CONSOLIDATED FINANCIAL STATEMENTS, SUPPLEMENTAL SCHEDULES AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

GEORGIA TECH RESEARCH CORPORATION AND ITS SUBSIDIARY, GEORGIA TECH APPLIED RESEARCH CORPORATION

Year ended June 30, 2006

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Georgia Tech Research Corporation
Atlanta, Georgia

We have audited the accompanying consolidated statement of financial position of Georgia Tech Research Corporation (a not-for-profit component of the Georgia Institute of Technology) and its subsidiary, Georgia Tech Applied Research Corporation, as of June 30, 2006, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Georgia Tech Research Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of 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. An audit includes 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 Corporation'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, as well as evaluating the overall financial statement presentation. We believe 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 consolidated financial position of Georgia Tech Research Corporation and its subsidiary, Georgia Tech Applied Research Corporation, as of June 30, 2006, and the consolidated changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2006 on our consideration of Georgia Tech Research Corporation's and its subsidiary, Georgia Tech Applied Corporation's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements of Georgia Tech Research Corporation and its subsidiary, Georgia Tech Applied Research Corporation, taken as a whole, for the year ended June 30, 2006. The supplemental information, on pages 16 through 19, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the audit procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Grant Thornton LLP

Atlanta, Georgia
September 25, 2006

Marquis One, Suite 300
245 Peachtree Center Avenue
Atlanta, GA 30303
T 404.330.2000
F 404.330.2047
W www.grantthornton.com

Grant Thornton LLP
US Member of Grant Thornton International

Georgia Tech Research Corporation and its Subsidiary,
Georgia Tech Applied Research Corporation

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2006

ASSETS

CURRENT ASSETS		
Cash and cash equivalents (Note B-3)	$	40,022,629
Investments (Note B-4)		959,595
Accounts receivable (Note B-7):		
Research contracts		31,946,783
Other receivables		294,212
Less allowance for doubtful accounts		(3,220,686)
		70,002,533
Prepaid expenses		400,904
Research projects in process (Note B-9)		33,064,745
Total current assets		103,468,182
EQUIPMENT (Note B-8)		4,312,482
Accumulated depreciation		(2,463,169)
		1,849,313
Total assets	$	105,317,495

The accompanying notes are an integral part of this statement.

Georgia Tech Research Corporation and its Subsidiary, Georgia Tech Applied Research Corporation

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2006

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	
Georgia Institute of Technology	$ 37,512,894
Other	1,375,764
	38,888,658
Accrued liabilities	266,249
Deferred research contract revenue (Note B-9)	30,750,187
Total current liabilities	69,905,094
COMMITMENTS AND CONTINGENCIES (Notes C and D)	
NET ASSETS - UNRESTRICTED	
Net assets designated for research pursuant to Board of Regents for Agreement	30,254,776
Net assets designated for grants to Georgia Institute of Technology	4,872,152
Net assets designated for working capital	285,473
Total net assets	35,412,401
Total liabilities and net assets	$ 105,317,495

The accompanying notes are an integral part of this statement.

Georgia Tech Research Corporation and its Subsidiary, Georgia Tech Applied Research Corporation

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2006

Gross revenue from research contracts (Note B-2)	$ 336,079,449
Direct costs	240,988,678
Georgia Institute of Technology overhead charges	82,496,797
	323,485,475
Excess of research revenue over direct costs and Georgia Institute of Technology overhead charges	12,593,974
Other operating revenue (expense), net	(1,073,678)
Administrative and general expenses	(6,665,565)
Operating revenue	4,854,731
Other revenue (expense)	
Interest income	1,675,148
Lease income (Note C)	4,709,263
License income	1,926,019
License expense	(3,642,351)
Lease expense (Note C)	(4,709,263)
Unrealized loss on investments (Note B-4)	(428,367)
Realized gain on sale of investments	69,053
Miscellaneous income	44,532
Total other revenue (expense), net	(355,966)
Change in net assets before grants to Georgia Institute of Technology	4,498,765
Grants to Georgia Institute of Technology (Note B-10)	(5,861,515)
Change in net assets	(1,362,750)
Net assets, beginning of year, as restated (Note E)	36,775,151
Net assets, end of year	$ 35,412,401

The accompanying notes are an integral part of this statement.

Georgia Tech Research Corporation and its Subsidiary,
Georgia Tech Applied Research Corporation

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2006

Cash flows used by operating activities:	
Change in net assets	$ **(1,362,750)**
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Provision for bad debts	**500,000**
Depreciation expense	**584,733**
Unrealized loss on investments	**428,367**
Change in assets and liabilities:	
Increase in accounts receivable - research contracts	**(309,684)**
Increase in research projects in process	**(1,654,849)**
Increase in prepaid assets	**(383,594)**
Increase in accounts payable and accrued liabilities	**2,799,969**
Increase in advance payments	**3,760,389**
Net cash provided by operating activities	**4,362,581**
Cash flows from investing activities:	
Capital expenditures	**(5,157)**
Net cash used in investing activities	**(5,157)**
Net increase in cash and cash equivalents	**4,357,424**
Cash and cash equivalents, beginning of year	**35,665,205**
Cash and cash equivalents, end of year	$ **40,022,629**

The accompanying notes are an integral part of this statement.

Georgia Tech Research Corporation and its Subsidiary, Georgia Tech Applied Research Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006

NOTE A - NATURE OF ORGANIZATION

The Georgia Tech Research Corporation ("GTRC") was chartered on April 13, 1937 as the Industrial Development Council, a not-for-profit corporation affiliated with the Georgia Institute of Technology ("GIT"), a unit of the University System of the State of Georgia. GTRC was established for the purpose of engaging in sponsored research for scientific, literary, and educational purposes, or any one or more of any such stated purposes. On April 6, 1984 Georgia Tech Research Institute ("GTRI") amended its corporate charter to change the Industrial Development Council's name to Georgia Tech Research Corporation.

Effective July 1, 1998, Georgia Tech Applied Research Corporation ("GTARC") was established as a wholly controlled subsidiary of GTRC. GTARC was organized as the contracting arm to engage in sponsored research for scientific purposes for work to be performed by GTRI.

GTRC, and its wholly controlled subsidiary, GTARC, (collectively hereinafter referred to as the "Corporation") enter into contracts and grant agreements with various organizations, including Federal agencies, and subcontracts with GIT to provide services in connection with these agreements. The Corporation is largely a conduit organization, subcontracting performance of all contracts it enters into to GIT. As such, the Corporation is an affiliated entity of GIT. As part of the relationship, transfers of funds occur between GIT and the Corporation for certain sponsor project expenditures and research administration.

The Board of Regents of the University System of Georgia and Georgia Institute of Technology implemented Governmental Accounting Standards Board ("GASB") Statement No. 39, *Determining Whether Certain Organizations are Component Units, an amendment of Statement No. 14*, for the year ended June 30, 2004. This statement requires the inclusion of the financial statements for foundations and affiliated organizations that qualify as component units in the annual report of the institution. These statements are reported as a discretely presented component unit in the Georgia Institute of Technology's Annual Financial Report.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. The following is a summary of certain significant accounting policies followed in the preparation of the consolidated financial statements:

1. <u>Principles of Consolidation</u>

The consolidated financial statements of the Corporation include the accounts of GTRC and its wholly controlled subsidiary, GTARC, after the elimination of intercompany transactions.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Revenue

Substantially all of the Corporation's revenues are derived from grants and cost reimbursement contracts which provide for the recovery of direct and indirect costs. The Corporation recognizes revenue associated with direct and indirect costs as the related costs are incurred. Revenue is recognized on a percentage of completion basis for research contracts which are based on performance or milestone measures. The recovery of indirect costs is generally recorded at fixed rates negotiated with the sponsoring agency.

3. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit accounts and highly liquid investments with original maturities of less than 90 days. Cash equivalents are stated at cost, which approximates market value.

4. Investments

Investments consist of equity securities, which are stated at fair value and determined as follows: Publicly traded companies are stated at the closing market price on June 30, 2006. Investments for which there is no readily determinable fair value are valued at $1. Realized and unrealized gains and losses on these investments are reflected in the statement of activities. The Corporation's investments consist of equities with a fair market value of $959,595 and a cost of $0 at June 30, 2006. The unrealized gain at June 30, 2006 was $959,595.

5. Major Clients and Concentration of Credit Risk

During the fiscal year ended June 30, 2006, the Corporation derived approximately 80 percent of its revenue from contracts with the U.S. government. At June 30, 2006, approximately 41 percent of accounts receivable were from the U.S. government. Management believes these amounts are properly reflected at net realizable value and there is no significant credit risk at June 30, 2006.

6. Federal Income Taxes

The Corporation is exempt from federal income taxes as provided by Section 501(c)(3) of the Internal Revenue Code.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Allowance for Doubtful Accounts

The allowance for doubtful accounts is determined by evaluating the prior experience, nature of the contract, and credit rating of each contracting agency with an outstanding balance greater than 180 days. Generally, all account balances greater than 180 days are reserved. Changes in the Corporation's allowance for doubtful accounts is as follows:

	GTRC	GTARC	Total
Beginning balance	$ 779,751	$ 2,230,545	$ **3,010,296**
Recoveries	45,876	64,159	**110,035**
Bad debt expense	300,000	200,000	**500,000**
Write off's	(271,792)	(127,853)	**(399,645)**
Ending balance	$ 853,835	$ 2,366,851	$ **3,220,686**

8. Equipment

Equipment is capitalized at cost. Donated assets, if any, are recorded at their estimated fair market value at the date of the gift. The Corporation has established a threshold of $5,000 for capitalizing equipment. All capitalized equipment purchased under the terms of equipment and facilities grants are donated to GIT when fully depreciated. The Corporation donated fully depreciated equipment with an original cost of $630,112 to GIT during fiscal 2006.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives which range from three to ten years. The straight-line method of depreciation is followed for all equipment.

9. Research Projects in Process and Deferred Research Contract Revenue

Research contracts in process represent costs incurred and charged to projects in excess of amounts invoiced on those projects. Deferred research contract revenue represents amounts invoiced on various projects in excess of costs incurred and charged to those projects.

10. Grants to Georgia Institute of Technology

Grants of funds are made from time to time to GIT, as authorized by the Board of Trustees. Pursuant to an agreement between the Corporation and the Board of Regents of the University System of the State of Georgia, dated April 1, 1953, the Corporation shall hold in trust all unrestricted net assets for GIT who shall use such revenue from time to time, and in such manner as the Board of Trustees of the Corporation may see fit, for the promotion of research at GIT.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Use of Estimates in Preparation of Consolidated Financial Statements

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

12. Overhead Revenue

The Corporation receives reimbursement from sponsoring agencies for indirect costs incurred. The Corporation retains a portion of the indirect costs which is used for operating expenses, and the remainder, with Trustee approval, is generally granted back to GIT in future periods. The overhead revenue is reported as revenue from research contracts in the accompanying financial statements.

NOTE C - LEASE COMMITMENTS

Research Facilities

The Corporation is committed to two operating leases with The University Financing Foundation, Inc. for the Cobb County Research Facility and Centennial Research Building. The leases carry successive two-year lease terms that are automatically renewed at prevailing market rates in effect at the time of the renewal. The Corporation may cancel either lease upon notice given during July of any lease year to be effective as of June 30 of the then-current lease year. The present monthly rentals for the Cobb County Research Facility and the Centennial Research Building are $105,056 and $125,870, respectively.

In connection with these lease agreements, both facilities have been subleased to GIT. The subleases carry successive one-year terms that may be renewed upon notice given at least sixty (60) days prior to the end of the sublease term. The present monthly rental receipts on these subleases for the Cobb County Research Facility and the Centennial Research Building are $105,056 and $125,870, respectively.

Institute for BioEngineering and BioSciences Complex

The Complex was developed by Georgia Tech Foundation Facilities, Inc. ("GTFF") and funded by the issuance of thirty year, fixed rate, Series B bonds through the Fulton County Development Authority. On December 1, 1997, the Corporation agreed to guarantee these bonds by entering into an agreement to lease the Complex from GTFF. The lease term extends from December 1, 1997 until 30 years after the issuance of a certificate of occupancy. GTRC is obligated to pay rent in an amount equal to the principal, premium (if any) and interest on the Series 1997B Bonds when due and upon any redemption or acceleration there under.

NOTE C - LEASE COMMITMENTS - CONTINUED

In connection with this lease agreement, the Corporation subleased the complex to GIT. The sublease carries successive one-year terms that may be renewed upon notice given at least sixty (60) days prior to the end of the sublease term. The timing and amount of rental payments under the sublease are substantially the same as those under the lease agreement between the Corporation and GTFF.

Office Space

The Corporation leases office space under operating leases for research activities in Fairborn, Ohio and Arlington, Virginia. The Arlington lease requires a base rent of $15,625 per month for the year ended June 30, 2006 and expires June 30, 2008. The Fairborn lease requires a base rent of $15,463 per month for the year ended June 30, 2006 and the lease expires June 30, 2011.

The Corporation also leases office space in Orlando, Florida. The Orlando lease term began July 1, 2004 and will expire June 30, 2007. For the year ended June 30, 2006, the Orlando lease requires a base rent of $3,144 per month.

The Corporation also leases office space in Marietta, Georgia. The Marietta lease term began September 1, 2004 and will expire August 31, 2007. For the year ended June 30, 2006, the Marietta lease requires a base rent of $2,000 per month.

The majority of GTRC's leases are subleased to GIT. The subleases carry successive one-year terms that may be renewed upon notice given at least sixty (60) days prior to the end of the sublease term. The timing and amount of rental payments under the subleases are substantially the same as those under their corresponding lease agreements between the Corporation and third-party lessor.

Year ending June 30,	Commitments	Sublease Rental Receipts	Net Rental Commitment
2007	$ 4,655,023	$ 4,655,023	$ -
2008	4,603,498	-	4,603,498
2009	4,398,262	-	4,398,262
2010	4,402,179	-	4,402,179
2011	4,409,045	-	4,409,045
Thereafter	32,537,580	-	32,537,580
Total	$ 55,005,587	$ 4,655,023	$ 50,350,564

NOTE C - LEASE COMMITMENTS - CONTINUED

Net rent expense for the year ended June 30, 2006 was computed as follows:

Minimum rentals	$	**4,655,023**
Less: sublease rentals - Georgia Institute of Technology		**(4,655,023)**
Net rent expense	$	**-**

NOTE D - CONTINGENT LIABILITIES

As of June 30, 2006, the Corporation guaranteed approximately $133,676 of home mortgages of new research faculty members.

Federal and state funded research projects are subject to audits by the grantor agencies. Such audits could result in some allocated costs being disallowed or indirect cost rates adjusted. Management believes that any disallowed costs, if any, would not be material to its financial statements. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

NOTE E – PRIOR PERIOD ADJUSTMENT

A restatement of previously reported balances for intercompany receivable (payable) and net assets is required to correct a prior period recording error. The restatement had the following effect:

GTRC		
Intercompany receivable:		
Intercompany receivable, June 30, 2005, as previously reported	$	1,903,702
Adjustment to correct recording of transfer to GTRC		5,000,000
Intercompany receivable, June 30, 2005, restated	$	6,903,702
Net assets:		
Net assets designated for research pursuant to Board of Regents agreement, June 30, 2005, as previously reported	$	8,818,235
Adjustment to correct recording of transfer to GTRC		5,000,000
Net assets, June 30, 2005, restated	$	13,818,235

NOTE E – PRIOR PERIOD ADJUSTMENT - CONTINUED

GTARC		
Intercompany payable:		
Intercompany payable, June 30, 2005, as previously reported	$	(1,903,702)
Adjustment to correct recording of transfer to GTRC		(5,000,000)
Intercompany payable, June 30, 2005, restated	$	(6,903,702)
Net assets:		
Net assets designated for research pursuant to Board of Regents agreement, June 30, 2005, as previously reported	$	27,956,916
Adjustment to correct recording of transfer to GTRC		(5,000,000)
Net assets, June 30, 2005, restated	$	22,956,916

The restatement has no effect on the consolidated balances of the Corporation.

SUPPLEMENTAL INFORMATION

Georgia Tech Research Corporation and its Subsidiary, Georgia Tech Applied Research Corporation

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2006

ASSETS

	Georgia Tech Research Corporation	Georgia Tech Applied Research Corporation	Total	Eliminations Debit	Eliminations Credit	Consolidated Totals
CURRENT ASSETS						
Cash and cash equivalents	$ 29,980,095	$ 10,042,534	$ 40,022,629	$ -	$ -	**$ 40,022,629**
Investments	959,595	-	959,595	-	-	**959,595**
Accounts receivable:						
Research contracts	13,934,910	18,011,873	31,946,783	-	-	**31,946,783**
Other receivables	294,212	-	294,212	-	-	**294,212**
Less allowance for doubtful accounts	(853,835)	(2,366,851)	(3,220,686)	-	-	**(3,220,686)**
	44,314,977	25,687,556	70,002,533	-	-	**70,002,533**
Prepaid expenses	400,904	-	400,904	-	-	**400,904**
Intercompany receivable	346,593	-	346,593	-	346,593	**-**
Research projects in process	20,136,269	12,928,476	33,064,745	-	-	**33,064,745**
Total current assets	65,198,743	38,616,032	103,814,775	-	346,593	**103,468,182**
EQUIPMENT	4,312,482	-	4,312,482	-	-	**4,312,482**
Accumulated depreciation and amortization	(2,463,169)	-	(2,463,169)	-	-	**(2,463,169)**
	1,849,313	-	1,849,313	-	-	**1,849,313**
	$ 67,048,056	$ 38,616,032	$ 105,664,088	$ -	$ 346,593	**$ 105,317,495**

Georgia Tech Research Corporation and its Subsidiary, Georgia Tech Applied Research Corporation

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2006

LIABILITIES AND NET ASSETS

	Georgia Tech Research Corporation	Georgia Tech Applied Research Corporation	Total	Eliminations Debit	Eliminations Credit	Consolidated Totals
CURRENT LIABILITIES						
Accounts payable:						
Georgia Institute of Technology	$ 24,656,312	$ 12,856,582	$ 37,512,894	$ -	$ -	**$ 37,512,894**
Other	1,373,101	2,663	1,375,764	-	-	**1,375,764**
	26,029,413	12,859,245	38,888,658	-	-	**38,888,658**
Intercompany payable	-	346,593	346,593	346,593	-	**-**
Accrued liabilities	266,249	-	266,249	-	-	**266,249**
Deferred research contract revenue	27,868,063	2,882,124	30,750,187	-	-	**30,750,187**
Total current liabilities	54,163,725	16,087,962	70,251,687	346,593	-	**69,905,094**
NET ASSETS - UNRESTRICTED						
Net assets designated to research	7,726,706	22,528,070	30,254,776	-	-	**30,254,776**
Net assets designated for grants to Georgia Institute of Technology	4,872,152	-	4,872,152	-	-	**4,872,152**
Net assets designated for working capital	285,473	-	285,473	-	-	**285,473**
Total net assets	12,884,331	22,528,070	35,412,401	-	-	**35,412,401**
TOTAL LIABILITIES AND NET ASSETS	$ 67,048,056	$ 38,616,032	$ 105,664,088	$ 346,593	$ -	**$ 105,317,495**

Georgia Tech Research Corporation and its Subsidiary, Georgia Tech Applied Research Corporation

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended June 30, 2006

	Georgia Tech Research Corporation	Georgia Tech Applied Research Corporation	Consolidated Totals	Eliminations Debit	Eliminations Credit	Consolidated Totals
Gross revenue from research contracts	$ 215,157,290	$ 120,922,159	$ 336,079,449	$ -	$ -	$ **336,079,449**
Direct costs	165,105,872	75,882,806	240,988,678	-	-	**240,988,678**
Georgia Institute of Technology overhead charges	39,278,844	43,217,953	82,496,797	-	-	**82,496,797**
	204,384,716	119,100,759	323,485,475	-	-	**323,485,475**
Excess of research revenue over direct costs and Georgia Institute of Technology overhead charges	10,772,574	1,821,400	12,593,974	-	-	**12,593,974**
Other operating revenue (expense), net	-	(1,073,678)	(1,073,678)	-	-	**(1,073,678)**
Administrative and general expenses	(5,015,218)	(1,650,347)	(6,665,565)	-	-	**(6,665,565)**
Operating revenue (expense)	5,757,356	(902,625)	4,854,731	-	-	**4,854,731**
Other revenue (expense)						
Interest income	973,468	701,680	1,675,148	-	-	**1,675,148**
Lease Income	4,709,263	-	4,709,263	-	-	**4,709,263**
License income	1,926,019	-	1,926,019	-	-	**1,926,019**
License expense	(3,413,779)	(228,572)	(3,642,351)	-	-	**(3,642,351)**
Lease expense	(4,709,263)	-	(4,709,263)	-	-	**(4,709,263)**
Unrealized loss on investments	(428,361)	-	(428,361)	-	-	**(428,361)**
Realized gain on sale of investments	69,053	-	69,053	-	-	**69,053**
Miscellaneous income	43,855	671	44,526	-	-	**44,526**
Total other revenue (expense), net	(829,745)	473,779	(355,966)	-	-	**(355,966)**
Change in net assets before grants to Georgia Institute of Technology	4,927,611	(428,846)	4,498,765	-	-	**4,498,765**
Grants to Georgia Institute of Technology	(5,861,515)	-	(5,861,515)	-	-	**(5,861,515)**
Change in net assets	(933,904)	(428,846)	(1,362,750)	-	-	**(1,362,750)**
Net assets, beginning of year, as restated (Note E)	13,818,235	22,956,916	36,775,151	-	-	**36,775,151**
Net assets, end of year	$ 12,884,331	$ 22,528,070	$ 35,412,401	$ -	$ -	$ **35,412,401**

Georgia Tech Research Corporation and its Subsidiary, Georgia Tech Applied Research Corporation

CONSOLIDATING SCHEDULE OF ADMINISTRATIVE AND GENERAL EXPENSES

Year ended June 30, 2006

	Georgia Tech Research Corporation	Georgia Tech Applied Research Corporation	Total	Eliminations Debit	Eliminations Credit	Consolidated Totals
Personal services	$ 1,181,093	$ 432,302	$ 1,613,395	$ -	$ -	$ **1,613,395**
Staff benefits	266,260	99,827	366,087	-	-	**366,087**
Audit expense	264,492	264,492	528,984	-	-	**528,984**
Contract development	36,933	-	36,933	-	-	**36,933**
Insurance expense	205,665	205,595	411,260	-	-	**411,260**
Legal expense	91,308	140,754	232,062	-	-	**232,062**
Equipment replacement	90,209	-	90,209	-	-	**90,209**
Materials and supplies	31,383	31,278	62,661	-	-	**62,661**
Miscellaneous expense	21,601	195	21,796	-	-	**21,796**
Moving expense	58,095	26,338	84,433	-	-	**84,433**
Professional development	63,631	-	63,631	-	-	**63,631**
Promotion of research and scientific study	1,610,111	87,834	1,697,945	-	-	**1,697,945**
Systems design service and equipment	218,215	116,742	334,957	-	-	**334,957**
Travel expense	36,479	-	36,479	-	-	**36,479**
Provision for bad debts	300,000	200,000	500,000	-	-	**500,000**
Depreciation expense allocation	539,743	44,990	584,733	-	-	**584,733**
	$ 5,015,218	$ 1,650,347	$ 6,665,565	$ -	$ -	$ **6,665,565**