



**North  
Carolina  
Biotechnology  
Center**

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October 21, 2011

TO: The Honorable Phil Berger, President Pro Tempore of the Senate  
The Honorable Thom Tillis, Speaker of the House of Representatives  
The Honorable Janet Cowell, State Treasurer  
Mr. Grayson G. Kelley, Chief Deputy Attorney General  
Mr. Mark Trogon, Fiscal Research Division

FROM: Patricia J. Gravinese, CPA  
Controller

SUBJECT: Quarterly Report

In accordance with the *Profit Sharing Agreement Between the State of North Carolina and the North Carolina Biotechnology Center*, enclosed are the required reports for the Biotechnology Center and its subsidiary for the quarter ending September 30, 2011.

Venture capital investments, stocks, and equity held by the Biotechnology Center and its subsidiaries are listed in Exhibits A-1 and A-2. The following transactions took place during the quarter relative to investments acquired with State funds:

- Distributions from venture capital investments were received as follows:
  - \$508 from Piedmont Area Network II, LLC representing a return of capital
- Capital contributions to venture capital investments were made as follows:
  - \$1,000 initial investment paid to Wilmington Investor Network, LLC
  - \$1,000 initial investment paid to Triangle Angel Partners, LLC
  - \$3,500 capital call paid to Aurora Ventures V, LLC
  - \$2,400 capital call paid to Southern Capital II, LLC
  - \$1,100 capital call paid to Intersouth Partners VII, LLC
  - \$ 900 capital call paid to Inception Micro Angel Fund – Cape Fear

ASHEVILLE

CHARLOTTE

GREENVILLE

RESEARCH TRIANGLE PARK

WILMINGTON

WINSTON-SALEM

The unaudited financial statements through September 30 are provided as Exhibits A through D.

If you have any questions or comments regarding this information, please do not hesitate to call me at (919) 541-9366.

cc: Mr. William Pappas, Parker, Poe, Adams & Bernstein  
Kristin Walker, Fiscal Research

Enclosures

**NORTH CAROLINA BIOTECHNOLOGY CENTER**

**Consolidated Statement of Financial Position**

**First Quarter Ending September 30, 2011**

	Unaudited Quarter Ending 9/30/2011	Audited Year Ending 6/30/2011
<b>ASSETS:</b>		
Cash	\$ 27,837,507	\$ 27,534,270
Investments	594,411	584,640
Receivables:		
Accrued interest receivable	739,204	979,865
Miscellaneous receivables	219,901	372,149
Contributions receivable	14,607,981	1,449,936
Notes receivable	7,882,805	7,896,134
Allowance for uncollectible notes receivable	(5,390,135)	(5,795,794)
Total Receivables	18,059,756	4,902,290
Other assets	252,612	171,977
Property, plant and equipment, net	13,029,551	13,219,898
<b>Total Assets</b>	<b>\$ 59,773,837</b>	<b>\$ 46,413,075</b>
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 307,413	\$ 313,985
Grants, loans, and contracts payable	7,175,218	7,623,999
Note payable	5,000,000	5,000,000
<b>Total Liabilities</b>	<b>12,482,631</b>	<b>12,937,984</b>
<b>NET ASSETS:</b>		
Unrestricted Assets:		
Designated for specific purposes	35,078,499	32,565,118
Undesignated	11,401,666	98,932
<b>Total Unrestricted Net Assets</b>	<b>46,480,165</b>	<b>32,664,050</b>
Temporarily Restricted Assets	811,041	811,041
<b>Total Net Assets</b>	<b>47,291,206</b>	<b>33,475,091</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 59,773,837</b>	<b>\$ 46,413,075</b>

# NORTH CAROLINA BIOTECHNOLOGY CENTER

## Consolidated Statement of Activity and Changes in Net Assets

First Quarter Ending September 30, 2011

	Unaudited Quarter Ending 9/30/2011	Unaudited Quarter Ending 9/30/2010
<b>UNRESTRICTED REVENUES :</b>		
Grants and contracts:		
State of North Carolina	\$ 17,551,700	\$ 19,306,881
Interest	21,874	20,968
Hamner Conference Center	22,047	21,061
Net realized and unrealized gain on investments	47,330	2,054
Other	20,990	15,644
<b>Total unrestricted revenues</b>	<b>17,663,941</b>	<b>19,366,608</b>
<b>EXPENSES AND LOSSES:</b>		
Science and technology development	172,747	113,538
Science and Business Development	96,884	198,069
Education and training	150,938	155,154
Centers of innovation	765,107	977,824
Library and information services	247,951	241,286
Business and technology development	895,528	623,465
Economic and Industrial Development	103,324	241,858
AgBiotechnology	38,649	103,677
Statewide development	367,350	567,887
Hamner Conference Center	160,932	96,435
General and administrative	919,495	3,038,292
<b>Total expenses and losses</b>	<b>3,918,905</b>	<b>6,357,485</b>
Change in unrestricted net assets before net operating transfers	13,745,036	13,009,123
<b>TEMPORARILY RESTRICTED REVENUES :</b>		
<b>Grants and Contracts:</b>		
Contributions	71,079	71,086
Change in temporarily restricted net assets	71,079	71,086
Change in total net assets	13,816,115	13,080,209
Net Assets, beginning of period	33,475,091	29,453,860
<b>Net Assets, end of period</b>	<b>\$ 47,291,206</b>	<b>\$ 42,534,069</b>

**NORTH CAROLINA BIOTECHNOLOGY CENTER**

**Consolidated Statement of Cash Flows**

**First Quarter Ending September 30, 2011**

	Unaudited Quarter Ending 9/30/2011	Unaudited Quarter Ending 9/30/2010
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 13,816,115	\$ 13,080,209
Depreciation	229,453	143,303
Unrealized (gain)/loss on investments		
Increase (decrease) in cash due to changes in:		
Notes receivable	13,331	(266,154)
Allowance for uncollectible receivables	(405,659)	
Accrued interest receivable	240,661	
Grants and pledges receivable	(13,005,798)	(19,140,766)
Miscellaneous receivables	(63,000)	(145,363)
Other assets	(17,635)	30,805
Accounts payable and accrued expenses	(6,572)	(993,157)
Grants/contracts/notes payable	(448,782)	244,687
<b>Net cash provided (used) by operating activities</b>	<b>352,114</b>	<b>(7,046,436)</b>
<b>Cash flows from investing activities:</b>		
Purchase of property & equipment	(39,106)	(92,190)
Proceeds from sale of investments		
Purchase of investments	(9,771)	(12,567)
<b>Net cash provided (used) by investing activities</b>	<b>(48,877)</b>	<b>(104,757)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from Issuance of Note Payable	-	5,000,000
<b>Net cash provided (used) from Financing Activities</b>	<b>-</b>	<b>5,000,000</b>
Net increase (decrease) in cash	303,237	(2,151,193)
Cash, beginning of period	27,534,270	20,299,635
<b>Cash, end of period</b>	<b>\$ 27,837,507</b>	<b>\$ 18,148,442</b>

NORTH CAROLINA BIOTECHNOLOGY CENTER  
FY 2012 VENTURE CAPITAL INVESTMENTS  
As of Septmeber 30, 2011

<u>INVESTMENT</u>	<u>Start Date</u>	<u>Total Commitment</u>	<u>Paid @ 9/30/2011</u>	<u>Total Distributions</u>
Aurora Enrichment Fund, LLC	06/04	15,000	15,000	4,630
* Aurora Ventures II, LLC	12/96	100,000	100,000	81,481
Aurora Ventures IV, LLC	02/02	100,000	100,000	647
* Aurora Ventures V, LLC	08/05	100,000	78,500	1,743
Charlotte Angels	12/09	25,000	350	0
* Harbinger/Aurora Venture Fund, LLC	10/99	500,000	500,000	322,693
* Hatteras Venture Partners I, LP	12/00	18,500	18,500	22,255
Hatteras Venture Partners II, LP	05/04	25,000	21,287	24,476
Hatteras Venture Affiliates III, LP	09/06	25,000	13,973	3,709
Hatteras Venture Partners IV	06/11	25,000	625	0
Inception Micro Angel Fund, LLC	05/03	16,500	16,500	0
Inception Micro Angel Fund - Kannapolis, LLC	06/07	15,000	1,000	0
Inception Micro Angel Fund - West, LLC	03/07	16,500	16,500	127
Inception Micro Angel Fund - East LLC		15,000	0	0
Inception Micro Angel Fund - Triad 2	09/10	12,500	100	0
Inception Micro Angel Fund - RTP	09/10	12,500	100	0
Inception Micro Angel Fund - Source Capital	09/10	25,000	0	0
* Inception Micro Angel Fund - Cape Fear	06/11	12,500	1,000	0
* Intersouth Partners III, LP	06/97	10,000	10,000	21,425
* Intersouth Partners IV, LP	02/98	500,000	500,000	754,928
Intersouth Partners V, LP	03/00	250,000	250,000	125,014
Intersouth Partners V Affiliates Fund, LP	03/00	100,000	100,000	49,774
Intersouth Partners VI, LP	02/03	25,000	22,636	8,573
* Intersouth Partners VII, LP	05/06	40,000	23,200	0
Piedmont Angel Network, LLC	12/31	25,000	24,000	1,846
* Piedmont Angel Network II, LLC	10/05	25,000	20,250	3,152
Piedmont Angel Network III, LLC	12/09	25,000	12,500	0
Research Triangle Ventures, LP	12/00	100,000	100,000	28,151
Southern Capitol Technology I, LLC	08/01	31,250	31,250	21,172
* Southern Capitol Technology II, LP	12/05	40,000	24,800	10,522
* Triangle Angel Partners	07/11	12,500	1,000	0
* Wilmington Investor Network	07/11	4,000	1,000	0
<b>TOTAL VC INVESTMENTS</b>		<u>2,246,750</u>	<u>2,004,071</u>	<u>1,486,318</u>
* Acquired with State Funds		O/S Commitment	242,679.00	

NORTH CAROLINA BIOTECHNOLOGY CENTER  
PUBLICLY TRADED STOCKS & OTHER INVESTMENTS  
First Quarter Report as of September 30, 2011

	# Shares	Price/Share @ 09-30-11 or date of	Cost @ 06-30-11	Stock Purchased (Sold)	Realized Gains or (Losses)	Cost @ 9/30/2011	FMV @ 9/30/2011
<b><u>Publically Traded Stocks:</u></b>							
Tranzyme, Inc.	2,340	2.64	2,340.00	-	-	2,340.00	6,177.60
<b><u>Other Investments</u></b>							
Columbia Life Systems, Inc.	2,388	8.40	40,000.00			40,000.00	20,059.20
EnSolve Biosystems, Inc.	16,000	2.50	40,000.00			40,000.00	40,000.00
Endacea, Inc. (formerly Link Technology, Inc. )	33,334	0.062	25,000.00			25,000.00	2,066.71