

**STATE OF ILLINOIS  
ILLINOIS VENTURES, LLC  
AND ITS SUBSIDIARY**

**COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2008**

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

**STATE OF ILLINOIS  
ILLINOIS VENTURES, LLC  
AND ITS SUBSIDIARY  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2008**

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**ILLINOIS VENTURES, LLC AND ITS SUBSIDIARY  
COMPANY OFFICIALS  
June 30, 2008**

Chairman of the Board	James Foght
Vice Chair	Warren Holtsberg
CEO and Managing Director	John Banta
Secretary	Thomas R. Bearrows
Treasurer (thru 2/1/07)	Stephen Rugg
Treasurer (2/1/07 thru current)	Walter Knorr
Principal Officer of the Sole Member (thru 12/31/06)	David Chicoine
Principal Officer of the Sole Member (1/16/07 thru 12/31/07)	James Weyhenmeyer
Principal Officer of the Sole Member (1/1/08 thru current)	Avijit Ghosh

**Board of Managers:**

Michael Tokarz  
Eric Gislason  
James Foght  
Warren Holtsberg  
Lawrence Eppley  
Charles Zukoski  
Kenneth D. Schmidt, M.D.  
William P. Tai  
James C. Tyree  
Larry H. Danziger  
Ravishankar K. Iyer

**Ex Officio:**

Stephen K. Rugg (thru 2/1/07)  
Thomas R. Bearrows  
John Banta  
Steven Veazie  
Walter Knorr (since 2/1/07)

Illinois Ventures, LLC offices are located at:

20 N. Wacker Drive  
Suite 1201  
Chicago, Illinois 60606

2001 S. First St  
Suite 201  
Champaign, IL 61820



20 North Wacker Drive  
Suite 1201  
Chicago, IL 60606  
t. 312.251.0700  
f. 312.251.0701  
www.illinoisventures.com

January 7, 2009

Clifton Gunderson LLP  
Certified Public Accountants  
301 SW Adams, Suite 900  
Peoria, Illinois 61656-1835

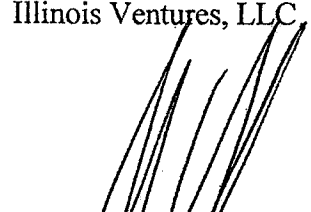
Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of Illinois Ventures, LLC. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of Illinois Ventures, LLC's compliance with the following assertions during the two-year period ended June 30, 2008. Based on this evaluation, we assert that during the two years ended June 30, 2008, Illinois Ventures, LLC has materially complied with the assertions below.

- A. Illinois Ventures, LLC has obligated, expended, received and used funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. Illinois Ventures, LLC has obligated, expended, received and used funds in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. Illinois Ventures, LLC has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The revenues and receipts collected by Illinois Ventures, LLC are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by Illinois Ventures, LLC or held in trust by Illinois Ventures, LLC have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

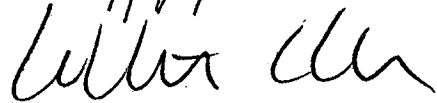
Yours very truly,

Illinois Ventures, LLC



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John Banja, CEO and Managing Director



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Walter K. Knorr, Treasurer

# COMPLIANCE REPORT

## SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

## ACCOUNTANT'S REPORTS

The Independent Accountant's Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

## SUMMARY OF FINDINGS

	<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings		1	2
Repeated findings		1	0
Prior recommendations implemented or not reported		1	1

Details of findings are presented in a separately tabbed report section.

## SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
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### *GOVERNMENT AUDITING STANDARDS*

08-1	10	Use of University Resources	Mat. Weakness
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### *STATE COMPLIANCE*

The following finding which is reported as current findings relating to *Government Auditing Standards* also meet reporting requirements for State Compliance.

08-1	10	Use of University Resources	Non-compliance
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### *PRIOR FINDINGS NOT REPEATED*

A	11	Time Sheets Not Required	
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## EXIT CONFERENCE

Illinois Ventures, LLC and Its Subsidiary waived holding an exit conference in a communication dated January 6, 2009. A response to the finding was provided by John Banta via a communication on January 6, 2009.

**Independent Accountant's Report on State Compliance, on  
Internal Control Over Compliance, and on Supplementary  
Information for State Compliance Purposes**

Honorable William G. Holland  
Auditor General  
State of Illinois

and

Board of Managers  
Illinois Ventures, LLC and Its Subsidiary

**Compliance**

As Special Assistant Auditors for the Auditor General, we have examined Illinois Ventures, LLC and Its Subsidiary's compliance with the requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies* (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2008. The management of Illinois Ventures, LLC and Its Subsidiary is responsible for compliance with these requirements. Our responsibility is to express an opinion on Illinois Ventures, LLC and Its Subsidiary's compliance based on our examination.

- A. Illinois Ventures, LLC and Its Subsidiary has obligated, expended, received, and used funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. Illinois Ventures, LLC and Its Subsidiary has obligated, expended, received, and used funds in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. Illinois Ventures, LLC and Its Subsidiary has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The revenues and receipts collected by Illinois Ventures, LLC and Its Subsidiary are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by Illinois Ventures, LLC and Its Subsidiary or held in trust by Illinois Ventures, LLC and Its Subsidiary have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about Illinois Ventures, LLC and Its Subsidiary's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Illinois Ventures, LLC and Its Subsidiary's compliance with specified requirements.

In our opinion, Illinois Ventures, LLC and Its Subsidiary complied, in all material respects, with the requirements listed in the first paragraph of this report during the two years ended June 30, 2008. However, the results of our procedures disclosed an instance of noncompliance, which is required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which is described in the accompanying schedule of findings as finding 08-1.

### **Internal Control**

The management of Illinois Ventures, LLC and Its Subsidiary is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered Illinois Ventures, LLC and Its Subsidiary's internal control over compliance with the requirements listed in the first paragraph of this report in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of Illinois Ventures, LLC and Its Subsidiary's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Illinois Ventures, LLC and Its Subsidiary's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a significant deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 08-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control.



We consider the deficiency described in the accompanying schedule of findings to be a material weakness.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

Illinois Ventures, LLC and Its Subsidiary's response to the finding identified in our examination are described in the accompanying schedule of findings. We did not examine Illinois Ventures, LLC and Its Subsidiary's response and, accordingly, we express no opinion on it.

### **Supplementary Information for State Compliance Purposes**

As Special Assistant Auditors for the Auditor General we have audited the basic financial statements of Illinois Ventures, LLC and Its Subsidiary's, a component unit of the University of Illinois and the State of Illinois, as of and for the year ended June 30, 2008, and have issued our report thereon dated January 7, 2009. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Illinois Ventures, LLC and Its Subsidiary. The 2008 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2008 taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States, Illinois Ventures, LLC and Its Subsidiary's basic financial statements for the years ended June 30, 2007 and 2006. In our reports dated December 17, 2007 and October 27, 2006 on the basic financial statements, we expressed unqualified opinions on the basic financial statements. In our opinion, the 2007 and 2006 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited," is fairly stated in all material respects in relation to the basic financial statements for the years ended June 30, 2007 and 2006 taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Board of Managers, and management, and is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Gunderson LLP*

Peoria, Illinois  
January 7, 2009

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Honorable William G. Holland  
Auditor General  
State of Illinois  
and  
The Board of Managers  
Illinois Ventures, LLC and Its Subsidiary

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of Illinois Ventures, LLC and Its Subsidiary as of and for the year ended June 30, 2008, and have issued our report thereon dated January 7, 2009. We conducted our audit 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Illinois Ventures, LLC and Its Subsidiary's internal control over financial reporting as a basis for determining our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of Illinois Ventures, LLC and Its Subsidiary's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Illinois Ventures, LLC and Its Subsidiary's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in finding 08-1 in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider finding 08-01 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Illinois Ventures, LLC and Its Subsidiary's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters which we have reported to management of Illinois Ventures LLC in a separate letter dated January 7, 2009.

Illinois Ventures, LLC and Its Subsidiary's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit Illinois Ventures, LLC and Its Subsidiary's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Board of Managers, and management, and is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Henderson LLP*

Peoria, Illinois  
January 7, 2009

**ILLINOIS VENTURES, LLC AND ITS SUBSIDIARY  
SCHEDULE OF FINDINGS  
GOVERNMENT AUDITING STANDARDS AND STATE COMPLIANCE  
June 30, 2008**

**08-1 Finding: Use of University Resources**

Illinois Ventures LLC, and its Subsidiary Illinois Ventures GP, LLC (Company) used University of Illinois (University) resources without consideration paid to the University and without recording support provided by the University on behalf of the Company.

Illinois Ventures LLC was formed on May 30, 2000 and is a component unit of the University of Illinois. The Company is recognized by the University as a University Related Organization (URO) pursuant to a contract between the University and the Company.

During fiscal years ended June 30, 2008 and 2007, the Company received legal services from the University without charge and recorded such in their accounting records. However, the Company had not recognized retirement or other benefits provided by the University for Company employees which are employed by the University and reimbursed by the Company. Estimated costs related to these benefits were \$399,275 for fiscal year 2008. This amount was subsequently recorded on the Company's Statement of Revenues, Expenses and Changes in Net Assets as revenue and as an expense.

Governmental Accounting Standards Board Statement No. 24 *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance* requires the Company to record support and expenses for on-behalf payments made by an entity to a third party on behalf of the Company.

University Guidelines adopted November 30, 1982, (Amended September 10, 1997) by the Legislative Audit Commission, Section VI, University Related Organizations, Subsection G(4): "The University budget and accounting processes must identify expressly all support provided the URO. Revenue accounts will be maintained to identify all payments received from the URO for repayment of funds advanced and as reimbursement for the use of university assets, facilities or services. If the URO maintains separate financial records, companion entries will, of course, appear in these records as well."

Company personnel stated that implementation of the previous recommendation was accomplished through adherence to the *University Resources Analysis for LAC Guidelines Compliance* dated June 30, 2008. The prior recommendation did not identify a requirement for entries for benefits in addition to those already reflected in the University's accounting process.

Not providing consideration or recognizing the University support received results in noncompliance with University Guidelines and would distort Company revenues and expenses. (Finding Code Nos. 08-1, 06-1)

Recommendation:

We recommend that the Company work with the University to establish a system for tracking the use of University resources and that appropriate amounts be recorded on the Company's financial statements.

Company Response:

Implementation of the previous recommendation is accomplished through adherence to the *University Resources Analysis for LAC Guidelines Compliance* dated June 30, 2008, as well as the independent audit, neither of which heretofore identified a requirement for maintenance of separate entries for benefits in addition to those already reflected in the University's accounting process. The Company has adopted the recommendation and has taken steps to coordinate with the University to implement for the current and subsequent periods.

**ILLINOIS VENTURES, LLC AND ITS SUBSIDIARY  
SCHEDULE OF FINDINGS  
PRIOR FINDING NOT REPEATED – STATE COMPLIANCE  
June 30, 2008**

**A Finding: Time Sheets Not Required**

The Company did not require all employees to submit time sheets as required by the State Officials and Employees Ethics Act (Act). (Finding Code No. 06-2)

*Status* – Moved to the Immaterial Findings Letter

Our testing indicated that the Company is not requiring timesheets in accordance with the Act. However, the finding has been removed to the Immaterial Findings Letter.

## **SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

### **SUMMARY**

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- **Fiscal Schedules and Analysis:**
  - Consolidated Schedules of Cash
  - Consolidated Schedules of Changes in Capital Assets (At Cost)
  - Comparative Schedule of Consolidated Cash Receipts
  - Analysis of Significant Variations in Revenues and Expenses
  - Analysis of Significant Account Balances
  - Analysis of Significant Variations
  
- **Analysis of Operations:**
  - Company Functions and Planning Program
  - Average Number of Employees (Unaudited)
  - Service Efforts and Accomplishments (Unaudited)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, except for that portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**ILLINOIS VENTURES, LLC AND ITS SUBSIDIARY  
CONSOLIDATED SCHEDULES OF CASH  
June 30, 2008 and 2007**

	<u>2008</u>		<u>2007</u>	
	<u>Interest Rate</u>	<u>Balance</u>	<u>Interest Rate</u>	<u>Balance</u>
<b>CASH</b>				
Busey Bank:				
Commercial checking account	None	\$ (18,695)	None	\$ (31,815)
Repurchase agreement	1.7900%	<u>88,431</u>	4.7600%	<u>755,592</u>
 <b>TOTAL</b>		 <u>\$ 69,736</u>		 <u>\$ 723,777</u>

**ILLINOIS VENTURES, LLC AND ITS SUBSIDIARY**  
**CONSOLIDATED SCHEDULES OF CHANGES IN CAPITAL ASSETS (AT COST)**  
**Years Ended June 30, 2008 and 2007**

<b>CAPITAL ASSETS - JUNE 30, 2006</b>	<b>\$ 203,208</b>
<b>ADDITIONS - PURCHASES</b>	<u>26,279</u>
<b>CAPITAL ASSETS - JUNE 30, 2007</b>	<b>229,487</b>
<b>ADDITIONS - PURCHASES</b>	<u>15,247</u>
<b>CAPITAL ASSETS - JUNE 30, 2008</b>	<u><b>\$ 244,734</b></u>



**ILLINOIS VENTURES, LLC AND ITS SUBSIDIARY**  
**COMPARATIVE SCHEDULE OF CONSOLIDATED CASH RECEIPTS**  
**Years Ended June 30, 2008, 2007, and 2006**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>CASH RECEIPTS</b>			
Support from the University of Illinois	\$ 2,797,916	\$ 2,699,519	\$2,179,657
Management fee from Illinois Emerging Technology Fund	530,556	530,556	561,397
State of Illinois Economic Opportunity Grants Passed thru the University of Illinois	185,431	920,938	1,111,500
Interest	<u>19,078</u>	<u>50,167</u>	<u>36,181</u>
 <b>TOTAL CASH RECEIPTS</b>	 <u><b>\$ 3,532,981</b></u>	 <u><b>\$ 4,201,180</b></u>	 <u><b>\$3,888,735</b></u>

**ILLINOIS VENTURES, LLC AND ITS SUBSIDIARY**  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN**  
**REVENUES AND EXPENSES**  
**Years Ended June 30, 2008, 2007, and 2006**

	<u>2008</u>	<u>2007</u>	<u>2006</u>	
<b>OPERATING REVENUES</b>	<u>\$ 4,196,850</u>	<u>\$ 4,237,535</u>	<u>\$ 3,766,032</u>	
<b>OPERATING EXPENSES</b>				
Salaries	1,610,085	1,562,791	1,331,188	
Retirement and fringe benefits	399,275	-	-	(A)
Office supplies	18,759	24,856	15,584	
Professional fees	192,446	156,658	201,137	(B)
Office rent	130,140	123,783	113,719	
Depreciation	34,726	41,044	33,794	
Insurance	36,621	41,421	43,162	
Telephone	87,743	85,638	74,286	
Sponsorships	50,250	21,000	20,000	(C)
Subscriptions	14,404	15,656	14,195	
Conferences	31,381	29,189	19,041	
Travel, meals, and entertainment	118,764	106,802	93,835	
Miscellaneous	<u>77,595</u>	<u>100,972</u>	<u>84,528</u>	
Total operating expenses	<u>2,802,189</u>	<u>2,309,810</u>	<u>2,044,469</u>	
<b>OPERATING INCOME</b>	1,394,661	1,927,725	1,721,563	
<b>NONOPERATING REVENUES</b>	917,606	357,629	53,131	(D)
<b>NET INCREASE OF UNREALIZED APPRECIATION ON INVESTMENTS HELD</b>	<u>1,037,907</u>	<u>708,367</u>	<u>407,725</u>	(E)
<b>INCREASE IN NET ASSETS</b>	<u>\$ 3,350,174</u>	<u>\$ 2,993,721</u>	<u>\$ 2,182,419</u>	

See pages 18-19 for analysis.

**ILLINOIS VENTURES, LLC AND ITS SUBSIDIARY  
ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES  
June 30, 2008, 2007, and 2006**

	<u>2008</u>	<u>2007</u>	<u>2006</u>	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 69,736	\$ 723,777	\$ 787,782	(F)
Accounts receivable	651,315	156,645	268,386	(G)
Prepays and other assets	<u>32,057</u>	<u>30,561</u>	<u>30,654</u>	
Total current assets	753,108	910,983	1,086,822	
<b>CAPITAL ASSETS</b>	71,914	91,393	106,158	
<b>INVESTMENTS</b>				
Advances to start-up companies	1,663,924	869,443	557,791	(H)
Equity investment in start-up companies	7,882,258	6,174,733	3,388,995	(H)
Investment in Illinois Emerging Technology Fund	<u>1,214,144</u>	<u>410,022</u>	<u>99,441</u>	(H)
Total investments	<u>10,760,326</u>	<u>7,454,198</u>	<u>4,046,227</u>	
<b>TOTAL ASSETS</b>	<u>\$11,585,348</u>	<u>\$8,456,574</u>	<u>\$5,239,207</u>	
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 149,189	\$ 31,772	\$ 25,573	(I)
Accrued expense	213,728	553,874	252,557	(J)
Deferred revenue	<u>-</u>	<u>-</u>	<u>86,522</u>	(K)
Total current liabilities	<u>362,917</u>	<u>585,646</u>	<u>364,652</u>	
<b>NET ASSETS</b>				
Invested in capital assets	71,914	91,393	106,158	
Restricted	-	316,190	-	
Unrestricted - Reserve for minority interest in subsid	60,708	20,501	4,972	
Unrestricted	<u>11,089,809</u>	<u>7,442,844</u>	<u>4,763,425</u>	
Total net assets	<u>11,222,431</u>	<u>7,870,928</u>	<u>4,874,555</u>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$11,585,348</u>	<u>\$8,456,574</u>	<u>\$5,239,207</u>	

See pages 19-20 for analysis.

**ILLINOIS VENTRUES, LLC AND ITS SUBSIDIARY**  
**ANALYSIS OF SIGNIFICANT VARIATIONS**  
**June 30, 2008, 2007, and 2006**

The scope of this analysis of significant variations explains any increases or decreases which vary by more than 20% and is also \$ 25,000 more or less than the prior year.

**Revenues and Expenses**

A. Retirement and fringe benefits

Prior to fiscal year 2008, the Company had not recognized retirement and fringe benefits paid to third parties on behalf of the Company.

B. Professional Fees

Professional fees consist of legal, accounting and consulting fees. Professional fees increased by \$35,788 between the years ended June 30, 2007 and June 30, 2008. The increase can be attributed to the increased level and complexity of the investment activity. The increased investment activity required the Company to incur additional legal expense associated with the acquisition of securities.

Professional fees decreased by \$44,479 between the years ended June 30, 2006 and June 30, 2007. During the year ended June 30, 2007 the company utilized fewer outside consultants than the prior year.

C. Sponsorships

Sponsorships increased by \$29,250 between the years ended June 30, 2007 and June 30, 2008. The increase can be attributed to a desire by management to sponsor more events to increase the company's visibility and to create more networking opportunities to identify potential start-up company investments.

D. Nonoperating Revenues

Nonoperating revenues increased by \$559,977 between the years ended June 30, 2007 and June 30, 2008, and increased by \$304,498 between the years ended June 30, 2006 and June 30, 2007.

Nonoperating revenues consist of interest income and income from investment in Illinois Emerging Technologies Fund. Interest income is primarily earned from advances to start-up companies and has increased proportionately to the increase in the amount of advances. Income from investment in Illinois Emerging Technologies Fund has increased rapidly in recent years as the fund has experienced large increases in unrealized appreciation of investments held.

E. Net Increase of Unrealized Appreciation of Investments Held

Net increase of unrealized appreciation of investments held increased by \$329,540 between the years ended June 30, 2007 and June 30, 2008, and by \$300,642 between the years ended June 30, 2006 and June 30, 2007.

The unrealized appreciation of investments held is determined by management by considering recent relevant transactions in the securities, developments concerning the

**ILLINOIS VENTRUES, LLC AND ITS SUBSIDIARY**  
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issuing company subsequent to the acquisition of the securities, any financial data and projections of the issuing company provided to management, and such other factors deemed relevant. The trend in recent years has been a steady increase in the number of investments in the portfolio of start-up companies that has created more opportunities for unrealized appreciation.

**Assets and Liabilities**

F. Cash

Cash decreased by \$654,041 between the years ended June 30, 2007 and June 30, 2008. During the normal course of business, the Company will experience monthly fluctuations in cash with increases in its cash balance as it receives management fee revenue and University of Illinois support, and decreases in its cash balance as it pays operating expenses and makes investments in start-up companies. Depending on the timing of the transactions, the cash balance may show large temporary fluctuations with the recent trend being a decrease in cash when comparing the years ended June 30, 2007 and 2008.

G. Accounts Receivable

Accounts receivable increased by \$494,670 between the years ended June 30, 2007 and June 30, 2008 and decreased by \$111,741 between the years ended June 30, 2006 and June 30, 2007.

Accounts receivable consist of legal and other costs incurred on behalf of other entities for which the Company intends to seek reimbursement and grant revenues receivable. The increase from June 30, 2007 to June 30, 2008 is primarily attributable to higher reimbursable legal costs as well as higher grant revenue receivable. The decrease from June 30, 2006 to June 30, 2007 is primarily attributable to lower amounts of reimbursable legal costs.

H. Investments

Investments (including Advances to start-up companies, equity investment in start-up companies, and investment in Illinois Emerging Technologies Fund) increased by \$3,306,128 between the years ended June 30, 2007 and June 30, 2008 and increased by \$3,407,971 between the years ended June 30, 2006 and June 30, 2007.

The Company's goal is to provide both consulting and financial support to start-up companies. During the past three years, the Company has been able to expand the amount of support it could provide to potential start-up companies. This has contributed to an increase in the amount of investments. In addition, the unrealized appreciation on investments held has consistently increased during the time period, which in turn causes the value of the investments to increase.

**ILLINOIS VENTRUES, LLC AND ITS SUBSIDIARY**  
**ANALYSIS OF SIGNIFICANT VARIATIONS**  
**June 30, 2008, 2007, and 2006**

I. Accounts Payable

Accounts payable increased by \$117,417 between the years ended June 30, 2007 and June 30, 2008. The increase can be attributed to an increase in professional fees payable as of June 30, 2008 compared to June 30, 2007.

J. Accrued Expense

Accrued expenses decreased by \$340,146 between the years ended June 30, 2007 and June 30, 2008. The decrease is primarily attributable to no accrued bonus as of June 30, 2008 as the bonuses for June 30, 2008 were paid out prior to year-end.

Accrued expenses increased by \$301,317 between the years ended June 30, 2006 and June 30, 2007. The increase in accrued expense is primarily attributable to higher amounts of accrued bonuses and vacation pay as compared to the prior year.

K. Deferred Revenue

Deferred revenue decreased by \$86,522 between the years ended June 30, 2006 and June 30, 2007. During the year ended June 30, 2006, the Company received grant revenue specifically designated for investment in startup companies. These funds were fully utilized during the year June 30, 2007 and no further revenue deferrals were required in subsequent years.

## **ANALYSIS OF OPERATIONS**

**ILLINOIS VENTURES, LLC AND ITS SUBSIDIARY  
COMPANY FUNCTIONS AND PLANNING PROGRAM  
Years Ended June 30, 2008 and 2007**

Illinois Ventures, LLC (Ventures) was organized May 30, 2000 as an Illinois limited liability company with offices located in Chicago and Champaign. Ventures was organized by, and is a component unit 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 Ventures is to facilitate commercialization of technology originated or developed by faculty, staff, and/or students of the University by obtaining seed and venture capital funding to assist a select group of start-up companies.

Ventures prepares an annual plan through its budgeting process which outlines the anticipated revenues, expenses, and capital expenditures for the fiscal year.

The Managing Director of Illinois Ventures, LLC is John Banta. Illinois Ventures, LLC's office addresses and telephone numbers are:

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Suite 1201  
Chicago, Illinois 60606

(312) 258-0705

2001 S. First St  
Suite 201  
Champaign, IL 61820

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**ILLINOIS VENTURES, LLC AND ITS SUBSIDIARY  
AVERAGE NUMBER OF EMPLOYEES (UNAUDITED)  
Years Ended June 30, 2008, 2007, and 2006**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>EMPLOYED BY ILLINOIS VENTURES, LLC</b>			
Management	6.00	5.00	4.00
Office	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>
Total employed by Illinois Ventures, LLC	8.00	7.00	6.00
 <b>EMPLOYED BY THE UNIVERSITY OF ILLINOIS</b>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 <b>TOTAL</b>	 <u>8.00</u>	 <u>7.00</u>	 <u>6.00</u>

Some of Illinois Ventures, LLC's officers and directors are employed by the University.

**ILLINOIS VENTURES, LLC AND ITS SUBSIDIARY  
SERVICE EFFORTS AND ACCOMPLISHMENTS (UNAUDITED)  
Year Ended June 30, 2008  
(Unaudited)**

**Accomplishments since inception:** Since inception, 960 opportunities have been evaluated through the combined auspices of Illinois Ventures, LLC and its affiliated entities, the Illinois Emerging Technology Fund and the Chicago and Illini ITECs.

Consultative support and development has begun on behalf of 58 companies, and a total of \$23.8 million of funding has been provisioned to portfolio companies through Illinois Ventures, LLC and its affiliated entities. Substantial additional third-party support has been leveraged on behalf of these projects, including over \$220 million in private investment and \$28 million in federal grant funding.

**Fiscal 2008 Illinois Ventures, LLC Highlights:**

**Established sustainable, repeatable mechanism for value creation**

- Identified/assessed 219 opportunities for business development
- Successfully closed nine seed fund financing events
- Successfully closed eight follow-on financing events

**Continued development of a committed investment vehicle**

- Completed initial ten portfolio commitments
- Obtained initial markup events

**Demonstrated Improved ROI on Public Resource**

- Advanced ratio of total invested funds versus public funding to over 10 times
- Offset ~30% of non-investment budget through private revenue sources

**Attained high stakeholder satisfaction**

- Achieved > 90% "Meets" or "Exceeds expectations" responses through satisfaction survey of internal and external stakeholders