



**North  
Carolina  
Biotechnology  
Center**

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January 19, 2012

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 December 31, 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:
  - \$610 from Southern Capitol Technology Fund II, LLC representing a return of capital
- Capital contributions to venture capital investments were made as follows:
  - \$2,000 capital call paid to Aurora Ventures V, LLC
  - \$1,200 capital call paid to Southern Capital II, LLC
  - \$3,300 capital call paid to Intersouth Partners VII, LLC
  - \$1,375 capital call paid to Piedmont Angel Network II, LLC

The unaudited financial statements through December 31 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

ASHEVILLE

CHARLOTTE

GREENVILLE

RESEARCH TRIANGLE PARK

WILMINGTON

WINSTON-SALEM

**NORTH CAROLINA BIOTECHNOLOGY CENTER**

**Consolidated Statement of Financial Position**

**Second Quarter Ending December 31, 2011**

	Unaudited Quarter Ending 12/31/2011	Audited Year Ending 6/30/2011
<b>ASSETS:</b>		
Cash	\$ 27,060,494	\$ 27,534,270
Investments	594,562	584,640
Receivables:		
Accrued interest receivable	457,479	979,865
Miscellaneous receivables	298,724	372,149
Contributions receivable	10,015,052	1,449,936
Notes receivable	8,506,028	7,896,134
Allowance for uncollectible notes receivable	(5,381,181)	(5,795,794)
Total Receivables	13,896,102	4,902,290
Other assets	102,664	171,977
Property, plant and equipment, net	<u>12,798,780</u>	<u>13,219,898</u>
<b>Total Assets</b>	<b><u>\$ 54,452,602</u></b>	<b><u>\$ 46,413,075</u></b>
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 282,149	\$ 313,985
Grants and loans payable	6,974,435	7,623,999
Note payable	<u>4,000,000</u>	<u>5,000,000</u>
<b>Total Liabilities</b>	<b><u>11,256,584</u></b>	<b><u>12,937,984</u></b>
<b>NET ASSETS:</b>		
Unrestricted Assets:		
Designated for specific purposes	33,783,093	32,565,118
Undesignated	<u>8,601,884</u>	<u>98,932</u>
<b>Total Unrestricted Net Assets</b>	<b><u>42,384,977</u></b>	<b><u>32,664,050</u></b>
Temporarily Restricted Assets	<u>811,041</u>	<u>811,041</u>
<b>Total Net Assets</b>	<b><u>43,196,018</u></b>	<b><u>33,475,091</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 54,452,602</u></b>	<b><u>\$ 46,413,075</u></b>

# NORTH CAROLINA BIOTECHNOLOGY CENTER

## Consolidated Statement of Activity and Changes in Net Assets

Second Quarter Ending December 31, 2011

	Unaudited Quarter Ending 12/31/2011	Unaudited Quarter Ending 12/31/2010
<b>UNRESTRICTED REVENUES :</b>		
Grants and contracts:		
State of North Carolina	\$ 17,551,700	\$ 19,306,881
Interest	60,886	66,536
Hamner Conference Center	106,577	92,162
Net realized and unrealized gain on investments	61,526	362,320
Other	85,953	28,484
<b>Total unrestricted revenues</b>	<b>17,866,642</b>	<b>19,856,383</b>
<b>EXPENSES AND LOSSES:</b>		
Science and technology development	1,583,842	1,459,291
Science and Business Development	268,037	349,081
Education and training	324,654	290,320
Centers of innovation	1,153,635	1,072,626
Library and information services	521,573	479,000
Business and technology development	1,380,842	377,931
Economic and Industrial Development	324,182	358,707
AgBiotechnology	160,881	209,725
Statewide development	783,219	897,374
Hamner Conference Center	341,488	298,326
General and administrative	1,559,984	4,387,033
<b>Total expenses and losses</b>	<b>8,402,337</b>	<b>10,179,414</b>
Change in unrestricted net assets before net operating transfers	9,464,305	9,676,969
<b>TEMPORARILY RESTRICTED REVENUES :</b>		
<b>Grants and Contracts:</b>		
Contributions	256,622	340,227
Change in temporarily restricted net assets	256,622	340,227
Change in total net assets	9,720,927	10,017,196
Net Assets, beginning of period	33,475,091	29,453,860
<b>Net Assets, end of period</b>	<b>\$ 43,196,018</b>	<b>\$ 39,471,056</b>

**NORTH CAROLINA BIOTECHNOLOGY CENTER**

**Consolidated Statement of Cash Flows**

**Second Quarter Ending December 31, 2011**

	Unaudited Quarter Ending 12/31/2011	Unaudited Quarter Ending 12/31/2010
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 9,720,927	\$ 10,017,196
Depreciation	462,171	116,108
Unrealized (gain)/loss on investments		
Increase (decrease) in cash due to changes in:		
Notes receivable	(609,892)	(752,419)
Allowance for uncollectible receivables	(414,613)	(370,205)
Accrued interest receivable	522,386	184,180
Grants and pledges receivable	(8,491,692)	(9,068,575)
Miscellaneous receivables	14,808	(398,524)
Other assets	54,506	9,597
Accounts payable and accrued expenses	(31,837)	(1,533,900)
Grants/contracts/notes payable	(649,564)	(1,230,996)
<b>Net cash provided (used) by operating activities</b>	<b>577,200</b>	<b>(3,027,538)</b>
<b>Cash flows from investing activities:</b>		
Purchase of property & equipment	(41,053)	(92,190)
Proceeds from sale of investments	6,332	252,636
Purchase of investments	(16,255)	(15,013)
<b>Net cash provided (used) by investing activities</b>	<b>(50,976)</b>	<b>145,433</b>
<b>Cash flows from financing activities:</b>		
Proceeds from Issuance of Note Payable		5,000,000
Payments made on Note Payable	(1,000,000)	
<b>Net cash provided (used) from Financing Activities</b>	<b>(1,000,000)</b>	<b>5,000,000</b>
<b>Net increase (decrease) in cash</b>	<b>(473,776)</b>	<b>2,117,895</b>
Cash, beginning of period	27,534,270	22,358,012
<b>Cash, end of period</b>	<b>\$ 27,060,494</b>	<b>\$ 24,475,907</b>

**NORTH CAROLINA BIOTECHNOLOGY CENTER**  
**FY 2012 VENTURE CAPITAL INVESTMENTS**  
**As of December 31, 2011**

<u>INVESTMENT</u>	<u>Start Date</u>	<u>Total Commitment</u>	<u>Paid @ 12/31/2011</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	1,636
* Aurora Ventures V, LLC	08/05	100,000	80,500	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	14,848	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	8,000	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	135,014
Intersouth Partners V Affiliates Fund, LP	03/00	100,000	100,000	53,774
Intersouth Partners VI, LP	02/03	25,000	22,636	8,573
* Intersouth Partners VII, LP	05/06	40,000	26,500	0
Piedmont Angel Network, LLC	12/31	25,000	24,000	1,846
* Piedmont Angel Network II, LLC	10/05	25,000	21,625	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	26,000	10,881
* 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>2,019,821</u>	<u>1,501,666</u>
* Acquired with State Funds		O/S Commitment	226,929.00	

**NORTH CAROLINA BIOTECHNOLOGY CENTER  
PUBLICLY TRADED STOCK & OTHER INVESTMENTS  
Second Quarter Report as of December 31, 2011**

	# Shares	Price/Share @ 12/31/11	Cost @ 12/31/2011	FMV @ 12/31/2011	Allowance @ 12/31/2011
<b><u>Publicly Traded Stocks</u></b>					
Tranzyme, Inc.	2,340	2.89	2,340	6,763	-
<b><u>Other Investments</u></b>					
* Columbia Life Systems, Inc.	2,388	8.40	40,000	20,059	19,941
* EnSolve Biosystems, Inc.	16,000	2.50	40,000	40,000	-
* Endacea, Inc. (formerly Link Technology, Inc. )	33,334	0.062	25,000	2,067	22,933
<b>Other Investments Total</b>			105,000	62,126	42,874

\* Acquired with State Funds

**Note:** The value of our stock portfolio is analyzed at year end. The fair market values shown above represent recently determined values based on inquiries with company management and support by external evidence if possible.