used to refund the Series 2005A Bonds issued 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 6, and are being used to fund the cost of completing the related distribution system.

7. Bond Issues (continued)

The following represents the applicable interest rates and mandatory bond principal redemptions remaining on the Series 2008A Bonds until maturity on May 1, 2037:

	Principal	Rate
Year ending June 30,		
2009	$ –	
2010	–	
2011	–	
2012	–	
2013	–	
Thereafter	32,895	VRDB
	$ 32,895	

Series 2008B

The Series 2007B Bonds for the renovation and improvements to the North Avenue Apartment complex were refunded with the Series 2008B Bonds in April 2008 in the amount of $33,760.

The following represents the applicable interest rates and mandatory bond principal redemptions remaining on the Series 2008B Bonds until maturity on June 1, 2032:

	Principal	Rate
Year ending June 30,		
2009	$ –	
2010	–	
2011	–	
2012	–	
2013	–	
Thereafter	33,760	VRDB
	$ 33,760	

7. Bond Issues (continued)

Series 2008C

The Series 1997A Bonds, for the financing of the Wardlaw and Success Center Buildings and the acquisition of the Habersham Building, were refunded with the Series 2008C Bonds during April 2008 in the amount of $9,370.

The following represents the applicable interest rates and mandatory bond principal redemptions remaining on the Series 2008C Bonds until maturity on September 1, 2027:

	Principal	Rate
Year ending June 30,		
2009	$ 285	4.993%
2010	295	VRDB
2011	310	VRDB
2012	325	VRDB
2013	340	VRDB
Thereafter	7,815	VRDB
	$ 9,370	

Series 2008D

During April 2008, the Organization issued $18,495 Series 2008D Refunding Revenue Bonds. The proceeds from those Bonds were used to refund the Series 2007C Bonds that were issued to fund capital projects at Georgia State University in connection with the acquisition by the Organization of the North Avenue Apartments described in Note 6, and are being used to fund capital projects at Georgia State University.

The following represents the applicable interest rates and mandatory bond principal redemptions remaining on the Series 2008D Bonds until maturity on June 1, 2020.

	Principal	Rate
Year ending June 30,		
2009	$ 585	VRDB
2010	1,795	VRDB
2011	1,915	VRDB
2012	2,000	VRDB
2013	2,085	VRDB
Thereafter	10,115	VRDB
	$ 18,495	

8. Related Parties

Payment of the principal and related interest and fees on the Series 2008C Bonds has been guaranteed by Georgia Tech Foundation, Inc. (the Foundation) through a Commitment of Support dated as of April 1, 2008. 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 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 SFAS 116. The total contribution receivable recorded at June 30, 2008, is $9,522 on the Series 2008C Bonds and is paid according to the debt schedule in Note 7 after the use of any cash held by the Organization.

Payment of the principal and related interest and fees on the Series 2008 Bonds will be funded by any cash held by the Organization and by lease payments made under the Facility Lease Agreement between the Organization and 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 Board Agreement, the Organization has assigned all interests in the Facility Lease Agreement to the Development Authority of Fulton County for the benefit of the Bondholder.

On April 14, 2004, the Organization entered into a binding Memorandum of Understanding with GIT to confirm the responsibilities in connection with the financing and construction of the Electrical Power Substation and related distribution systems and other capital needs on the GIT campus. The Organization 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. The Organization funded the project through issuance of tax-exempt and taxable bonds.

On February 15, 2006, the Organization 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. The Organization 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. The Organization funded the project through a tax-exempt lease.

8. Related Parties (continued)

On March 21, 2007, the Organization entered into a binding Memorandum of Understanding with GIT to confirm responsibilities in connection with the acquisition of the University Village Apartments previously utilized by Georgia State University and the renovation and construction there of student housing, dining, recreation, parking, and related facilities for use by GIT as the North Avenue Apartments. The Organization is responsible for the financing, design, and construction of the project and assesses a management fee payable of three-quarters percent of the $24,000 renovation cost. The Organization funded the project through the issuance of tax-exempt bonds.

In conjunction with the above Memoranda of Understanding for the Electrical Power Substation and the North Avenue Apartments projects, the Organization 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.

For the years ended June 30, 2008 and 2007, the Organization charged management fees of $152 and $232, respectively, related to certain of the aforementioned projects.

9. Commitments

During the year ended June 30, 2008, the Organization entered into agreements with contractors for the construction and installation of the Electrical Power Substation, the telecommunication system and the North Avenue Apartments. At June 30, 2008 and 2007, the outstanding commitment under these arrangements total $5,300 and $13,000, respectively.

10. Contingencies and Litigation

On September 17, 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. On December 9, 2004, the construction manager amended its complaint to add claims for monetary damages. In January 2006, the Organization was awarded a partial summary judgment in its favor. The construction manager appealed the trial court's decision and in October 2006, the Georgia Court of Appeals affirmed the trial court's ruling. A hearing on the construction manager's remaining claims of approximately $612 was underway at June 30, 2008. The construction manager also seeks up to approximately $2,300 in damages resulting from the Organization's failure to grant an extension of time. The Organization denies that the construction manager is entitled to an extension of time or monetary damages, except as previously granted through change order, and is vigorously defending the claims. No provision for any estimated loss is reflected in the accompanying financial statements.

11. Adoption of FASB Interpretation No. 48

In July, 2006, FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*, was issued. This interpretation requires that realization of an uncertain income tax position must be more likely than not (i.e., greater than 50% likelihood of receiving a benefit) before it can be recognized in the financial statements. Furthermore, this interpretation prescribes the benefit to be recorded in the financial statements as the amount most likely to be realized assuming a review by tax authorities having all relevant information and applying current conventions. This interpretation also clarifies the financial statement classification of tax-related penalties and interest and set forth new disclosures regarding unrecognized tax benefits. This interpretation is effective for fiscal years beginning after December 15, 2006, and the Organization has adopted this interpretation for the year ended June 30, 2008. There was no impact on the financial statements as of June 30, 2008 from the adoption of FIN 48.

12. Restatement and Correction of Prior Period Errors

The Organization did not properly record capitalized interest for certain projects during relevant construction periods. In addition, the Organization did not appropriately account for direct financing leases with the GIT. Accordingly, the financial statements have been restated to properly capitalize interest and reflect the Organization's investment in direct financing leases. The effect of the correction of these prior period errors was to decrease net assets by $1,131, decrease bond issue costs by $70, decrease bond issuance premium by $22, decrease investment in direct financing lease by $51,169, decrease construction in progress by $318, and decrease deferred revenue by $50,404. The effect of these prior period errors for the fiscal year ended June 30, 2006, was a decrease in net assets of $65.

	June 30, 2006 As Reported	Restatement	June 30, 2006 As Restated
Lease receivable	$ 115,364	$ (115,364)	$ –
Investment in direct financing lease	28,645	64,195	92,840
Construction in progress	68,166	(318)	67,848
Bond issue costs	5,122	(70)	5,052
Bond issuance premium	1,921	22	1,899
Deferred revenue	50,404	(50,404)	–
Net assets	3,715	(1,131)	2,584

During Fiscal 2008, an additional adjustment was necessary which reduces Fiscal 2007 Support from affiliates – rent and the restatement by $3,269.

13. Financial Information for 2007

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 accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2007, from which the summarized information was derived.