

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

**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
UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
COMPLIANCE EXAMINATION
Two Years Ended June 30, 2008**

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FINANCIAL STATEMENT REPORT	
<p>The University of Illinois Research Park, LLC’s financial statement report for the years ended June 30, 2008 and 2007 which includes the independent auditor’s report, management’s discussion and analysis, basic financial statements and notes, and the independent auditor’s report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with <i>Government Auditing Standards</i> has been issued separately.</p>	
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**UNIVERSITY OF ILLINOIS
RESEARCH PARK LLC
COMPANY OFFICIALS
For the Two Years Ended June 30, 2008**

Chair of Board	Edward McMillan
Vice Chair	Patrick F. Daly
Treasurer (thru 2/1/07)	Steven K. Rugg
Treasurer (2/1/07 thru current)	Walter F. Knorr
Secretary	Thomas R. Bearrows
Director (thru 12/31/06)	David L. Chicoine
Interim Director (1/16/07 thru 12/31/07)	James A. Weyenmeyer
Director (1/1/08 thru current)	Avijit Ghosh
Manager, Research Park & Incubator Facilities	Scott Pickard

Board of Managers:

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

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

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

UIRP, LLC

University of Illinois Research Park, LLC

UIRP, LLC
Board of Managers

Voting Members:

Patrick F. Daly (Vice Chair)
Chairman
The Daly Group, LLC

Larry H. Danziger
Interim Vice Chancellor for
Research
University of Illinois at Chicago

Ravishankar K. Iyer
Interim Vice Chancellor for
Research
University of Illinois
at Urbana-Champaign

Ed McMillan (Chair)
McMillan, L.L.C.

Kenneth D. Schmidt, M.D.
Holy Family Hospital

Non-voting Members:

Thomas R. Bearrows
(Secretary)
University Counsel
University of Illinois

Walter Knorr (Treasurer)
Chief Financial Officer and Vice
President for Administration
University of Illinois

Steven A. Veazie
(Representative of the
Secretary)
Deputy University Counsel
University of Illinois

**Principal Officer of the
Member and Director
Research Park at the
University of Illinois:**

Avijit Ghosh
Vice President for Technology
and Economic Development

UIRP, LLC
346 Henry Administration
Building
506 South Wright Street
Urbana, IL 61801
217.265.5449

October 27, 2008

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

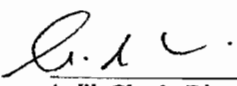
Ladies and Gentlemen:

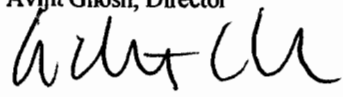
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the University of Illinois Research Park, LLC. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the University of Illinois Research Park, 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, the University of Illinois Research Park, LLC has materially complied with the assertions below.

- A. The University of Illinois Research Park, 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. The University of Illinois Research Park, 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. The University of Illinois Research Park, 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 the University of Illinois Research Park, 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 the University of Illinois Research Park, LLC or held in trust by the University of Illinois Research Park, 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,

University of Illinois Research Park, LLC


Avijit Ghosh, Director


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 Reports</u>
Findings		0	3
Repeated findings		0	0
Prior recommendations implemented or not repeated		3	0

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

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
PRIOR FINDINGS NOT REPEATED		
A	9	Inaccurate Statement of Cash Flows
B	9	Use of University Resources
C	9	University Subsidies

EXIT CONFERENCE

An exit conference was held on October 23, 2008. Attending were:

Representing University of Illinois Research Park, LLC

Avijit Ghosh, Walter Knorr, Melissa Miner, Scott Pickard, Dan Dobell, Roger Wade

Representing the Office of the Auditor General

Thomas Kizziah

Representing Clifton Gunderson LLP

Beth Auterman, Paul Pelletier

**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
University of Illinois
Research Park, LLC

Compliance

As Special Assistant Auditors for the Auditor General, we have examined University of Illinois Research Park, LLC'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 University of Illinois Research Park, LLC. is responsible for compliance with these requirements. Our responsibility is to express an opinion on University of Illinois Research Park, LLC's compliance based on our examination.

- A. University of Illinois Research Park, 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. University of Illinois Research Park, 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. University of Illinois Research Park, 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 University of Illinois Research Park, 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. Money or negotiable securities or similar assets handled by University of Illinois Research Park, LLC or held in trust by University of Illinois Research Park, LLC 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 University of Illinois Research Park, LLC'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 University of Illinois Research Park, LLC's compliance with specified requirements.

In our opinion, University of Illinois Research Park, LLC complied, in all material respects, with the requirements listed in the first paragraph of this report during the two years ended June 30, 2008.

Internal Control

The management of University of Illinois Research Park, LLC 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 University of Illinois Research Park, LLC'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 the University of Illinois Research Park, LLC's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University of Illinois Research Park, LLC's internal control over compliance.

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.

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.

Our consideration of internal control over compliance with the requirements listed in the first paragraph of this report was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of University of Illinois Research Park, LLC, 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 October 27, 2008. 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 University of Illinois Research Park, LLC. 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, University of Illinois Research Park, LLC's basic financial statements for the years ended June 30, 2007 and 2006. In our reports dated October 11, 2007 and December 12, 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, agency management, and the Board of Managers and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Peoria, Illinois
October 27, 2008

**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
University of Illinois
Research Park, LLC

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of University of Illinois Research Park, LLC as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated October 27, 2008. 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 the University of Illinois Research Park, LLC'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 the University of Illinois Research Park, LLC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University of Illinois Research Park, LLC's internal control over financial reporting.

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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University of Illinois Research Park, LLC'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 matters which we have reported to management of the University of Illinois Research Park, LLC in a separate letter dated October 27, 2008.

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

Clifton Henderson LLP

Peoria, Illinois
October 27, 2008

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
SCHEDULE OF FINDINGS
Prior Findings Not Repeated
June 30, 2008**

A Finding: Inaccurate Statement of Cash Flows

The University of Illinois Research Park, LLC (Research Park) did not prepare an accurate Statement of Cash Flows. (Finding Code No. 07-1)

Status – Not repeated

The Statement of Cash Flows prepared for the current audit was accurate.

B Finding: Use of University Resources

University of Illinois Research Park, LLC. (Research Park) used University of Illinois (University) facilities, assets, services, and resources without consideration paid to the University. The University and the Research Park were not tracking the expenses incurred by the University on behalf of the Research Park until it was brought to their attention as a result of the audit. In addition, the transactions were not initially recorded on the financial statements of the Research Park. (Finding Code No. 06-01)

Status – Not repeated

Our testing indicated that the Research Park and the University are now tracking and recording expenses incurred by the University on behalf of the Research Park.

C Finding: University Subsidies

University of Illinois Research Park, LLC (Research Park) failed to pay an amount owed to the University of Illinois (University) at June 30, 2005 within the next year. (Finding Code No. 06-02)

Status – Not repeated

The amount owed the University was repaid during fiscal year 2007. No other amounts were outstanding to the University.

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:
 - Schedules of Cash
 - Schedules of Changes in Capital Assets (At Cost)
 - Analysis of Significant Variations in Revenues and Expenses
 - Analysis of Significant Account Balances
 - Analysis of Significant Variations
 - Analysis of Accounts Receivable

- Analysis of Operations:
 - Company Function 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 accountant's 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.

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
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>
CASH				
Busey Bank:				
Commercial checking account	None	\$ 1,000	None	\$ 1,000
Money market account	1.21%	<u>5,549</u>	3.54%	<u>1,717</u>
 TOTAL		 <u>\$ 6,549</u>		 <u>\$ 2,717</u>

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
SCHEDULES OF CHANGES IN CAPITAL ASSETS (AT COST)
Years Ended June 30, 2008 and 2007**

CAPITAL ASSETS - JUNE 30, 2006	\$ 771,779
Additions - purchases	<u>78,912</u>
 CAPITAL ASSETS - JUNE 30, 2007	 850,691
Additions - purchases	119,631
Deletions	<u>(48,313)</u>
 CAPITAL ASSETS - JUNE 30, 2008	 <u>\$ 922,009</u>

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
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>
OPERATING REVENUES			
Service income and budget allocation			
University of Illinois	\$ 406,578 (A)	\$ 701,672 (A)	\$ 261,497
Rental income	<u>164,159</u>	<u>158,033 (B)</u>	<u>106,313</u>
Total operating revenues	<u>570,737</u>	<u>859,705</u>	<u>367,810</u>
OPERATING EXPENSES			
Salaries	114,492	101,511	115,569
Office supplies	2,000	1,500	-
Depreciation	30,352	28,304	29,270
Rent	6,642	6,712	5,523
Travel	1,860	2,252	-
Support for EnterpriseWorks	- (C)	19,847 (C)	30,000
Support for office of Vice Chancellor for Research	- (D)	106,326 (D)	71,014
Services provided under 13th Amendment to Development Agreement	86,770 (E)	41,274 (E)	-
Professional fees	21,897 (F)	65,770	54,822
Legal fees	40,902	37,640	37,240
Office	-	-	61
Telecommunications	1,200	1,200	-
Subscriptions/dues/luncheons	2,168	1,832	-
Advertising	89,713 (G)	26,074 (G)	-
Other	<u>19,867</u>	<u>17,229</u>	<u>19,362</u>
Total operating expenses	<u>417,863</u>	<u>457,471</u>	<u>362,861</u>
OPERATING INCOME	152,874	402,234	4,949
NONOPERATING REVENUE - INTEREST			
Interest	<u>118</u>	<u>66</u>	<u>19</u>
INCREASE IN NET ASSETS	<u>\$ 152,992</u>	<u>\$ 402,300</u>	<u>\$ 4,968</u>

See page 15 for analysis.

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES
June 30, 2008, 2007, and 2006**

	<u>2008</u>		<u>2007</u>		<u>2006</u>
ASSETS					
CURRENT ASSETS					
Cash	\$ 6,549		\$ 2,717		\$ 3,156
Accounts receivable	-	(H)	20,000		20,000
Deferred charges	-	(I)	64,146		-
Total current assets	6,549		86,863		23,156
 CAPITAL ASSETS	 809,454	 (J)	 720,175	 (J)	 669,567
 ACCRUED LEASE INCOME	 <u>232,440</u>	 (K)	 <u>173,054</u>	 (K)	 <u>121,347</u>
 TOTAL ASSETS	 <u>\$1,048,443</u>		 <u>\$ 980,092</u>		 <u>\$ 814,070</u>
 LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and deferred revenue	\$ <u>31,628</u>	(L)	\$ <u>116,269</u>	(L)	\$ <u>352,547</u>
 NET ASSETS					
Invested in capital assets	809,454		720,175		368,540
Unrestricted	<u>207,361</u>		<u>143,648</u>		<u>92,983</u>
Total net assets	<u>1,016,815</u>		<u>863,823</u>		<u>461,523</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$1,048,443</u>		 <u>\$ 980,092</u>		 <u>\$ 814,070</u>

See page 17 for analysis.

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
ANALYSIS OF SIGNIFICANT VARIATIONS*
June 30, 2008**

Revenue and Expense

A) Change in Service Income and Budget Allocation University of Illinois

Service income and budget allocation University of Illinois decreased by \$295,094 between fiscal year 2007 and 2008 and increased by \$440,175 between fiscal year 2006 and 2007. The increase from fiscal year 2006 to 2007 is primarily due to first time billing of management fees by the Research Park and improved tracking of support provided by the University. The decrease from fiscal year 2007 to fiscal year 2008 is due to a significant reduction in the management fee billing from the prior year. The amount of the support provided is linked to the amount of expense incurred by the Research Park. As expenses decline, the support provided by the University to pay for the expenses also declines.

B) Increase in Rental Income

Additional land leases executed in fiscal year 2006 resulted in an increase in rental income of \$51,720 from June 30, 2006 to June 30, 2007.

C) Decrease in Support for EnterpriseWorks

The Research Park provided support for EnterpriseWorks of \$30,000 during the year ended June 30, 2006. This support represents an annual fee paid to the University of Illinois Division of Research Safety for assistance with laboratory safety and hazardous materials issues associated with the University's business incubator EnterpriseWorks. During fiscal year 2007, the Research Park provided support for a shared equipment room. No support was provided for Enterprise Works for fiscal year 2008.

D) Changes in Support for the Office of the Vice Chancellor for Research

The increase in support for the Office of the Vice Chancellor for Research from the fiscal years 2006 to 2007 represents the increase in the land lease payments received from the land leasing activities of the Research Park.

The decrease in support from fiscal year 2007 to 2008 represents a change in how funds received from land leasing activities are handled. Beginning with fiscal year 2008, land lease payments are deposited directly into a University agency fund and are used to offset costs associated with services provided by the University on behalf of the Research Park.

* Significant Variations are defined as changes greater than 20% and \$13,000.

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
ANALYSIS OF SIGNIFICANT VARIATIONS*
June 30, 2008**

Revenue and Expense (Continued)

E) Increase in Services provided under 13th Amendment to Development Agreement

Services provided under 13th Amendment to Development Agreement increased by \$41,274 between fiscal year 2006 and 2007; as fiscal year 2007 represented the first year that the 13th Amendment to the Development Agreement was in effect. The increase of \$45,496 from fiscal year 2007 to 2008 is due to increased marketing activities by the Developer associated with the agreement.

F) Changes in Professional Fees

Professional fees decreased by \$43,873 between fiscal years 2007 and 2008. The decrease relates to services provided by the University on behalf of the Research Park. Included in the overall decrease are reductions of \$30,000, \$13,200, and \$2,300 in real estate planning services, computer services, and internal auditing services, respectively.

G) Increase in Advertising Expense

Advertising increased between fiscal year 2006 and 2007 by \$26,074 as funds from other University entities were used to promote the mission and objectives of the Research Park.

Increases in advertising and marketing expenses from fiscal year 2007 to 2008 of \$63,639 represent a campaign to increase brand awareness for the Research Park at the University of Illinois. This campaign included radio advertising, print advertising in the Alumni Association magazine, football and basketball programs, airport advertising and web page development.

* Significant Variations are defined as changes greater than 20% and \$13,000.

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
ANALYSIS OF SIGNIFICANT VARIATIONS*
June 30, 2008**

Assets and Liabilities

H) Decrease in Accounts Receivable

The decrease in accounts receivable from June 30, 2007 to June 30, 2008 represents a write down of the receivable to the Research Park for expenses associated with the 9th amendment to the Development Agreement.

I) Decrease in Deferred Charges

Decrease in deferred charges from June 30, 2007 to June 30, 2008 represents the recognition of telecommunications infrastructure charges paid for in advance in fiscal year 2007 and incurred in fiscal year 2008.

J) Changes in Capital Assets

Increase in Capital Assets from June 30, 2006 to June 30, 2007 came from leasehold improvements to the research park land in the form of telecommunications infrastructure improvements for the Z3 building in the research park as well as partial completion of telecommunications infrastructure to the Day Care facility.

The additional increase in Capital Assets from June 30, 2007 to June 30, 2008 came from leasehold improvements to the research park land in the form of upgrading telecommunications infrastructure for the Z3 building and finishing off the telecommunications infrastructure at the Day Care facility in the research park.

K) Accrued Lease Income

Accrued Lease Income increased \$59,386 between June 30, 2007 and June 30, 2008 and \$51,707 between June 30, 2006 and June 30, 2007. The increases are primarily associated with the lease payment deferral period for the hotel tract and the required income recognition during the deferral period. In addition, an additional land lease was executed during fiscal year 2007 between Research Park and the developer of the research park.

L) Changes in Current Liabilities

The decrease in accounts payable and deferred revenue from June 30, 2006 to June 30, 2007 of \$236,278 is primarily the result of the resolution of the amount payable from the Research Park to the University for costs associated with the telecommunications infrastructure associated with the iCyt building in the Research Park.

The decrease from June 30, 2007 to June 30, 2008 relates to the recognition of service revenue which was deferred in fiscal year 2007.

* Significant Variations are defined as changes greater than 20% and \$13,000.

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
ANALYSIS OF ACCOUNTS RECEIVABLE
June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
ACCOUNTS RECEIVABLE - VICE CHANCELLOR FOR RESEARCH	<u>\$ -</u>	<u>\$ 20,000</u>

ACCOUNTS RECEIVABLE - VICE CHANCELLOR FOR RESEARCH

Reimbursement for costs associated with the 9th amendment to the development agreement between Fox/Atkins and the University of Illinois Research Park, LLC for the remaining costs associated with the moving of the fish ponds.

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
COMPANY FUNCTION AND PLANNING PROGRAM
Years Ended June 30, 2008 and 2007**

The Research Park was organized March 15, 2000 as an Illinois Limited Liability Company with an office located in Champaign, Illinois. The Research Park was organized by, and its sole member 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 at the Champaign/Urbana campus that encourages and facilitates research and development and to foster economic growth within the State using the University's intellectual assets. In addition, the Research Park has oversight responsibilities with regard to research parks at the Chicago campus and wherever research parks are established in Illinois where the University has some operating responsibility by statute or contract.

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

The current Director is Avijit Ghosh.

The University of Illinois Research Park, LLC's office is located in Champaign, Illinois and its address is:

60 Hazelwood, MC-659
Champaign, Illinois 61820
(217) 333-8324

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
AVERAGE NUMBER OF EMPLOYEES
Years Ended June 30, 2008 and 2007
(Unaudited)**

The Research Park had no employees of its own during the audit period. University employees have been assigned a portion of their time to spend on Research Park business.

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
SERVICE EFFORTS AND ACCOMPLISHMENTS
June 30, 2008
(Unaudited)**

ACCOMPLISHMENTS FOR FISCAL YEAR ENDED JUNE 30, 2008 (FY08)

At the end of FY08, there were 71 tenants employing over 1,100 people in the Research Park. Completion of a day care facility took place in FY08 along with the near completion of a hotel-conference center.

EnterpriseWorks, a 43,000 square foot incubator facility located in the Park completed its sixth full year of operations with nearly full occupancy. Four companies graduated from EnterpriseWorks in fiscal 2008.

FY08 RESEARCH PARK HIGHLIGHTS

Administration

- Completion of Research Park external audit.
- Worked with the Office of the Auditor General to revise methods of accounting for goods and services provided to the Research Park in order to better reflect this activity in the financial statements.
- Welcomed a new Vice President for Technology and Economic Development and a new Treasurer onto the Research Park Board of Managers.
- Formed a new Board of Managers Audit Committee to review and recommend for approval audit reports and monitor follow up on audit findings.
- Executed two new intern agreements with Research Park tenants to employ student interns in the Park.

Development

- Upgraded telecommunications infrastructure to the Z3/Yahoo building to University standards.
- The Developer finished construction of a day care center located at the corner of Hazelwood and Oak Street and has nearly completed construction of a hotel-conference center.

Marketing

- Continued development of the new web site for both EnterpriseWorks and the Research Park.
- Implemented a significant brand-awareness marketing campaign. Targeted media included radio ads at U of I sporting events, print ads in the Alumni magazine and print ads in football and basketball programs.
- Worked with central campus and the Developer on the presentations to companies considering locating to the Research Park.

**UNIVERSITY OF ILLINOIS
RESEARCH PARK, LLC
SERVICE EFFORTS AND ACCOMPLISHMENTS
June 30, 2008
(Unaudited)**

FY08 RESEARCH PARK HIGHLIGHTS (CONTINUED)

Incubation

- Completed sixth year of operations of EnterpriseWorks with nearly 100% occupancy. Graduated four tenants into the private sector during the fiscal year.
- Began work with our newly formed tenant advisory committee to discuss EnterpriseWorks tenant progress toward graduation and for guidance on client tenancy.
- Completed construction on a server co-location facility to house EnterpriseWorks and Research Park tenant file servers.
- Worked throughout the year with prospective tenants to develop business plans and secure appropriate office and laboratory space.
- Met with tenants monthly, providing information about the latest resources available and updates on the EnterpriseWorks program and facility.