

GEORGIA TECH FACILITIES, INC.

FINANCIAL STATEMENTS
(with report of independent auditors)

YEARS ENDED JUNE 30, 2005 AND 2004

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Georgia Tech Facilities, Inc. (a nonprofit organization) as of June 30, 2005, and the related statements of activities and 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 audit. The financial statements of Georgia Tech Facilities, Inc. as of and for the year ended June 30, 2004, were audited by other auditors whose report dated September 24, 2004, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 audit provides 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 year ended June 30, 2005, and the changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Tomkiewicz Wright, LLC

July 29, 2005

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

	Unrestricted	Temporarily Restricted								Total				
		Administrative/ Unallocated	Wardlaw	Habersham	Success Center	Bioengineering Bioscience	Technology Square	Biomedical Engineering	Family Housing		Molecular Science & Engineering	Electrical Substation		
ASSETS														
Cash & Cash Equivalents	\$ 192	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63
Investments														65,458
Investment in Direct Finance Leases		5,063		1,651	3,420									10,134
Investment in Real Estate		84	27		57									168
Investment in Other Real Estate														18
Investment in Other Real Estate (See Note 3)	1,378	217	71	146	868									1,378
Investment in Other Real Estate (See Note 1)					29,330									4,243
Investment in Direct Finance Leases														145,164
Investment in Other Real Estate														7,278
Investment in Other Real Estate														11,862
TOTAL ASSETS	\$ 1,570	\$ 5,364	\$ 1,749	\$ 3,623	\$ 30,198	\$ -	\$ -	\$ -	\$ 127,017	\$ 76,226	\$ -	\$ 19	\$ -	\$ 245,766
LIABILITIES														
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91
Accrued Bond Interest		84	27	57	322									1,659
Accrued Bond Issuance Premium														1,989
Bonds Payable- current portion		123	39	83	470									2,150
Bonds Payable- noncurrent		4,940	1,613	3,337	19,025									173,005
Deferred Revenue														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														
Temporarily Restricted														
Temporarily Restricted		217	70	146	10,381									10,814
Temporarily Restricted	(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	\$ 19	\$ -	\$ 245,766

See notes to financial statements.

GEORGIA TECH FACILITIES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004
(in thousands)

	Unrestricted	Temporarily Restricted							Total			
		Wardlaw	Habersham	Success Center	Bioengineering Bioscience	Student Athletic Complex	Technology Square	Biomedical Engineering		Family Housing	Molecular Science & Engineering	
ASSETS												
Cash & Cash Equivalents	\$ 233	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111	\$ -	\$ (7)	\$ -	\$ -	\$ 337
Investments												
Bond Principal Receivable- Affiliates	5,181	1,690	3,499		666		270	13				112,490
Bond Interest Receivable- Affiliates	85	26	58									11,319
Non-Investment Real Estate (See Note 3)	1,438											169
Bond Issuance Cost (See Note 1)		227	74	153	906				1,399		1,383	1,438
Investment in Direct Finance Lease					30,018				2,054			4,142
Due from Unrestricted									34,112			30,018
Construction in Progress											1,452	2,054
TOTAL ASSETS	\$ 1,671	\$ 5,493	\$ 1,790	\$ 3,710	\$ 30,924	\$ 666	\$ 381	\$ 13	\$ 76,865	\$ 76,018	\$ 76,018	\$ 197,531
LIABILITIES												
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 666	\$ 261	\$ -	\$ 4,354	\$ 251	\$ -	\$ 5,532
Interest Payable	85	28	58	329					554	143		1,197
Accrued Bond Issuance Premium									1,637	419		2,056
Bonds Payable- current portion	118	38	79	450								685
Bonds Payable- noncurrent	5,063	1,652	3,420	19,495					70,320	75,205		175,155
Deferred Revenue												
Due to Family Housing	2,054											2,054
TOTAL LIABILITIES	2,054	5,266	1,718	3,557	20,274	666	261	-	76,865	76,018	76,018	186,679
NET ASSETS												
Net Assets- Temporarily Restricted	-	227	72	153	10,650	-	120	13	-	-	-	11,235
Net Assets- Unrestricted	(383)	-	-	-	-	-	-	-	-	-	-	(383)
TOTAL NET ASSETS	(383)	227	72	153	10,650	-	120	13	-	-	-	10,852
TOTAL LIABILITIES AND NET ASSETS	\$ 1,671	\$ 5,493	\$ 1,790	\$ 3,710	\$ 30,924	\$ 666	\$ 381	\$ 13	\$ 76,865	\$ 76,018	\$ 76,018	\$ 197,531

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					Total		
	Administrative/ Unallocated	Wardlaw	Habersham	Success Center	Bioengineering Bioscience	Technology Square	Biomedical Engineering		Family Housing	Science & Engineering
Support From Affiliates	\$ -	\$ 253	\$ 84	\$ 171	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 508
Direct financing lease revenue					745					745
Interest income	26									26
Management fees	228							304	1,499	1,829
Recognition of Bond Issuance Premium	68									68
Other income	3,513	(263)	(86)	(178)	(1,014)	(120)	(13)	(340)	(1,499)	36
Net assets released from restriction										-
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.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended June 30, 2004
(in thousands)

	Unrestricted		Temporarily Restricted					Total						
	Administrative/ Unallocated	Wardlaw	Habersham	Success Center	Bioengineering Bioscience	Technology Square	Student Health Center		Biomedical Engineering	Administration Building	Family Housing			
Support From Affiliates	\$	259	\$	84	\$	175	\$	173	\$	225	\$	672	\$	1,547
Direct financing lease revenue		-		-		745		-		225		672		745
Interest income		-		-		-		4		(551)		(5,272)		490
Management fees		(269)		(88)		(182)		(57)		(551)		(5,272)		165
Net assets released from restriction														-
Total revenues	\$	(10)	\$	(4)	\$	(7)	\$	120	\$	(326)	\$	(4,600)	\$	2,947
Interest Expense - Habersham	\$	84	\$	-	\$	-	\$	-	\$	-	\$	-	\$	84
Interest Expense - Wardlaw Center		257		-		-		-		-		-		257
Interest Expense - Success Center		173		-		-		-		-		-		173
Interest Expense - Bioengineering/Bioscience		989		-		-		-		-		-		989
Interest Expense - Married Family Housing		2,526		-		-		-		-		-		2,526
Depreciation and Amortization Expense - Habersham Building		63		-		-		-		-		-		63
Amortization Expense - Wardlaw		10		-		-		-		-		-		10
Amortization Expense - Success		6		-		-		-		-		-		6
Amortization Expense - Bioengineering/Bioscience		39		-		-		-		-		-		39
Amortization Expense - Married Family Housing		48		-		-		-		-		-		48
Amortization Expense - Molecular Science Engineering		1		-		-		-		-		-		1
Trustee Fees - Habersham		2		-		-		-		-		-		2
Trustee Fees - Wardlaw		1		-		-		-		-		-		1
Trustee Fees - Success Center		6		-		-		-		-		-		6
Trustee Fees - Bioengineering/Bioscience		28,788		-		-		-		-		-		28,788
Contribution of Assets to Georgia Tech		109		-		-		-		-		-		109
General and Administrative		191		-		-		-		-		-		191
Project Development				-		-		-		-		-		
Total expenses	\$	33,293	\$	-	\$	-	\$	-	\$	-	\$	-	\$	33,293
Change in Net Assets		(2,243)		(4)		(7)		120		(326)		(4,600)		(30,346)
Net assets, beginning of year		1,860		76		160		10,939		326		4,600		41,198
Net Assets end of year	\$	(383)	\$	72	\$	153	\$	10,650	\$	-	\$	13	\$	10,852

See notes to financial statements.

GEORGIA TECH FACILITIES, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2005 AND 2004
(IN THOUSANDS)

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (5,746)	\$ (30,346)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	60	60
Amortization of bond issue costs	122	106
Recognition of bond premium revenue	(67)	(54)
Unrealized loss on investments	-0-	(92)
Contribution of assets to Georgia Tech	-0-	28,788
Transfer of capitalized development costs to direct financing lease	34,112	-0-
Changes in operating assets and liabilities:		
Accounts receivable	(18)	19,254
Bond principal receivable	1,185	5,342
Bond interest receivable	1	5
Direct financing leases	(115,146)	686
Due from unrestricted	(5,224)	(2,054)
Interest payable	462	688
Accounts payable	(5,441)	(21,879)
Deferred revenue	54,488	-0-
Due to restricted funds	<u>5,224</u>	<u>2,054</u>
Net cash (used in) provided by operating activities	<u>(35,988)</u>	<u>2,558</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to capitalized development costs	(10,410)	(39,983)
Net sales (purchases) of investments	<u>47,032</u>	<u>(112,108)</u>
Net cash provided by (used in) investing activities	36,622	(152,091)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of bond issue costs	(223)	(2,773)
Payment of bond premium	-0-	2,110
Proceeds from bond issuance	-0-	145,525
Repayment of Habersham debt	(38)	(37)
Repayment of Success Center debt	(79)	(76)
Repayment of Wardlaw Center debt	(118)	(112)
Repayment of Bioengineering Bioscience Complex debt	<u>(450)</u>	<u>(430)</u>
Net cash (used in) provided by financing activities	<u>(908)</u>	<u>144,207</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(274)	(5,326)
CASH AND CASH EQUIVALENTS, beginning of year	<u>337</u>	<u>5,663</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 63</u>	<u>\$ 337</u>

(continued)

GEORGIA TECH FACILITIES, INC.

 STATEMENTS OF CASH FLOWS (CONTINUED)
 YEARS ENDED JUNE 30, 2005 AND 2004
 (IN THOUSANDS)

SUPPLEMENTAL DISCLOSURES OF CASH
 FLOW INFORMATION:

	Year Ended June 30,	
	2005	2004
Cash paid during the year for interest:		
Habersham Building	\$ 83	\$ 84
Wardlaw Center	253	258
Success Center	171	175
Bioengineering Bioscience Complex	976	996
Married Family Housing	3,322	-0-
Molecular Science Engineering	3,238	-0-
	\$ 8,043	\$ 1,513

Contributions of real estate to the Board of Regents:

Year ended June 30, 2004:	
Student Health Center	\$ 553
Research Administration Building	5,289
BME Building	22,946
	\$ 28,788

See notes to financial statements.

GEORGIA TECH FACILITIES, INC.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004
(IN THOUSANDS)

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 Statement of Financial Accounting Standards (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 Statement of Financial Accounting Standards No. 124, *Accounting for Certain Investments Held for Not-for-Profit Organizations* (SFAS 124). 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, 2005 and 2004, unrealized losses of \$0 and \$92 were included in the Statements of Activities and Changes in Net Assets as Interest and Dividends.

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, 2005 and 2004 of \$547 and \$425.

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 the construction uncompleted construction projects. As of June 30, 2005 and 2004, the amounts capitalized were \$11,862 and \$35,564. Construction of the Research Administration Building, Biomedical Engineering Building and the Student Health Center was completed as of June 30, 2004, and these projects were transferred to the Board of Regents of the University System of Georgia. Construction of Married Family Housing was completed as of June 30, 2005, and the project was leased to the Board of Regents of the University System of Georgia (see Note 3, Leasing Arrangements: Series 2003 – Family Housing and Klauss 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. 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, 2005 and 2004 is as follows:

	<u>2005</u>	<u>2004</u>
Land	\$ 598	\$ 598
Building	<u>1,200</u>	<u>1,200</u>
	1,798	1,798
Less accumulated depreciation	<u>(420)</u>	<u>(360)</u>
	<u>\$ 1,378</u>	<u>\$ 1,438</u>

Depreciation expense was \$60 during each of the years ended June 30, 2005 and 2004.

3. 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 they 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.

The Complex and the land are leased by GTRC to the Board of Regents. In the event the Complex and land is 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, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Total minimum lease payments to be received	\$ 34,258	\$ 35,690
Residual value	12,300	12,300
Less amounts representing estimated executory costs included in total minimum lease payments	<u>(83)</u>	<u>(83)</u>
Minimum lease payments receivable	46,475	47,907
Less unearned income	<u>(17,145)</u>	<u>(17,889)</u>
Net investment in direct financing lease	<u>\$ 29,330</u>	<u>\$ 30,018</u>

At June 30, 2005 and 2004, the net investment in direct financing lease included \$761 and \$766 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 Deck). The ground lease was signed on June 24, 2003 and has a term from inception until 25 years from the completion of the Deck 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, Facilities entered into a Facility Rental Agreement with the Board of Regents whereby Facilities agreed to lease the Family Housing and related parking structure to the Board of Regents upon completion of the Complex and issuance of a Certificate of Occupancy. At June 30, 2005, the Certificate of Occupancy has been issued and the lease term has 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 Parking Rental Agreement, to enable Facilities to pay debt service on the 2003 bonds.

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, 2005, 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.

3. Leasing Arrangements (continued):

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.

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, 2005, 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 rental rate that is sufficient to enable Facilities to pay debt service on the 2004 bonds.

4. 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 3.

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
2006	\$ 245	4.50%
2007	255	4.60%
2008	270	4.63%
2009	280	4.75%
2010	295	4.80%
Thereafter	8,790	5.00%
	\$ 10,135	

4. 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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Rate</u>
2006	\$ 470	4.50%
2007	490	4.60%
2008	515	4.63%
2009	540	4.75%
2010	565	4.80%
Thereafter	<u>16,915</u>	5.00%
	<u>\$ 19,495</u>	

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.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Rate</u>
2006	\$ 1,435	2.00%
2007	1,805	2.00%
2008	1,845	2.30%
2009	1,890	2.625%
2010	1,950	3.00%
Thereafter	<u>61,395</u>	3.5% to 5.25%
	<u>\$ 70,320</u>	

4. Bond Issues (continued):

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.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Rate</u>
2006	\$ -0-	N/A
2007	-0-	N/A
2008	1,290	3.00%
2009	1,330	3.25%
2010	1,375	3.50%
Thereafter	<u>71,210</u>	3.75% to 5.25%
	<u>\$ 75,205</u>	

5. 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 as of 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, 2005 was \$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 GTRC. GTRC is a separate not-for-profit corporation funded 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 the Trustee.

On December 20, 2002, Facilities entered into a binding Memorandum of Understanding with GIT to confirm the responsibilities in connection with the financing and construction of the family apartments and related parking facility for the Family Campus Housing project on the campus of GIT. Facilities will be responsible for the financing, design, and construction of the \$56,100 project and will assess a management fee of one-half percent payable by the project funding. Facilities funded the project through issuance of tax-exempt bonds.

5. Related Parties (continued):

On March 17, 2003, Facilities, to accommodate the Foundation, entered into an interest rate swap transaction agreement (the Agreement) with UBS AG with regard to the 1997A bond issue described in Note 5. 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 will be responsible for the financing, design, and construction of the \$66,000 project and will assess a management fee of three-quarters percent payable by the project funding. Facilities funded the project through issuance of tax-exempt bonds.

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 will be responsible for the financing, design, and construction of the \$35,500 project and will assess a management fee of three-quarters percent payable by the project funding. Facilities expects to fund the project through issuance of tax-exempt bonds subsequent to June 30, 2005 (see Note 7).

In connection with the above Memorandums of Understanding for the Family Housing, 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, insurance coverage and other services for a fee based on each service.

For the years ended June 30, 2005 and 2004, Facilities charged management fees of \$228 and \$165 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.

6. Electrical Substation Bond Issuance:

On March 7, 2004, the Board of Directors of Facilities adopted a Declaration of Official Intent with respect to the issuance of taxable and tax-exempt bonds to finance the costs of an electrical substation and distribution facility on the GIT campus. On June 15, 2005, the Board of Directors adopted resolutions authorizing the issuance of tax-exempt bonds in an aggregate principal amount not to exceed \$34,000 and taxable bonds in an amount not to exceed \$8,000 for the electrical substation and distribution facility, and also authorized an interest rate swap transaction with UBS AG in relation to the tax-exempt bonds. The bonds had not been issued at June 30, 2005.

7. Commitments:

During the year ended June 30, 2004, Facilities entered into agreements with contractors for the construction of the Family Housing and Parking complex. At June 30, 2005, outstanding commitments under this agreement total \$4,704. During the year ended June 30, 2005, Facilities entered into agreements with contractors for the construction of the MSE Building. At June 30, 2005, outstanding commitments under these agreements total \$38,999.

8. 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. 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.