

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
Champaign, Illinois**

**FINANCIAL AUDIT
For the Years Ended June 30, 2006 and 2005**

**Performed as Special Assistant Auditors
for the Auditor General, State of Illinois**

**STATE OF ILLINOIS
UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
FINANCIAL AUDIT
For the Years Ended June 30, 2006 and 2005**

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**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
COMPANY OFFICIALS
June 30, 2006**

Chair of Board	Edward L. McMillan
Vice Chair	Patrick F. Daly
Treasurer	Stephen K. Rugg
Secretary	Thomas R. Bearrows
Director	David L. Chicoine
Manager, Research Park & Incubator Facilities	Scott Pickard

Board of Managers:

Patrick F. Daly	Dr. Kenneth Schmidt
Eric A. Gislason	Charles F. Zukoski
Edward L. McMillan	

The University of Illinois Research Park, LLC office is located at:

University of Illinois Research Park
60 Hazelwood, MC-659
Champaign, Illinois

FINANCIAL STATEMENT REPORT

SUMMARY

The audits of the accompanying financial statements of University of Illinois Research Park, LLC were performed by Clifton Gunderson LLP.

Based on their audits, the auditors expressed an unqualified opinion on the University of Illinois Research Park, LLC's basic financial statements.

Independent Auditors' Report

The Honorable William G. Holland
Auditor General
State of Illinois

and

Board of Managers
University of Illinois
Research Park, LLC

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements of University of Illinois Research Park, LLC, a component unit of the University of Illinois, and a component unit of the State of Illinois as of June 30, 2006 and June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of Illinois Research Park, LLC as of June 30, 2006 and June 30, 2005, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, a report on our consideration of the University of Illinois Research Park, LLC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters will be issued under separate cover. 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, upon issuance, 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.

The accompanying management's discussion and analysis on pages 5 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clifton Gunderson LLP

Peoria, Illinois
December 12, 2006

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

(Unaudited)

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the University of Illinois Research Park, LLC for the year ended June 30, 2006, with selected comparative information for the years ended June 30, 2005 and June 30, 2004. This discussion has been prepared by the management and should be read in conjunction with the financial statements and the notes thereto, which follow this section. These include the Statements of Net Assets, Statements of Revenues, Expenses, and Changes in Net Assets, and Statements of Cash Flows.

By agreement with the Board of Trustees of the University of Illinois ("University"), the University of Illinois Research Park, LLC (the "RPLLC") exists for the primary purpose of aiding and assisting the University of Illinois in establishing and operating a research park in support of the University's teaching, research, public service, and economic development activities.

USING THE FINANCIAL STATEMENTS

The RPLLC's financial report includes three financial statements: Statements of Net Assets, Statements of Revenues, Expenses, and Changes in Net Assets, and Statements of Cash Flows. These statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles.

The Statements of Net Assets are presented to show the assets, liabilities, and net assets as of June 30, 2006 and June 30, 2005. Following the Statements of Net Assets are the Statements of Revenues, Expenses, and Changes in Net Assets which provide operational information for the RPLLC. The Statements of Cash Flows provide details on how cash was used during the two years.

FINANCIAL HIGHLIGHTS

The Research Park, LLC experienced an increase in net assets of \$4,968 in fiscal year 2006 compared to an increase of \$108,143 in fiscal year 2005. The main factors contributing to the changes are the changes in service income, operating expenses, and the loss on the lease cancellation during the year ended June 30, 2005.

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

(Unaudited)

FINANCIAL HIGHLIGHTS (CONTINUED)

The Statements of Net Assets indicate an increase in current assets of \$15 from fiscal year 2005 to fiscal year 2006 and an increase of \$19,681 from fiscal year 2004 to fiscal year 2005. This is primarily due to the relative stability in both receivables and cash accounts for the fiscal year 2006. During the year ended June 30, 2004, it was decided to reorganize the Research Park operations. As part of the reorganization, it was decided to assign the Vice chancellors of Research offices at the Urbana-Champaign Campus and the Chicago Campus responsibilities for the day-to-day administration previously performed by the Research Park. In connection with this, effective July 1, 2004, the employees of the Research Park were transferred to the University of Illinois. After this change there is very limited activity flowing through the Research Park checking account. The changes in property and equipment are due to additions in the years-ended June 30, 2006 and June 30, 2005, an adjustment to reduce the cost of the iCyt building infrastructure cost and depreciation taken on existing property and equipment. Total assets decreased by \$21,769 between June 30, 2005 and 2006 and increased by \$471,389 between June 30, 2004 and 2005. The increase of \$471,389 from July 1, 2004 to June 30, 2005 was due primarily to telecommunications installations for new Research Park buildings. Current liabilities decreased by \$26,737 between June 30, 2005 and 2006 as a result of adjustments to the amount owed to the University of Illinois for leasehold improvements incurred by the University on behalf of the Research Park. The increase in liabilities from June 30, 2004 to June 30, 2005 of \$363,246 is related to these telecommunications installations.

Summary Statements of Net Assets

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Current assets	\$ 23,156	\$ 23,141	\$ 3,460
Capital assets	669,567	726,650	204,875
Lease receivable	<u>121,347</u>	<u>86,048</u>	<u>156,115</u>
Total assets	<u>\$ 814,070</u>	<u>\$ 835,839</u>	<u>\$ 364,450</u>
Current liabilities	<u>\$ 352,547</u>	<u>\$ 379,284</u>	<u>\$ 16,038</u>
Net assets:			
Invested in capital assets, net of related debt	368,540	384,911	204,875
Unrestricted	<u>92,983</u>	<u>71,644</u>	<u>143,537</u>
Total net assets	<u>461,523</u>	<u>456,555</u>	<u>348,412</u>
Total liabilities and net assets	<u>\$ 814,070</u>	<u>\$ 835,839</u>	<u>\$ 364,450</u>

The Research Park, LLC receives funding through the lease of the land to the developer as well as service income provided through the University. Therefore, there is no intent or need to accumulate cash balances. Cash at June 30, 2006 totaled \$3,156.

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

(Unaudited)

FINANCIAL HIGHLIGHTS (CONTINUED)

**Selected Items from Statements of Revenues, Expenses,
and Changes in Net Assets**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating revenues:			
Budget allocation - University of Illinois	\$ 158,332	\$ -	\$ -
Service income	103,165	251,544	306,217
Rental income	<u>106,313</u>	<u>59,236</u>	<u>67,104</u>
Total operating revenues	<u>367,810</u>	<u>310,780</u>	<u>373,321</u>
Operating expenses:			
Budget allocation University of Illinois:			
Salaries	115,569	-	-
Rent	5,523	-	-
Legal fees	<u>37,240</u>	<u>-</u>	<u>-</u>
	158,332	-	-
Salaries	-	300	240,898
Office supplies	-	237	8,789
Depreciation	29,270	19,964	18,255
Travel	-	-	8,406
Support for EnterpriseWorks	30,000	1,387	78,798
Support for Office of the Vice Chancellor for Research	71,014	60,578	-
Professional fees	54,822	32,851	1,350
Office	61	107	-
Telecommunications	-	457	6,336
Subscriptions/dues/luncheons	-	1,477	9,139
Advertising	-	-	13,749
Other	<u>19,362</u>	<u>17,924</u>	<u>25,112</u>
Total operating expenses	<u>362,861</u>	<u>135,282</u>	<u>410,832</u>
Operating income (loss)	4,949	175,498	(37,511)
Nonoperating revenue (loss):			
Interest	19	30	934
Loss on lease cancellation	<u>-</u>	<u>(67,385)</u>	<u>-</u>
Increase (decrease) in net assets	<u>\$ 4,968</u>	<u>\$ 108,143</u>	<u>\$ (36,577)</u>

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

(Unaudited)

FINANCIAL HIGHLIGHTS (CONTINUED)

Service income is revenue provided by the University to the Research Park, LLC in return for managing the Research Park at the Urbana-Champaign Campus. The amount of funding provided is dependent on the needs of the Research Park. Service income also includes a pro-rata share of services and facilities provided by University of Illinois to the Research Park which is being recognized for the first time in June 30, 2006 per recommendation by the Office of the Auditor General. These allocations are reflected in the expenditures section in the form of salaries, legal fees and rental.

Three new tracts of land were leased to the exclusive developer for construction of two new multi-tenant facilities during fiscal year ended June 30, 2006 and for the construction of a hotel facility.

Support for the Office of the Vice Chancellor for Research in the fiscal year ended June 30, 2006 of \$71,014 came from land lease payments from leasing activities conducted by the RPLLC. In addition, \$30,000 of support for EnterpriseWorks was paid to the University's Department of Research Safety for laboratory support services from Research Park carryover funds.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The operating functions of the University of Illinois Research Park, LLC have been assigned to the University of Illinois. As such, the University of Illinois Research Park, LLC has no employees and relies exclusively on University employees for operational support. As of June 30, 2006, the University of Illinois Research Park owed \$301,027 to the University of Illinois for leasehold improvements. The only source of funds the University of Illinois Research Park LLC currently has to repay this balance is rental income from the developer and support from the University.

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
STATEMENTS OF NET ASSETS
June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 3,156	\$ 3,141
Accounts receivable	<u>20,000</u>	<u>20,000</u>
Total current assets	23,156	23,141
CAPITAL ASSETS		
	669,567	726,650
LEASE RECEIVABLE		
	<u>121,347</u>	<u>86,048</u>
TOTAL ASSETS		
	<u>\$ 814,070</u>	<u>\$ 835,839</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	<u>\$ 352,547</u>	<u>\$ 379,284</u>
NET ASSETS		
Invested in capital assets net of related debt	368,540	384,911
Unrestricted	<u>92,983</u>	<u>71,644</u>
Total net assets	<u>461,523</u>	<u>456,555</u>
TOTAL LIABILITIES AND NET ASSETS		
	<u>\$ 814,070</u>	<u>\$ 835,839</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS
Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES		
Budget allocation University of Illinois	\$ 158,332	\$ -
Service income	103,165	251,544
Rental income	<u>106,313</u>	<u>59,236</u>
Total operating revenues	<u>367,810</u>	<u>310,780</u>
OPERATING EXPENSES		
Budget allocation University of Illinois:		
Salaries	115,569	-
Rent	5,523	-
Legal fees	<u>37,240</u>	<u>-</u>
	158,332	-
Salaries	-	300
Office supplies	-	237
Depreciation	29,270	19,964
Support for Enterprise Works	30,000	1,387
Support for Office of Vice Chancellor for Research	71,014	60,578
Professional fees	54,822	32,851
Office	61	107
Telecommunications	-	457
Subscriptions/dues/luncheons	-	1,477
Other	<u>19,362</u>	<u>17,924</u>
Total operating expenses	<u>362,861</u>	<u>135,282</u>
Operating income	4,949	175,498
NONOPERATING REVENUE (LOSS)		
Interest	19	30
Loss on lease cancellation	<u>-</u>	<u>(67,385)</u>
INCREASE IN NET ASSETS	4,968	108,143
NET ASSETS, BEGINNING OF YEAR	<u>456,555</u>	<u>348,412</u>
NET ASSETS, END OF YEAR	<u>\$ 461,523</u>	<u>\$ 456,555</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Service income	\$ 44,471	\$ 80,611
Payments to suppliers	<u>(31,576)</u>	<u>(80,960)</u>
Net cash provided by (used in) operating activities	<u>12,895</u>	<u>(349)</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	<u>(12,899)</u>	<u>-</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>19</u>	<u>30</u>
 INCREASE (DECREASE) IN CASH	15	(319)
 CASH, BEGINNING OF YEAR	<u>3,141</u>	<u>3,460</u>
 CASH, END OF YEAR	<u>\$ 3,156</u>	<u>\$ 3,141</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income	\$ 4,949	\$ 175,498
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	29,270	19,964
Noncash service income	-	(180,000)
Effects of changes in operating assets and liabilities:		
Accounts receivable	-	(20,000)
Lease receivable	(35,299)	2,682
Accounts payable	<u>13,975</u>	<u>1,507</u>
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 12,895</u>	<u>\$ (349)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005**

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The University of Illinois Research Park, LLC (Research Park or RPLLC) was organized March 15, 2000 as an Illinois Limited Liability Company with offices located in Champaign, Illinois. The Research Park was organized by, and is a component unit of, the University of Illinois. The sole member of the Research Park is the Board of Trustees of the University of Illinois (University), a body corporate and politic of the State of Illinois. To the extent provided by the Illinois Limited Liability Company Act, the member's liability is limited.

The purpose of the Research Park is to develop and operate a research park to encourage and facilitate research and development and to foster economic growth within the State using the University's intellectual assets.

On September 11, 2003, the Board of Trustees of the University of Illinois approved certain amendments to the Operating Agreement (bylaws) of the University of Illinois Research Park, LLC and the Services and Management Agreement between the University and the LLC. The effect of the changes to the two agreements is to broaden the jurisdiction of the LLC to oversight of the research parks at the Urbana campus, the Chicago campus, and other research parks in Illinois where the University has some operating responsibility by statute or contract.

Services are primarily provided in Central Illinois. The Research Park extends unsecured credit to its customers.

Basis of Presentation

The Research Park prepared its financial statements as a business-type activity, as defined by GASB Statement No. 34, using the economic resources measurement focus and the accrual basis of accounting. Business-type activities are those financed in whole, or in part, by fees charged to external parties for goods and services. Pursuant to GASB Statement No. 20, Research Park has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements. The Research Park has elected not to follow subsequent private sector guidance.

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.

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005**

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The Company's leasehold improvements are depreciated on the straight-line method over their estimated useful lives of twenty-five years. Office equipment is depreciated on the straight-line method over the estimated useful life of each asset, which ranges from five to seven years.

Income Taxes

Research Park's sole member, the University of Illinois, has elected to have the Company's income taxed as a limited liability company under the provisions of the Internal Revenue Code and a similar section of the Illinois income tax law; therefore, taxable income or loss is reported to the sole member. No provision for federal or state income taxes is included in these statements.

Revenue Recognition

Revenue is recognized as services are provided. Operating revenues result from services and rentals rendered. Nonoperating revenue consists of interest income and capital contributions.

NOTE 2 - DEPOSITS

Custodial Credit Risk. Deposits, as of June 30, are categorized in accordance with the risk factors defined by governmental reporting standards. Custodial credit risk is the risk that in the event of a bank failure, the Company's deposits may not be returned to the Company. The Company does not have a custodial deposit risk as of June 30th as there were no uncollateralized deposits.

NOTE 3 - DEVELOPMENT AGREEMENT AND LEASE RECEIVABLE

The Research Park has entered into an agreement dated May 3, 2000 with Fox/Atkins Development, LLC for the development of a research park on land specifically defined in the agreement and owned by the University of Illinois. For each tract of land developed under the basic agreement, a ground lease will be entered into. The terms of the ground leases are 50 years from the commencement date of the individual leases. The basic annual rent for the land is \$5,000 per acre with a waiver of any lease payments due prior to July 1, 2003. The leases will be adjusted every five years based on increases in the consumer price index over the prior five-year period. The increase due to changes in the consumer price index is limited to 12 percent each adjustment period. The rental income for the leases is being recognized on a straight-line basis over the entire terms of the leases using total minimum lease payments that will be received for each lease.

As of June 30, 2006, six tracts have been leased under the terms of the development agreement.

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005**

NOTE 3 - DEVELOPMENT AGREEMENT AND LEASE RECEIVABLE (CONTINUED)

Total rent receivable accrued under these leases as of June 30, 2006 and 2005 is \$121,347 and \$86,048, respectively.

Minimum future rentals to be received on these noncancelable leases as of June 30, 2006 are as follows:

2007	\$ 95,443
2008	95,443
2009	95,443
2010	112,455
2011	129,468
Later years	<u>7,021,765</u>
Total	<u>\$ 7,550,017</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2006 and 2005 was as follows:

	2006			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Office equipment	\$ 48,313	\$ -	\$ -	\$ 48,313
Leasehold improvements	<u>751,279</u>	<u>33,348</u>	<u>(61,161)</u>	<u>723,466</u>
	799,592	33,348	(61,161)	771,779
Less accumulated depreciation	<u>72,942</u>	<u>29,270</u>	<u>-</u>	<u>102,212</u>
	<u>\$ 726,650</u>	<u>\$ 4,078</u>	<u>\$ (61,161)</u>	<u>\$ 669,567</u>
	2005			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Office equipment	\$ 48,313	\$ -	\$ -	\$ 48,313
Leasehold improvements	<u>209,540</u>	<u>541,739</u>	<u>-</u>	<u>751,279</u>
	257,853	541,739	-	799,592
Less accumulated depreciation	<u>52,978</u>	<u>19,964</u>	<u>-</u>	<u>72,942</u>
	<u>\$ 204,875</u>	<u>\$ 521,775</u>	<u>\$ -</u>	<u>\$ 726,650</u>

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005**

NOTE 5 - OPERATING LEASES

The Research Park offices are located in the EnterpriseWorks Building which the University of Illinois owns. There is currently no lease agreement for the space. Rental expense is recognized on the financial statements for the year ended June 30, 2006 in the form of service income and operating expense.

The Company leases the ground for the development of a research park from the University of Illinois and then, in turn, leases to the developer. Under the terms of the lease agreement with the University of Illinois, the annual lease payment is \$10 per year for each tract. The term of the leases are 50 years. The Company has the option to extend the lease for an additional 25 years.

Future minimum lease payments under this lease are as follows:

2007	\$ 70
2008	70
2009	70
2010	70
2011	70
Later years	<u>2,940</u>
Total	<u>\$ 3,290</u>

NOTE 6 - RELATED PARTY TRANSACTIONS

The University provides support to the Research Park including salaries (staff are University employees), bookkeeping and accounting services, and certain administrative costs as provided in the operating and service agreement. For the years ended June 30, 2006 and 2005, the University provided support in the amount of \$261,080 and \$251,544, respectively, to the Research Park which has been recognized as revenue in the statements of revenues, expenses, and changes in net assets. For the year ended June 30, 2006 the University provided support for operating expenses totaling \$248,181 and for purchase of capital assets of \$12,889. For the year ended June 30, 2005 the support provided by the University was for operating expenses of \$51,544 and for the purchase of capital assets of \$200,000.

Also, the Research Park leases tracts of land from the University and subleases them to the Research Park developer and/or tenants of the Research Park.

The Research Park provided support for EnterpriseWorks, which is a part of the University of Illinois incubator program, of \$30,000 and \$1,387 in the years ended June 30, 2006 and 2005, respectively.

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005**

NOTE 6 - RELATED PARTY TRANSACTIONS (CONTINUED)

The Research Park provided support to the University of Illinois at Urbana-Champaign Office of Vice Chancellor of Research of \$71,014 and \$60,578 during the years ended June 30, 2006 and 2005, respectively.

The Research Park owed the University of Illinois at Urbana-Champaign facilities and services department \$301,027 for leasehold improvements that the University incurred on behalf of the Research Park.

NOTE 7 - TERMINATION OF LEASES ON TRACT #205

On September 1, 2004, the lease agreements for one tract (#205) between the University of Illinois and the University of Illinois Research Park, LLC and between the University of Illinois Research Park, LLC and Fox/Atkins Development, LLC were terminated. The termination of the lease resulted in the write off of the lease receivable balance which had been accrued on tract #205. The Research Park did not receive any compensation for early termination of the lease agreement with Fox/Atkins.

NOTE 8 - REASSIGNMENT OF LEASE AGREEMENTS FOR TRACTS 207 & 315

Subsequent to June 30, 2006, the developer sold their interest in buildings located on tracts 207 and 315 to CRP Properties, LLC properties, a development firm located in Chicago. While this has no effect on the June 30, 2006 financial statements, future land rent payments will be received from CRP Property, LLC through its asset manager and agent, Romanek Properties, LTD.

NOTE 9 - COMMITMENTS

On February 14, 2006, the University of Illinois Research Park, LLC approved the 13th Amendment to the Development Agreement which calls for reimbursement of marketing services which go beyond the developer's marketing duties described in the development agreement. These payments are not to exceed \$250,000 in any fiscal year. As of June 30, 2006 a total of \$12,578 in additional fees associated with this amendment were payable by the RPLLC to the developer.

As of June 30, 2006 the University of Illinois Research Park, LLC was committed to additional infrastructure costs of \$63,059.

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005**

NOTE 10 - CASH FLOWS

During the years ended June 30, 2006 and June 30, 2005, the Company procured leasehold improvements for which the Company is obligated to the University of Illinois for \$301,027. The University of Illinois provided support through the purchase of leasehold improvements of \$200,000 during the year ended June 30, 2005. The University provided the Company with non-cash support for wages, professional fees, and facilities of \$217,026 and \$32,851 for the years ended June 30, 2006 and June 30, 2005, respectively. The rental income from the Developer for the year ended June 30, 2006 is deposited directly into a University of Illinois account.

This information is an integral part of the accompanying financial statements.