Venture Fund Report

Boston Community Capital

September 2011

MEMORANDUM

Boston Community Venture Fund – 2nd Quarter 2011 Report

Elyse D. Cherry
President, Boston Community Venture Fund

August 2011

The last few months have been a very active period for our portfolio. On July 1, 2011 Eating Well Media Group was sold to Meredith Corporation after receiving an unsolicited offer two months earlier. Meredith is a leading publicly traded media company featuring multiple well-known national brands – including Better Homes and Gardens, Parents, Family Circle, Ladies' Home Journal, Fitness, More and American Baby – along with local television brands in fast-growing markets. We believe that Meredith Corporation is a good match for Eating Well and will be a great steward of the strong brand we built since our initial investment in the Company in 2002. Eating Well has grown from a two person start-up to a $12MM revenue company with 42 employees. All the Eating Well employees were offered employment with Meredith. The Eating Well portfolio includes a highly successful and award-winning bi-monthly magazine that has won top awards in food writing including the 2011 Bert Greene Award for Food Writing that Makes a Difference from the International Association of Culinary Professionals and multiple James Beard Foundation awards. The eatingwell.com website is one of the top 20 most visited food websites in North America with over 3 million unique visitors each month. The Company has successfully licensed its content to over 75 clients including major consumer portals, healthcare, food and supermarket retail partners. BCLF Ventures II received a nearly 3 times return on its investment with an annualized rate of return of approximately 15%. We are very pleased with this outcome, and this is another example of how BCVF has invested in companies resulting in a triple bottom line return—in this case providing employment opportunities in a rural community, important health information for society, and a solid financial return.

Also in Q2, Thermo Energy paid off a note to Fund I using money raised by offering to convert warrants at $.13/share independent of the actual strike price. With the stock price hovering between $.19/share and $.21/share at the time, many investors took advantage of this opportunity. The Company raised a total of $4.5 million and used $1.6 million of this investment to pay down debt, which automatically triggered the conversion of $4.4 million of remaining debt into shares of the Company's Series B Preferred Stock and common stock warrants. As a result of the transaction, $6.0M of the Company's debt was retired. Combined with the additional cash from the transaction remaining after cancellation of the debt, this represented an increase of approximately $8.9M in shareholders' equity. BCLF Ventures I received a $218K payment on its note as well as the issuance of an equal amount of Series B Preferred stock (priced at $2.40/share). This is a good outcome for BCVF as we now have no debt exposure with the Company and a significant amount of stock for potential future upside.

In addition, in Q2 Magellan BioSciences received a letter of intent from Thermo Fisher to purchase its microbiology business (Trek Diagnostics). After two months of intense due diligence, the business was sold on July 15, 2011. The price paid was considerably higher than the range provided by our investment banker at the onset of this process, and the sale was unanimously supported by the Board of Directors. The higher than anticipated price is a result of the business being a strong strategic fit with the buyer as well as the strong growth rate that has been achieved YTD (roughly 15% over the prior year). Both companies will be working to successfully transition the business over the next few months. As a result of this transaction, the BODs also made the decision to distribute $39.5MM of the proceeds to the shareholders and as a result BCLF Ventures II received $2,138,764.

Other notable developments include news that Zipcar has exceeded its projected revenue with second quarter revenue increasing 34% to $61.6 million compared to $46.0 million in the prior year period. Total members grew 29% from the prior year period to approximately 605,000 and revenue from established markets increased 25% from the prior year period. Finally usage revenue per vehicle per day increased to $65 from $59 in the prior year period. The company raised its 2011 forecast and now expects revenue of $240-244 million. The market reacted favorably to these developments with the stock closing at $26.52 at the close on August 3, 2011.

We also have just learned that Acelero has been awarded another contract in Camden, NJ to serve approximately 450 children. Details of the transition of this program to Acelero are currently being worked out but we are expecting an October start.

Boston Community Venture Fund

Portfolio Companies

Acelero Learning (Fund II)
Acelero Learning began as a management support company operating in the Head Start (HS) market. It works with local community groups running Head Start centers with revenue between $1-5 million per year. Through proprietary content delivered via a web-based platform, Acelero provides a "turn-key" package to its customers offering best research-based curriculum, finance system, student information system, and compliance tools. It also provides the management training required to operate an effective and efficient Head Start program. There are approximately 7,000 HS centers organized in 11 regions across the country. The centers are reviewed every three years by the federal government for compliance with set operating standards. Approximately 17% of these centers struggle with meeting these standards and are found deficient in some way. Examples of deficiencies range from under enrollment of students and shortcomings in social service delivery to inadequate organizational oversight and not meeting reporting requirements. Approximately 1-2% of centers each year are found to fall so short of the standards or have not taken steps to remedy previously identified deficiencies, that the operators are replaced through an RFP process. Acelero's initial customer base is the existing operators of these troubled centers who need help in bringing operations into compliance or are the new applicants submitting applications to take over these troubled centers. Acelero's product and services, however, are attractive to even the most effective Head Start programs because they can reduce operating costs, alleviate the compliance burden, and allow for better access to the latest curriculum improvements.

With the opening of the HS market to for-profit companies, Acelero has begun direct management of HS contracts. Acelero applies its proprietary management system and best-practice procedures and processes to its own HS centers. The company is the first for-profit company to receive a HS contract and is positioned to become the dominant for-profit operator in the HS market.

Jobs Created or Preserved to Date: 650 employees serving 4,000 lower income children and their families

Pay Range for Entry-Level Jobs: Salaried and hourly

Social Return: A child entering first grade from a low-income family has, on average, been given 25 hours of one-on-on picture book reading. A child from a typical middle class family receives 1,000 to 1,700 hours. By age three, a child from a family on welfare typically has a cumulative vocabulary of 525 compared to 1,116 words for a child from a professional family. Head Start is designed to address these disparities and provide disadvantaged children with better access to a high quality pre-school experience, nutrition, healthcare, and family services. In short, HS is an investment to bring low-income children to the level of their middle-income peers. Not only does it prepare the children to succeed in school, it also addresses the needs of the entire family. Head Start helps those most in need. To be eligible, a family of four must have an income below $17,650 a year, or $340 a week. In addition, 10% of children enrolled in HS must have disabilities, and in general foster children and children of single parents are given priority. Unfortunately, the quality of Head Start centers varies greatly from operator to operator. Acelero aims to bring a higher level of teaching performance and accountability to the Head Start industry.

Update

Through the first half of 2011, Acelero booked revenue of ~$20.7 million with net operating income of just over $200,000. These numbers are slightly behind budget due to the difficult budget situation for early childhood programs at the state level. The programs in NJ have been especially hard hit as the state struggles to balance its budget. Nevertheless, the company is still profitable and poised for additional growth. It has recently been awarded another contract in Camden, NJ that will serve an additional 450 low income kids. The particular sites Acelero will take over are still being discussed, but we are expecting an October start for the program that will add approximately $4 million to the company's top line. Acelero expects to book over $41 million in revenue for 2011 with net operating income of $500,000. The company is currently the 15th largest HS provider in the country and with this Camden contract, it will move to 12th place.

Acelero is continuing to seek growth opportunity, but has become more selective in its expansion plans. The company is only seeking contracts where it already has a presence with infrastructure upon which it can achieve efficiency. The latest Camden contract fit into that model. The company has also applied for another contract in Philadelphia to serve 650 children. Again, these centers will be geographically contiguous to existing service regions and, thus, offer better consolidation of staffing and facilities. The company is also continuing to grow its training business conducting seminars to train other HS providers and also selling Acelero's online management system. Both business lines are continuing to grow and providing strong contributions to the company's bottom line.

The challenge for Acelero continues to be the uncertain fiscal environments at the federal and state levels. Especially at the state level, programs to provide extended day that dovetail with HS programs are being cut back. Without cohesive early childcare programs, it will be difficult to sustain educational progress for these low income children. For Acelero, margins will suffer as its centers are less than fully utilized. On a positive note, the company is now consistently profitable and self-sustaining. The investors remain committed to Acelero's vision that a better run HS program will significantly improve the welfare of low income children and their families.

Investment Summary:
Date of Investment: 03/18/05, 12/30/05, 12/01/06, 05/14/07, 12/30/2008
BCVF Investment Amt: $486,250, $151,114, $98,072
Total Investment Amt: $3,986,250
Need for New Investment: none

Deal Structure:
Equity: Series A and B participating preferred stock with 8% dividend. Common stock.
Exit Date: 2012
Exit Method: Sale of company or IPO

Financial Summary

	FY 2007	*FY2008*	*FY2009*	*FY2010 (unaudited)*	*FY 2011 Through Jun*
Revenue	$7,452,223	$17,833,071	$24,672,029	$35,514,683	$20,678,949
Operating Profit (Loss)	(1,670,533)	12,973	941,683	136,178	222,057
	Dec 31, 2007	*Dec 31, 2008*	*Dec 31, 2009*	*Dec 31 2010*	*Jun 30, 2011*
Current Assets	$939,683	$3,145,292	$2,751,654	$3,298,572	$2,371,686
Non-Current Assets	40,536	13,333	0	96,075	128,370
Fixed Assets	747,353	5,337,952	5,741,770	5,955,496	5,991,893
Total Assets	**1,727,572**	**8,496,577**	**8,493,424**	**9,350,142**	**8,491,948**
Current Liabilities	826,573	2,465,448	2,716,982	3,606,721	2,794,635
Long Term Liabilities	634,791	5,256,365	4,678,802	4,823,795	4,744,308
Total Liabilities	**1,461,364**	**7,721,813**	7,395,784	**8,430,516**	**7,538,943**
Total Equity	**266,208**	**774,764**	**1,097,640**	**919,626**	**953,006**
Total Liabilities & Equity	**1,727,572**	**8,496,577**	**8,493,424**	**9,350,142**	**8,491,948**

CASTion Corporation - a subsidiary of ThermoEnergy Corporation (Fund I)

On July 2, 2007, BCVF sold its entire holding in CASTion Corporation to ThermoEnergy Corporation, a publicly traded environmental technology company. Fund I had invested $1,192,815 in CASTion through a combination of preferred stock and debt. In BCVF's 2007 financial statements, we have booked the received sales consideration at $1,642,946.59. Specifically, BCLF Ventures I, LLC received the following from the sale:

- $620,683.49 in cash
- 723,273 shares of unregistered ThermoEnergy common stock (market price of $1.39/share on July 2, 2007)
- Common stock purchase warrant for 619,898 shares at $0.50/share. Warrant expires on May 31, 2013.
- Convertible Note of $479,808.35 due May 31, 2010 with initial interest rate of 6.5% per annum. The note is convertible to ThermoEnergy common stock at $0.50/share.

BCVF's stock holdings in ThermoEnergy Corporation are unregistered common shares. Furthermore, the stock is thinly traded and its price can be volatile. Even though ThermoEnergy stock has traded as high as $1.70/share during the past year, BCVF recognizes the need to take a discount of at least 25% from the stock's trading price. We also received an external pricing signal when the company completed on December 18, 2007 the first $5 million tranche of a private placement of unregistered common stock for $0.75/share. BCVF acknowledges that at the end of 2007, this is a better indication of the market value of ThermoEnergy's unregistered common shares and has marked BCVF's stock holdings to this $0.75/share level. Furthermore, BCVF has conservatively assigned zero value to the warrant. Finally, we also are conservatively marking the convertible note at its face value rather than its potentially higher value if converted to common shares. In summary, BCVF values BCLF Ventures I, LLC's remaining non-cash holdings in ThermoEnergy Corporation at $1,022,263.10 as of December 31, 2007.

Longer term, we believe there is much greater upside remaining through our holdings in ThermoEnergy stock and warrants. As ThermoEnergy continues to gain sales traction with its municipal wastewater treatment technology and also to further commercialize its combustion technology for use in growth segments like clean coal, the company will mature from a developmental stage company to an operational one with predictable recurring cash flow. At that time, we should see great appreciation in its stock price. In addition to the financial return, the company will also be providing substantial social return as it promotes its clean technology portfolio.

Because ThermoEnergy is publicly traded, we are able to obtain key financial information through its SEC filings and our status as shareholders and note holders. But because CASTion is now a subsidiary of ThermoEnergy, it is no possible to individually track CASTion's progress.

We will report on ThermoEnergy's progress on a quarterly basis as they pertain to the value of our remaining holdings in that company.

Update

When Thermo Energy amended our CASTion Note in Q1, it included an early payment clause that gave the Company the right to pay off the note early with half cash and half preferred stock. In June, the Company made the decision to raise additional capital to exercise this right and to fund the capital needs of the company moving forward. The Company was successful at raising the needed funds by offering to the existing warrant holders the conversion of warrants at $.13/share independent of the actual strike price. With the stock price hovering between $.19/share and $.21/share at the time, many investors took advantage of this opportunity. The Company raised a total of $4.5 million. The Company used $1.6 million of this investment to pay down debt, which automatically triggered the conversion of $4.4 million of remaining debt into shares of the Company's Series B Preferred Stock and common stock warrants. As a result of the transaction, $6.0M of the Company's debt was retired. Combined with the additional cash from the transaction remaining after cancellation of the debt, this represented an increase of approximately $8.9 in our shareholders' equity. BCLF Ventures I received a $218K payment on its Note as well as the issuance of an equal amount of Series B Preferred stock (priced at $2.40/share). This is a good outcome for BCVF as we now have no debt exposure with the Company and a significant amount of stock if future value is increased.

BCLF Ventures I stock holdings are listed below with the common stock ranging in value from $.32/share to $.16/share between April 1, 2011 and August 1, 2011. Note that these values do not include any discount off the common stock price.

	Quantity	Value high ($.32/share)	Value low ($.16/share)
Series B Preferred stock (common stock equivalent)	1,799,670	$575,894	$287,947
Common Stock	723,273	$231,447	$115,724

On the financial front, revenues for the first quarter of 2011 were $0.9 million as compared to $1.1 million in the first quarter of 2010 with operating expenses increasing to $2.0 million compared to $1.7 million in 2010 due primarily to one-time costs associated with the settlement of an employment lawsuit. Net loss attributable to common stockholders for the first quarter was $2.7 million in 2011 compared to $2.0 million for 2010. The net loss included a non-cash deemed dividend to Series B Convertible Preferred Stockholders of $0.1 million in 2011, as a result of our financing transactions in the quarter. Excluding non-cash charges related to financing transactions, EBITDA loss was $1.6 million in 2011 compared to $1.2 million in 2010. Cash on hand on March 31, 2011 was $1.8 million

Finally on the management front, the Company recently announced the resignation of Dennis Cossey, the Chairman of the Board of Directors. Dennis was the last remaining senior manager that was closely tied to the financial and legal problems the Company incurred several years ago.

Financial Summary:

(in thousands)	***FY2007***	***FY 2008***	***FY 2009***	***FY 2010***	***YTD ending March 31, 2011***
Revenue	622	1,730	4,016	2,874	948
Gross Profit	(103)	(670)	3	99	(19)
Operating Profit	(17,970)	(14,390)	(6,024)	(7,649)	(2,011)
	December 31, 2008	***December 31, 2008***	***December 31, 2009***	***December 31, 2010***	
Current Assets	3,868	554	1,395	5,696	3,283
Fixed Assets	322	305	241	560	613
Other Assets	5	176	74	61	78
Total Assets	**4,195**	**1,035**	**1,710**	**6,317**	**3,974**
Current Liabilities	6,454	9,204	12,023	6,067	9,603
Long Term Liabilities	816	1,253	1,370	8,892	3,553
Other Liabilities	(1,414)	0	2,788	3,032	0
Total Liabilities	**5,856**	**10.457**	**16,181**	**11,924**	**13,156**
Total Equity	**(1,661)**	**(9,422)**	**(14,471)**	**(11,674)**	**(9,182)**
Total Liabilities & Equity	**4,195**	**1,035**	**1,710**	**6,317**	**3,974**

Eating Well Media Group Inc. (Fund II)
Eating Well Media Group (EWMG) is a media company focused on the connection between food and health. Its first product was the relaunch of the *Eating Well* Magazine with the editorial mission to explore the connection between food and health. The company has successfully expanded its business into the digital media sector and as of the end of 2010 has over 2.5MM visitors per month on its website. In addition is has published nearly a dozen books and has licensed its recipes and articles to a broad range of companies. The company has raised a total of $11.2MM with the first round of financing in April of 2002. BCVF has participated in all but the last round with its total commitment now at $1,433,900. Other investors include Fresh Tracks Capital, Village Ventures, a VT-based Angel group, and other individuals.

Jobs Created or Preserved to Date: **42**
Pay Range for Entry-Level Jobs: **$12 - $20/hr**
Social Return: EWMG employs 38 people with the majority of the employees being women. All employees are offered health insurance, dental insurance, and long and short term disability. The company is situated in a rural Vermont town that is virtually bereft of new employment opportunities. The location was chosen to take advantage of low labor costs yet experienced personnel to launch the company. This is also the location of the previous offices of *Eating Well* and includes a test kitchen, which for relatively little has been resurrected. EWMG is located in an incubator, which was formerly Gardenway Manufacturing until the mid 1980s. There are just 10 companies in Charlotte in the category of Manufacturing, Technology, and Value-Added Businesses. Nine of these have 0-9 employees. EWMG is the largest private employer with 38 employees.

Update
In Q2, EWMG received an unexpected letter of intent from Meredith Corporation (NYSE:MDP; www.meredith.com) to purchase all of the stock of the company. This transaction was closed on July 1, 2011. Meredith is a leading media and marketing company featuring multiple well-known national brands – including Better Homes and Gardens, Parents, Family Circle, Ladies' Home Journal, Fitness, More and American Baby – along with local television brands in fast-growing markets. We believe that Meredith Corporation is a great match for Eating Well and will be a great steward of the strong brand we have built since our initial investment in the Company in 2002.

Boston Community Venture Fund is a founding investor in Eating Well along with Fresh Tracks Capital. Since our investment, we have grown the business from a two person start-up to a $12MM revenue company with 42 employees. Meredith has offered all Eating Well employees employment under their management. The Eating Well portfolio includes:

- A highly successful and award-winning bi-monthly magazine with a circulation of 350,000, that Meredith plans to increase to 500,000 by early next year. EatingWell's flagship magazine has won top awards in food writing including the 2011 Bert Greene Award for Food Writing that Makes a Difference from the International Association of Culinary Professionals and multiple James Beard Foundation awards.
- A content-rich website featuring healthy recipes, food and shopping tips, and meal preparation, as well as articles, blogs and nutrition advice with over 3MM unique visitors each month and growing. It is one of the top 20 most visited food websites in North America.
- A robust content licensing and custom publishing program providing diet and nutrition articles, how-to cook information, healthy recipes and meal plans to over 75 clients including major consumer portals, healthcare, food and supermarket retail partners.
- A Healthy-in-a-Hurry mobile recipe app rated as a top foodie app by the iTunes store and top health app by Consumer Reports Health Newsletter.
- A series of high-quality food and nutrition-related books and cookbooks.

Boston Community Venture Fund has received a nearly 3 times return on its investment with an annualized rate of return of approximately 15%. While the Board was not seeking to sell the business, the price paid by Meredith was well above typical EBITDA multiples paid for similar businesses and was a very attractive offer.

We are very pleased with this outcome, and this is another example of how BCVF has invested in companies resulting in a triple bottom line return—in this case providing employment opportunities in a rural community, important health information for society, and a solid financial return. Moving forward we will no longer be reporting on this business.

Financial summary:

	CY 2006 ending Dec	CY 2007 ending Dec	CY 2008 ending Dec	CY 2009 ending Dec	CY 2010 ending Dec	YTD through Feb
Revenue	4,390,967	6,421,432	8,374,342	8,438,689	10,288,356	1,296,534
Gross Margin	3,260,043	4,675,477	6,260,380	6,538,321	7,980,057	963,398
Operating Income	(2,090,792)	(1,776,445)	(122,220)	348,588	1,176,992	(279,103)

Current Assets	2,732,096	2,501,932	2,586,635	3,364,096	5,016,966	4,326,751
Fixed Assets	58,629	60,599	147,554	226,797	160,074	163,216
Other Assets	42,941	35,342	27,715	21,186	1,360,618	1,359,310
Total Assets	**2,833,666**	**2,597,873**	**3,169,863**	**3,612,079**	**6,537,658**	**5,849,277**
Current Liabilities	696,386	873,858	613,803	684,006	778,889	666,365
Long Term Liabilities	159,600	1,450,453	114,313	90,085	99,945	99,945
Deferred Revenue	1,746,107	1,903,563	1,890,808	1,903,927	1,904,830	1,980,917
Total Liabilities	**2,602,093**	**4,227,874**	**2,618,924**	**2,685,326**	**2,783,664**	**2,747,227**
Total Equity	**231,573**	**(1,630,002)**	**550,939**	**926,753**	**3,753,994**	**3,102,050**
Total Liabilities & Equity	**2,833,666**	**2,597,872**	**3,169,863**	**3,612,079**	**6,537,658**	**5,849,277**

<u>Investment Summary:</u>
Date of Investment: 4/02, 9/02, 9/03 (first tranche); 12/03 (second tranche), 6/04, 8/04, 10/04, 1/05, 9/05, 1/06, 3/06, 6/07 (no BCVF participation), 10/07 (no BCVF participation), 6/08 (no BCVF participation).
BCVF Investment Amt: $250,000 BCLF Ventures II, $200,000; $250,000, 50,000, 100,000, 175,000, 100,000, 125,000, 50,000, 100,000 (total: $1,400,000- excluding interest conversion)
Need for additional financing: Not at this time
Amount invested: $10.9MM (excluding converted interest from bridge loans)
Co-Investors: Fresh Tracks Capital, Village Ventures, and Split Rock Partners, Angel Investors

<u>Deal Structure:</u>
Equity: Participating Preferred Stock with 8-10% Dividend and a 1X liquidation preference plus warrants
Exit Date: 2011
Exit Method: Sale of company

Magellan Biosciences (Fund II)

In April 2004, BCVF made an investment in ESA, Inc., a Chelmsford, MA-based company providing blood lead testing instrumentation and high performance liquid chromatography (HPLC) instrumentation. Our strategy was to leverage ESA (a profitable and growing company) by growing it organically and through the acquisition of other synergistic companies and then to eventually take this entity public. Consistent with this strategy BCVF and Ampersand, the lead investor in ESA, formed a holding company called Magellan Biosciences to which ESA, Inc. was transferred and became the first wholly-owned subsidiary.

Our first acquisition beyond our initial investment in ESA, was Dynex Technologies, a Chantilly, VA based company that manufactures and sells a line of disposable microplates, as well as a series of instruments and workstations for performing various processes on these microplates (including plate reading, plate washing, plate analyzing). Then in April 2005, Magellan merged with TekCel, another one of our portfolio companies. This was a very positive outcome for BCVF given the alternatives. It not only added revenue to Magellan but provided the infrastructure to assist TekCel in achieving breakeven. In November 2006, the company then acquired TREK Diagnostics Systems as it looked to expand its presence in the hospital based laboratory market. TREK Diagnostics, based in Cleveland, OH is a global manufacturer and distributor of automated systems and consumables products for microbiology based diagnostic testing that serves the clinical, pharmaceutical, and veterinary laboratory markets. The company's goal is to grow revenue through acquisitions and through the organic growth of its companies and to then to take Magellan public in the 2012 time frame. ESA, Dynex, and TREK have been the key critical building blocks in this strategy. All equity investments held by BCVF are in the form of Magellan stock (i.e. there is no stock issued in the name of any operating company).

Magellan closed on nearly $50MM in debt and equity in November 2006 to primarily fund the acquisition of TREK Diagnostics. The new round included several new investors including Abingworth Management, Hambrecht & Quist Capital Management, and KBL Healthcare Ventures. The company also sold TekCel in Q1 of 2007 both because TekCel has not achieved sustained profitability but more importantly because it does not fit with Magellan's strategic plan to focus on the diagnostics market. Likewise in September 2009, Magellan sold the life science component of ESA's business leaving the more profitable blood lead care business.

As of Q1 of 2010, in this section we will be reporting on all the activities and product lines within Magellan including ESA Blood Lead, Dynex, and TREK. With the move to a functional organization under a one company concept with the hiring of a new CEO in January 2010, the company is no longer functioning as a holding company but rather as a single operating company. Note that all financial data is presented on a proforma basis assuming the acquisition of TREK Diagnostics as of November 26, 2006, the discontinued operations of TekCel as of December 31, 2006 and the divestiture of the life science tools business as of September 21, 2009.

Update

As we mentioned in the last two quarterly reports, Magellan has been working with an investment banker to divest its microbiology business (Trek Diagnostics). As a result, in Q2 the Company received a letter of intent from Thermo Fisher to purchase the business which was followed by two months of intense due diligence and concluded with the sale of the business on July 15, 2011. The price was considerably higher than the range provided by our investment banker at the onset of this process, and the sale was unanimously supported by the Board of Directors. The higher than anticipated price is a result of the business being a strong strategic fit with the buyer as well as the strong growth rate that has been achieved YTD (roughly 15% over the prior year). Both companies will be working to successfully transition the business over the next few months.

As a result of this transaction, the BODs also made the decision to distribute $39.5MM of the proceeds to the shareholders, first paying off all the accrued dividends and then applying the balance to the liquidation preference of the Series A stock. BCLF Ventures II received $2,138,764. BCVF has invested $3.55MM in the three core operating businesses. While the future of the two remaining businesses is uncertain, we fully expect them to generate significant interest at the time of sale. Their sale prices will not only depend on market factors but also will depend on the Company's ability to successfully achieve its business plan including the successful introduction of the new immunoassay products and the continued development and growth of the lead care market.

With the sale of the microbiology business, Magellan is losing roughly half of its projected $70MM revenue ($37MM). This transaction is requiring management to unwind the "One Magellan" effort, which demonstrated benefits in SG&A and in manufacturing with much of the overhead being absorbed by Trek. Management is now working to reduce overhead expenses and to right size the infrastructure for the remaining businesses. Several corporate positions were eliminated as a result. The LeadCare business and the Immunoassay business are expected to generate slightly more than $33MM in revenue in 2011 and grow to $37MM in 2012 and $46MM in 2013.

Looking at YTD performance for the consolidated businesses, revenue YTD through June 2011 was $35.04MM against a budget of $32.96MM. BloodLead sales were short of budget at $5.7MM versus the budget of $6.5MM. Trek sales more than compensated for the shortfall with $19.6MM in revenue compared to the budget of $17.6MM and Immunoassay sales were slightly above budget at $9.8MM compared to $9.0MM. Overall YTD gross margins were at 48.7% compared with the budget of 48.3%. Operating expenses were slightly above the budget of $14.8MM coming in at $15.2MM. We are disappointed that the Company has not reduced expenses more given all the headcount reductions we made in 2010, particularly on the G&A front. Finally, EBITDA was better than the budget of $2.9MM coming in at $3.5MM.

Table 1: Magellan Biosciences Consolidated (000s)

	2005	*2006*	*2007*	*2008*	*2009*
Revenue	44,404	47,914	78,239	85,401	76,822
Gross margin	20,725	20,503	35,698	41,118	36,367
Operating Income	(394)	73,929	(331,275)	6,714	6,677
EBITDA	1,855	1,351	8,568	10,395	10,473
Current Assets	18,963	31,672	30,183	33,873	34,386
Fixed & Other Assets	25,457	59,538	50,481	50,959	48,895
Total Assets	**44,420**	**91,210**	**80,664**	**84,832**	**83,281**
Current Liabilities	13,263	11,375	11,383	12,883	13,584
Long term Liabilities	6,252	18,604	17,442	20,751	8,472
Total Liabilities	19,515	29,979	28,825	33,634	22,056
Total Equity	24,905	61,231	51,839	51,198	61,225
Total Liabilities and Equity	**44,420**	**91,210**	**80,664**	**84,832**	**83,281**

Table 2: Magellan (One Company)

	2010	*YTD ending June 30, 2011*
Revenue		
TREK (Microbiology)	34,307	19,588
ESA Blood Lead	11,199	5,686
Dynex (Immunoassay)	18,824	9,765
Eliminations	(154)	0
TOTAL	**64,176**	**35,039**
Gross margin		
TREK (Microbiology)	17,711	10,231
ESA Blood Lead	3,813	2,088
Dynex (Immunoassay)	11,862	5,671
Eliminations	(154)	-
Total Cost of Sales	33,232	17,990
Total Gross Profit	30,944	17,049
% of Sales	**48.2**	**48.7**
Operating Expenses	**28,869**	**15,222**
Operating Income	**2,075**	**1,827**
EBITDA	**5,517**	**3,515**
Current Assets	27,581	28,317
Fixed & Other Assets	45,598	45,278
Total Assets	**73,179**	**73,595**
Current Liabilities	9,121	9,085
Long Term Liabilities	5,402	4,751
Total Liabilities	73,180	13,836
Total Equity	58,019	59,758
Total Liabilities and Equity	**72,377**	**73,594**

Investment Summary:

ESA: Date of Investment: 5/04, 4/2009
BCVF Investment Amt: $700,000 BCLF Ventures II, 162,369 BCLF Ventures II
Total Investment Amt: $11,728,700 + $3,200,000

Dynex: Date of Acquisition: 10/04
BCVF Investment Amt: $1,000,000 BCLF Ventures II,
Total Purchase Amt: $5.5MM cash, $4.5MM in stock

Trek: Date of Investment: 11/06
BCVF Investment Amt: $700,000 BCLF Ventures II,

Need for additional financing: Not at this time

Co-Investors: Ampersand Venture Partners, New England Venture Partners, Abingworth Management, Hambrecht & Quist Capital Management, and KBL Healthcare Ventures.

Deal Structure:

Equity: Participating Preferred Stock with 8% Dividend (Magellan Stock)
Exit Date: 2012/2013
Exit Method: Sale of the company or IPO

ESA

Founded in 1968, ESA develops instruments for measuring lead in blood as well as high performance liquid chromatography (HPLC) equipment with a patented, flow-through cell for electrochemical (EC) detection. This technology enables scientists/labs to analyze the composition of compounds and to detect even the smallest traces of a substance. They also have a smaller side business which is a combination of government grants and a small lab services business that conducts lead analysis on a fee-for-service basis. In 2004, ESA generated $18MM in annual revenues in the blood lead and HPLC markets. The customer base is a combination of clinical diagnostic labs (50%), university/institutional researchers (40%), and pharma/biotech researchers (10%).

Management projects that the blood lead business will grow at 10% annually over the next five years, driven largely by continued growth in consumables due to an expanding installed base and the introduction of a waived blood lead testing device at the end of 2005. ESA's current blood lead testing device is defined as moderately complex, and must be operated in a certified lab by a trained technician. ESA is currently developing a much simpler device which the company will seek to have waived, thereby significantly broadening the market opportunity. This product can then be used in all doctor's offices and clinics.

Jobs Created or Preserved to Date: **89**
Pay Range for Entry-Level Jobs: **$14 - $16/hr**
Social Return: They employ 89 full-time employees in their 58,000 sq. ft. facility in Chelmsford MA with roughly 40 of these having only a high school education. The company provides a very competitive benefits package including health coverage, profit sharing, dental coverage, disability insurance, and life insurance. The company performs light assembly in-house; many of its workers are immigrants. The average assembly compensation is $15 per hour. In addition, many of the required equipment parts are manufactured in or supplied by local area vendors thus further supporting our social mission. Finally, ESA provides significant social benefit through its lead testing products. Low-income families, especially those in urban areas, are at the highest risk for lead poisoning. The expected introduction of ESA's waived product (allowing for instant results at the time of testing) will provide greater access for this population by allowing easier placement of lead testing devices in local health centers. This is particularly important since many children that test positive for lead poisoning often cannot be located once the test results are returned from a centralized laboratory several days later.

In September 2009 Magellan sold ESA's Life Science Tools business to Dionex (NASDAQ: DNEX) based in Sunnyvale CA for $21.2MM (an asset sale). The sale includes all of ESA's HPLC-related products, HPLC clinical assays, the ESA Laboratories services and assets, as well as ESA's headquarters in Chelmsford, Massachusetts. This business represented about $16MM in revenue at the time of the sale. We believe this was an attractive sale given that the Life Science Tools business revenue has been declining for the past several years and which was projected to decline in the future with the aging electrochemical products.

ESA is now composed of the LeadCare business. All financials assume the sale of the Life Science Tools business as of Sept. 21, 2009.

Update (see the Magellan update section for the current status of this former operating company of Magellan- we are no longer reporting on ESA separately since Q1 of 2010 when Magellan merged its three operating companies into one)

The ESA Blood Lead business continued to perform well and has seen double digit top line growth this year. The Blood Lead Business revenue YTD through November was $9.2MM against a budget of $9.55MM and the prior year of $8.19MM. YTD revenue for the LeadCare II analyzers was $1.06MM versus the plan of $1.51MM and the prior year of $1.16MM. YTD Lead Care kit revenue was close to plan at $6.07MM versus the budget of $6.28MM and the prior year of $4.89MM. Sales in NY continue to rise as a result of the legislative changes affecting Medicaid reimbursement rates that have incurred in this state. Lead Care II analyzer sales for Aug.-Nov. in NY only have totaled $36K versus total analyzer sales in 2008 of $45K. Revenue for the aging 3010B products YTD were 15% above budget at $1.7MM but 5% below 2008. EBITDA YTD for the Blood Lead Business was $3MM which is 22% above budget and 46% greater than 2008. YTD gross margins were 63.4% of revenue versus the budget of 61.3% and the prior year of 62.1%.

Looking forward, management is projecting revenue of $11.77MM in 2010 (up 17% from the projected $10.1MM in 2009) with $4.01MM of EBITDA (up 25% from $3.20MM in 2009). The company also expects to build out its distribution network and to continue to open up key markets. This business will also relocate by July 2010 to new office space in Chelmsford (due to the sale of the ESA building as part of the Life Science Tools Business transaction last September). The reagent manufacturing including kitting, packaging and distribution will be moved to Sun Prairie (Trek Diagnostics manufacturing facility) but the technical processes including sensor manufacturing will remain in Chelmsford. The sensor manufacturing continues to be challenging despite the progress that has been made, and stabilizing sensor performance will be a major focus in the coming year. The sensor manufacturing is as much art as science, but the company is improving its understanding of sensor performance drivers.

YTD revenue through November for ESA (including the Life Science Tools Business which was sold in September 2009) was $19.88MM with gross margins of $11.78MM (59.2%) and EBITDA of $3.56MM.

<u>Investment Summary:</u>
Date of Investment: 5/04, 4/2009
BCVF Investment Amt: $700,000 BCLF Ventures II, 162,369 BCLF Ventures II
Need for additional financing: Not at this time
Total Investment Amt: $11,728,700 + $3,200,000
Co-Investors: Ampersand Venture Partners, New England Venture Partners, Abingworth Management, Hambrecht & Quist Capital Management, and KBL Healthcare Ventures.

<u>Deal Structure:</u>
Equity: Participating Preferred Stock with 8% Dividend (Magellan Stock)
Exit Date: 2012/2013
Exit Method: Sale of the company or IPO

Financial Summary

	2004	*2005*	*2006*	*2007*	*2008*	*2009 November YTD*
Net Revenue	18,316,000	20,759,240	23,522,029	26,386,579	27,247,103	19,897,503
Gross Margin	10,022,000	11,758,848	13,437,284	15,191,922	15,135,413	11,778,599
EBIT	985,000	1,676,548	2,631,939	2,881,607	2,026,503	2,661,500
EBITDA			3,947,882	4,532,890	3,848,788	3,562,592
Current Assets	8,025,841	7,553,779	8,332,897	8,999,095	7,324,067	5,147,459
Fixed and Other Assets	12,943,363	12,438,622	12,843,248	12,676,882	13,035,819	5,922,706
Total Assets	**20,969,204**	**19,992,401**	**21,176,145**	**21,675,977**	**20,359,886**	**11,070,165**
Current Liabilities	4,628,841	2,679,773	1,964,650	800,552	(2,066,593)	(21,775,508)
Long Term Liabilities	4,154,083	4,129,848	3,434,729	3,313,196	3,183,329	0
Total Liabilities	8,782,924	6,809,621	5,399,376	4,113,748	1,116,736	(21,775,508)
Total Equity	12,186,280	13,182,780	15,776,766	17,562,229	19,243,150	32,845,673
Total Liabilities & Equity	**20,969,204**	**19,992,401**	**21,176,145**	**21,675,977**	**20,359,886**	**11,070,165**

Dynex

Dynex manufactures and sells a family of microplate instruments and workstations. The stand-alone instruments are small laboratory devices that perform basic processing steps on microplates, such as dispensing liquids into wells, removing liquids from wells, and performing optical measurements on each well. The readers are designed to perform in absorbance, luminescence or fluorescence mode, while the washers perform both liquid removal and additional steps in order to wash unbound material from each well. The DSX is an automated plate processing system (i.e., workstation) that incorporates a washer, reader and incubators for performing ELISAs on four microplates in parallel. It sells for the mid 20's.

The stand-alone readers and washers are sold through distributors, while the DSX is primarily an OEM product that is private-labeled by diagnostic companies such as Biokit and The Binding Site (representing about 50% of Dynex's DSX revenue). Growth over the last two years has been fueled by the DSX. Going forward, the introduction of the DS2 (a 2-plate version of the DSX scheduled for introduction in mid-2005) along with the high-end Spectra MR reader that was recently introduced are expected to drive revenue further. Based on our conversations with customers, we believe that the opportunity for the DS2 is larger than that for the DSX.

> ***Jobs Created or Preserved to Date:*** **39**
> ***Pay Range for Entry-Level Jobs:*** **$15 - $16/hr**
> ***Social Return:*** Dynex has 39 employees all located in its Chantilly, VA location with roughly 20 of these in manufacturing. About half of the 20 are Asian Americans with few holding college degrees. As a manufacturing company, this new acquisition meets BCVF's social mission.

Update (see the Magellan update section for the current status of this former operating company of Magellan- we are no longer reporting on Dynex separately since Q1 of 2010 when Magellan merged its three operating companies into one)

Dynex continues to perform close to budget with YTD sales through November at $19.38MM versus the budgeted amount of $19.88MM. YTD gross margins exceeded the budget at $7.92MM (40.8%) versus the budgeted amount of $7.84MM or 39.4%. The company also did a commendable job controlling expenses and achieved YTD EBITDA of $3.2MM against the budget of $3.4MM. Project24 (the next generation product) expenses were actually $107K below budget at $981K. For 2009, Management is projecting to meet its 2009 budget with revenue of $21.8MM, gross margins of $8.6MM (39.5%) and EBITDA of $3.72MM.

As we mentioned last time, the DSX continues to sell well with 193 units sold through November against a budget of 208. The DS2 product line is also performing well although slightly below budget with 196 units YTD versus the budget of 255. This resulted in total instrument revenue of 13.6MM versus the budget of $15.3MM (-9.2%). The company also received a large order from Inverness Medical in November including 20 DSX units and 15 DS2 units (Inverness companies will account for 17% of Dynex sales in 2009). In addition, consumables have performed well with a current run rate of $3.2MM in 2009 and YTD revenue at $2.8MM. Consumable revenue combined with service revenue was $5.8MM YTD versus the budget of $4.6MM thus making up for most of the shortfall in instrument revenue. The strong service revenue in 2009 (YTD at $1.6MM) was particularly gratifying after the company put a significant amount of focus on strengthening their customer service organization. In fact, Inverness medical committed to transfer its service contracts ($800K) from another vendor to Dynex due to the company's significant improvement in this area. Finally, the company also sold its MLX Luminometer product line to Charm BioSciences for $450K in Q4.

We believe that Dynex is solidly positioned for future growth with the anticipated introduction of Project24 in Q1 of 2011. The market response has been very positive with no significant feature requests beyond the existing specifications. As we mentioned last time, this new product will have greater throughput and consumable capacity than the existing DSX product and at a lower price point. It will also have improved process security and robustness. In addition, Project24 incorporates novel features (for which it is seeking intellectual property protection) positioning the company as a supplier of disruptive technology. This should enable the company to gain a much larger share of the ELISA automation market and should have a significant impact both on valuation at exit as well as the number of companies that will be interested in acquiring Magellan.

Looking at 2010, management is projecting revenue of $21.7MM (versus $21.4MM in 2009) with EBITDA of $8.9MM versus $8.8MM in 2009. Although there is not significant growth projected in this business for 2010, as discussed above, we feel comfortable that the company is well positioned for more significant growth 2-3 years out when the new Project 24 product line will impact revenue.

<u>Investment Summary:</u>
Date of Acquisition: 10/04
BCVF Investment Amt: $1,000,000 BCLF Ventures II,
Need for additional financing: $1MM-$2MM currently for Magellan BioSciences
Total Purchase Amt: $5.5MM cash, $4.5MM in stock
Co-Investors: Ampersand Venture Partners, New England Venture Partners, Abingworth Management, Hambrecht & Quist Capital Management, and KBL Healthcare Ventures.

<u>Deal Structure:</u>
Equity: Participating Preferred Stock with 8% Dividend
Exit Date: 2012/2013
Exit Method: Sale of the company or IPO

Dynex Financials as Provided by Management

	FY2004	*FY2005*	*FY2006*	*FY2007*	*2008*	*2009 YTD November*
Revenue	$14,005,577	$15,846,081	$16,381,607	20,120,949	21,803,249	19,384,652
Gross Margin	5,859,853	6,558,231	5,789,346	8,004,829	8,992,917	7,917.592
Operating Income	$ 2,480,201	$ 947,289	1,498,738	3,254,431	3,842,451	2,881,380
EBITDA	$ 2,577,809	1,183,776	1,369,925	3,302,062	4,130,746	3,210,313

Current Assets	$ 3,648,641	$ 6,622,579	5,700,635	7,199,078	7,719,162	7,231,102
Fixed and Other Assets	4,588,251	2,451,517	5,800,206	5,088,535	5,186,817	6,328,215
Total Assets	**$ 8,236,892**	**9,074,096**	**11,500,841**	**12,287,613**	**12,905,979**	**13,559,317**
Current Liabilities	$ 2,766,108	$ 3,271,913	4,886,032	3,854,274	1,327,220	(13,547)
Long Term Debt	146,834	0	0	0	0	0
Total Liabilities	2,912,942	3,271,913	4,886,032	3,854,274	1,327,220	(13,547)
Total Equity	5,323,950	5,802,183	6,614,809	8,433,339	11,578,759	13,572,864
Total Liabilities & Equity	**$ 8,236,892**	**$ 9,074,096**	**11,500,841**	**12,287,613**	**12,905,979**	**13,559,317**

TREK Diagnostics (Fund II)

Founded in 1999, TREK Diagnostic Systems, Inc. is a global manufacturer and distributor of leading edge automated systems and consumable products for the microbiology diagnostic laboratory. The company generated $26.5MM in revenue in 2005 with EBITDA of $5MM. This was increased to roughly $30MM with $6MM of EBITDA in 2006. Magellan BioSciences purchased TREK on November 26, 2006 for $38MM or 6.3X of 2006 projected EBITDA. TREK provides a full range of unique solutions for the microbiologist including both blood culture and identification and susceptibility products that from both a technology and ease-of-use standpoint are substantially differentiated in the marketplace. The company's primary product lines are VersaTREK, ESP, Sensititre, para-JEM, and alamarBlue. The VersaTREK product line combines consumable test and an automated reading instrument to grow and detect bacteria in sterile body fluid samples, primarily blood. The company's Sensititre family of products, including instrumentation, consumables, and software is used by microbiologists to identify bacterial microorganisms and test for their susceptibility to various drug compounds. This information aids physicians in determining the appropriate therapy and related dosage for a patient. Para-JEM is a specialized system for the veterinary market to rest for Johne's Disease in certain hooved animals including cattle and sheep. Finally, alamarBlue is non-toxic dye used in specialized testing applications to measure the proliferation of a variety of human and animal cells, bacteria, mycobacteria and fungi.

Jobs Created or Preserved to Date: **150**
Pay Range for Entry-Level Jobs: **$20 – $22/hr**
Social Return: TREK employs 150 individuals with 98 located in the U.S. and 52 in the U.K. The company has a 19,000 sq. ft office in Cleveland, Ohio, a 50,000 sq. ft. manufacturing facility in Sun Prairie, Wisconsin, and an 18,000 sq. ft facility in the U.K. The company has no unionized labor and offers a competitive salary and benefits. The labor force is extremely stable with many of the workforce being with the company since its inception.

Update (see the Magellan update section for the current status of this former operating company of Magellan- we are no longer reporting on Trek Diagnostics separately since Q1 of 2010 when Magellan merged its three operating companies into one)

Trek Diagnostics continued to perform at roughly 10% below budget with YTD revenue through November at $32.04MM or 90.8% of the budgeted amount of $31.65MM) compared with the prior year of $33.50MM. YTD Gross Margins were $14.9MM (46.6%) or $1.25MM short of the budgeted amount of $16.17MM (45.8%) and below the prior year of $15.63MM. Due to early contingency planning (salary freezes, delay of staff additions, elimination of bonuses), EBITDA YTD was $6.57MM or only $140K below the budget of $6.71MM and slightly above the prior year of $6.42MM despite the lower than budgeted revenue. Due to cost controls management is projecting to achieve the full year EBITDA budget of $7.2MM.

As we mentioned last time, of the three operating units within Magellan, we are most concerned about Trek's future growth and its new product pipeline. The Sensititre platform is aging with revenue projected to decline in future years. Already YTD through Nov. revenue is only $14.09MM compared to the budget of $16.2MM and the prior year of $15.2MM. ParaJEM, a very profitable product (80%-90% gross margins), also has performed below budget ($747K versus the budget of $957 and the prior year of $1.2MM). Unfortunately, the market for this product is not expected to recover due to a lower cost molecular alternative being recently introduced. VersaTREK is the most promising platform but it too will need updating in the future. Although the existing team has historically performed well day to day, they are not a group that has a history of generating and developing new product ideas. And with much of Magellan's revenue coming from the Trek business, the company's ability to continue to grow this business is critical to the success of our investment. We have identified this as a key issue moving forward and are working with the management team to focus on this challenge. Already management has proposed the development of a replacement for the VersaTREK product. We are evaluating this as an option for growing the business.

Looking at 2010, management is projecting revenue of $36.7MM (up from the 2009 projected forecast of $35MM) and gross margins of 44.6% (compared with 46.3% in 2009). Due to a variety of new expenses from 2009 including external market research, reinstatement of bonuses, 3 new hires, salary increases, etc, management is only projecting EBITDA of $5.7MM compared with $7.22MM in 2009. The Board was disappointed with the EBITDA projections and has asked Hiroshi to work with the team and present a 100 day plan for the business in April. We are hopeful that we will see some improvement in these numbers.

Investment Summary:
Date of Investment: 11/06
BCVF Investment Amt: $700,000 BCLF Ventures II,
Need for additional financing: None at this time
Co-Investors: Ampersand Venture Partners, New England Venture Partners, Abingworth Management, Hambrecht & Quist Capital Management, and KBL Healthcare Ventures.
Deal Structure:
Equity: Participating Preferred Stock with 8% Dividend and 1.5X liquidation preference
Exit Date: 2012/2013
Exit Method: Sale of company or IPO

Financial Summary

	2006	***2007***	***2008***	***2009 YTD November***
Revenue	2,834,000	31,750,000	36,487,000	32,038,858
Gross Margin	1,276,000	12,501,000	16,990,000	14,924,858
Operating Income	236,000	2,405,000	5,341,000	4,624,858
EBITDA	597,654	6,121,000	7,119,000	6,565,858

Current Assets	9,573,000	10,670,000	17,229,000	13,664,757
Fixed and Other Assets	33,893,000	31,920,000	32,078,000	36,893,000
Total Assets	**43,466,000**	**42,590,000**	**49,307,000**	**50,557,757**
Current Liabilities	5,119,000	5,184,300	5,875,666	6,164,899
Long Term Liabilities	15,105,000	16,395,000	19,458,000	8,251,000
Total Liabilities	**20,224,000**	**21,579,300**	**25,333,166**	**14,415,899**
Total Equity	**23,242,000**	**21,010,700**	**23,973,334**	**36,141,858**
Total Liabilities & Equity	**43,466,000**	**42,590,000**	**49,307,000**	**50,557,757**

SelecTech, Inc. (Funds I and II)
SelecTech recycles PVC plastic scrap into floor tiles. The company markets its products through a network of flooring distributors as well as directly to end users. Our investment has enabled the company to expand its production capacity and develop new products.

Jobs Created or Preserved to Date: **5**
Pay Range for Entry-Level Jobs: **salaried**
Social Return: The Company turns scrap PVC plastic, traditionally one of the more difficult plastics to recycle, into a range of attractive and LEED-certified flooring products. The company provides environmental benefits as well as supports manufacturing jobs in New England.

Update
Through June, SelecTech achieved sales of $1.3MM, up 21% ($232K) from 2010. Both the Residential and StaticStop segments continue to show strong growth, up 49% and 60% respectively, while the Commercial segment remains off, down 12%. The Residential segment is up due to both sales from the company's own website as well as on homedepot.com. Home Depot has asked for additional styles to be added to the online store, and we will be seeing those additional SKUs this summer. In the meantime, the company is continuing to work with the Home Depot buyer to establish an in-store program and has provided price points for 100, 500, and 500+ store rollouts. Growth in the StaticStop division is being led by large orders to electronics manufacturers, many of which have been in the pipeline for quite some time and beginning to convert to orders. The company has several $50,000 to $100,000 opportunities in the pipeline that it expects to close during the next quarter. With regard to the Commercial business, this segment remains flat and unpredictable due to the nature of the current economy. Corporate customers remain very cautious about spending on facility improvements. A large portion of recent sales has been with some small national accounts (EMS, Total Wine, Aramark, BC Biomedical), and SelecTech is working to leverage this success to restore growth to the Commercial segment. Recently, SelecTech has presented to Brueger's Bagels to redo all of their 300 locations at 1,000 sq. ft./location. The company has also recently presented to Super Cuts and Sears.

With regard to manufacturing, SelecTech continues to make good progress with its second manufacturing partner, Mack. The laminate supply has been challenging, mostly due to long delays from the Chinese vendor. The long lead time working with overseas supplier has caused some manufacturing delays. To alleviate this situation, the investors provided an additional $100,000 in working capital to the company to allow SelecTech to inventory extra laminates. As a backup, the company is revisiting secondary procurements with US suppliers. While the domestic suppliers will be more expensive, they could also provide much shorter lead times.

Mack is continuing to fine tune its manufacturing program to increase throughput and reduce reject rate. It is also working to reduce material content in the tiles to further improve margins and/or lower price points.

Investment Summary:
Date of First Investment: 10/31/99
BCVF Investment Amt: Fund II $220,500 in senior working line debt and $4,500 for 28% ownership of company (from Dec 2005), $300,000 in subordinated debt (from Oct 2004), warrants. Fund I warrants. Fund II $50,000 in subordinated debt May 2011.
Total Investment Amt: $6.6 MM (since our involvement)
Co-Investors: The Ramahi Group, John Crowe

Need for additional financing: working capital to accommodate increasing backlog

Deal Structure:
Senior debt, subordinated debt, common stock, warrants

Exit Options:
Exit Date projected: 2012
Exit Method: Sale of company.

Financial Summary

	FY 2007	***FY 2008***	***FY 2009***	***FY 2010***	***FY 2011 Through Jun***
Revenue	$1,648,493	$2,544,909	$1,856,588	$2,555,035	$1,310,534
Gross Profit	660,313	780,520	591,058	738,266	436,637
Operating Profit	(203,663)	(51,323)	(27,831)	(15,625)	($4,456)

	December 2007	***December 2008***	***December 2009***	***December 2010***	***May 2011***
Current Assets	$669,113	$782,396	$647,978	$709,670	$703,619
Fixed Assets	138,586	151,503	77,688	22,081	35,636
Other Assets	8,096	11,296	11,296	11,296	11,296
Total Assets	**815,795**	**945,196**	**736,963**	**743,047**	**750,552**
Current Liabilities	1,807,366	2,156,323	2,207,822	2,408,486	2,660,851
Long Term Liabilities	625,000	625,000	625,000	625,000	625,000
Total Liabilities	**2,432,366**	**2,781,323**	**2,832,822**	**3,033,486**	**3,033,486**
Total Equity	**(1,616,571)**	**(1,836,127)**	**(2,095,859)**	**(2,290,439)**	**(2,535,300)**
Total Liabilities & Equity	**815,795**	**945,196**	**736,963**	**743,047**	**750,552**

WorkSource Partners Inc. (Fund I)

WorkSource Partners is a permanent placement company that helps welfare recipients and other individuals at risk for long-term public assistance make the transition from unemployment to good jobs. Large employers often have difficulty attracting and keeping skilled entry-level employees, while welfare reform requires recipients of public assistance to seek employment. WorkSource capitalizes on the needs of private industry while serving the needs of individuals coming off public assistance. The company has placed more than 480 individuals in jobs since it was founded in 1995.

WorkSource has continued to build its client roster and has developed a marketing plan to enhance its growth and profitability. In addition, it has expanded its geographic focus and is now working in Worcester as well as in the greater Boston area. WorkSource has been particularly creative in developing solutions to the problem of inadequate transportation that can often prevent low-income people from getting to a job site.

Jobs Created or Preserved to Date: **12 employees;** provided job training and retention services to 2000 low-income workers in 2004

Pay Range for Entry-Level Jobs: **$8.00 - $15.00/hr**

Social Return: WorkSource is committed to placing employees in high-potential jobs. It ensures that wages will start at least $8 an hour; that workers will receive health insurance benefits, and that the hiring firms are dedicated to developing and promoting their employees. WorkSource has had exceptional retention in the past few years, with approximately 85% of temporary placements resulting in permanent positions. The key to WorkSource's success, however, is in its support and follow-up. WorkSource staff work closely with each individual. In addition to helping employees make the transition into the work force, WorkSource meets with each employee weekly, checks in with supervisors, and counsel's employees about career development. Once an employee is placed, WorkSource continues to act as a facilitator, working with both the employer and employee to identify opportunities for the employee to move up within the corporate structure.

Update

The Company ended the first half of 2011 with revenue of just over $350K with gross margins of 69% and an operating loss of $16.6K. They had $129K in cash and $113K in receivables as of June 30, 2011. The Company continues to develop its programs and services working largely within the healthcare industry to address the industry's shortage of healthcare workers in hospitals, nursing homes, and other long-term care settings. As we mentioned previously, the Company is automating their workforce training services and has made good progress in developing their next generation web-based product called myCAP 2.0 (my Career Action Plan).

It is a career skill development platform that incorporates much of the know-how developed by the Company over the past decade. Management believes that this product will enable them to break out of their current service model which they have found difficult to scale. Assuming the continued development of this product, they are projecting revenue of $6.4MM after three years ($25MM after five) and are seeking $3MM of new capital to fund this plan which is based on the development and marketing of this next generation myCAP product. While we are working with management on both their business plan and their fund raising efforts, we do not expect to participate in this round.

Investment Summary:
Date of Investment: 05/31/96
BCVF Investment Amt: $50,000
Total Investment Amt: $150,000
Co-Investors: Lochridge & Company, The Economic Stabilization Trust
Need for additional financing: Seeking $2MM

Deal Structure:
Equity: $25,000 in Preferred Stock and $25,000 in Common Stock for 13.2% ownership.
Exit Date projected: 2012
Exit Method: Management buyback or sale of company

Financial Summary

	FY2007	***FY2008***	***FY2009***	***FY2010***	***YTD ending June 30, 2011***
Revenue	$865,110	$896,785	$830,970	1,013,955	354,544
Gross Profit	460,25	551,806	423,148	486,234	244,793
Operating Income	28,990	72,570	(19,828)	72,314	(16,563)

	December 2007	***December 2008***	***December 2009***	***December 2010***	
Current Assets	$275,994	$330,018	307,454	363,402	264,051
Fixed Assets	34,933	34,933	40,416	34,238	57.838
Other Assets	15,656	15,656	13,804	13,750	13,750
Total Assets	**326,583**	**380,607**	**361,674**	**411,390**	**335,639**
Current Liabilities	51,752	54,931	51,422	52,647	3,351
Long Term Liabilities	200,001	193,701	188,195	176,650	171,850
Total Liabilities	**251,753**	**248,632**	**239,615**	**229,297**	**175,201**
Total Equity	**74,830**	**131,975**	**122,059**	**182,093**	**160,438**
Total Liabilities & Equity	**326,583**	**380,607**	**361,6743**	**411,390**	**335,639**

ZipCar, Inc. (Fund I and Fund II)
Zipcar's stock has been trading above the IPO price of $18/share since the IPO in April fluctuating between $18.92/share (early June) to $31.50/share (April shortly after the IPO). As of August 2, 2011, the stock was trading at $22.61/share. Below is a summary of the value of our holdings based on the high and low share prices since the IPO in April. As of the close on August 3, 2011 the value of our holdings was $12.217MM for Fund I and $4.212MM for Fund II ($26.52/share).

Shares Owned		Stock Price/share (range)	Stock Value (range)
BCLF Ventures I:	460,663	$18.92-$31.5	$8.716MM-$14.511MM
BCLF Ventures II:	158,815	$18.92-$31.5	$3.005MM-$5.003MM

Zipcar announced the expansion of its San Francisco office, which was first opened in 2005 with a fleet of 29 vehicles in three neighborhoods. Over the past six years, the company has expanded its fleet to 1,000 vehicles in over 33 neighborhoods throughout the San Francisco Bay Area, making San Francisco one of Zipcar's most popular markets in the nation. Zipcar is the world's leading car sharing network with more than 575,000 members and more than 8,000 vehicles in urban areas and college campuses throughout the United States, Canada and the United Kingdom. Zipcar offers more than 30 makes and models of self-service vehicles by the hour or day to residents and businesses looking for an alternative to the high costs and hassles of owning a car. Zipcar also announced its expansion into Providence, RI, the second largest city in New England as well as Sacramento, CA.

In addition, in Q2 Zipcar announced a new program to outfit 20 SUVs in its New York City fleet with Yakima bicycle racks and Empire Passport permits to New York State Parks. This new program comes as part of Zipcar's partnership with Bike New York, and gives New Yorkers greater access to enjoy their bikes outside of the city – whether to train for upcoming bicycle races and tours or simply enjoy the area's scenic beaches and parks giving Zipcar members complimentary access to more than 50 New York State Parks including the Jones Beach State Park on Long Island, Niagara Falls State Park and Allegany State Park.

Other performance highlights for the 2nd quarter included:

- Completed IPO and significantly reduced outstanding debt
- Renewed asset backed financing facility on favorable terms
- Revenue increased 34% to $61.6 million compared to $46.0 million in the prior year period; revenue increased 28% year over year excluding the U.K. Streetcar operations acquired in April 2010
- Total members grew 29% from the prior year period to approximately 605,000
- Revenue from Established Markets increased 25% from the prior year period, with 37% growth in income before tax
- Usage revenue per vehicle per day increased to $65 from $59 in the prior year period

- Adjusted EBITDA of $2.3 million compared to $0.3 million in the prior year period; US GAAP net loss of $5.6 million compared to a loss of $5.2 million in the prior year period
- Zipcar's Android App was released in June 2011.

Following Zipcar's strong second quarter performance, the Company is increasing its 2011 outlook. For the third quarter, Zipcar expects revenue in the range of $67 million to $69 million. Adjusted EBITDA for the period is expected to range from $3.5 million to $4.5 million and US GAAP net loss is expected to range from $1.5 million to break-even. Full year 2011 revenue is now expected in the range of $240 million to $244 million. Full year 2011 Adjusted EBITDA is now expected to range from $8 million to $10 million and US GAAP net loss is expected to range from $11 million to $14 million.

Financial Summary

	FY 2007	***FY 2008***	***FY 2009***	***FY2010***	***YTD ending March 31, 2011****
Revenue	$57,818,423	$105,969,000	$131,182,000	$186,101,000	49,133,000
Gross Profit	7,785,818	21,770,000	37,815,000	63,467,000	14,167,000
Operating Profit	(13,921,000)	(13,909,000)	(5,876,000)	(7,403,000)	(4,626,000)

	December 2007	***December 2008***	***December 2009***	***December 2010***	***March 31, 2011***
Current Assets	$32,035,662	$28,447,000	$27,129,000	58,033,000	115,731,000
Fixed Assets	23,128,226	10,972,000	9,426,000	70,917,000	74,806,000
Other Assets	80,578,771	48,507,000	53,352,000	119,978,000	119,858,000
Total Assets	**103,706,997**	**87,926,000**	**89,907,000**	**248,928,000**	**310,395,000**
Current Liabilities	22,935,438	21,874,000	28,907,000	63,143,000	53,048,000
Long Term Liabilities	16,124,952	15,299,000	12,537,000	74,126,000	41,968,000
Total Liabilities	**39,060,390**	**37,173,000**	**41,444,000**	**137,269,000**	**95,016,000**
Total Equity	**64,646,607**	**50,753,000**	**48,463,000**	**111,659,000**	**215,013,000**
Total Liabilities & Equity	**103,706,997**	**87,926,000**	**89,907,000**	**248,928,000**	**310,395,000**

* Pro forma post IPO with the acquisition of Streetcar

Boston Community Venture Fund
BCLF Ventures I, LLC
Schedule of Investment Activity As of 06/30/11

Committed Capital	**$**	**5,030,000**
Current Capital	**$**	**9,816,085**

Portfolio Company	Committed & Reserved	Funded	Available for Commitments	Total Capital Invested*	Leverage Ratio**	Year committed	Year closed	Location
Thermo Energy (formerly CASTion)	729,646	729,646	-	1,905,000	161%	2007	2,007	Ludlow
WorkSource Staffing Partnership	50,000	50,000	-	150,000	200%	1996	1996	Boston
Zip Car	8,932,032	8,932,032	-	1,460,000	-84%	2000	2000	Cambridge
Additional Reserved (aggregate)	-	-	-					
Total	**9,711,678**	**9,711,678**	**-**	**3,515,000**	**-64%**			
Percentage of LLC 1 Current Capital	**99%**	**99%**	**0%**					

Exited								
Bari & Gail	750,000	750,000		900,000	20%	2000	2000	Walpole
CASTion	1,192,815	1,192,815	-	1,200,000	1%	2001	2001	Ludlow
Cooperative Home Care	50,000	50,000		200,000	300%	1994	1994	Boston
Cerida (formerly TeleSales)	250,000	250,000	-	6,000,000	2300%	2000	2000	Pittsfield/Wilmington
geoVue (formerly Geonomics)	150,467	100,467	-	1,300,000	1194%	2001	2001	Boston
Jessica Wonders	50,000	50,000	-	750,000	1400%	2000	2000	New Bedford
SelecTech	875,000	875,000	-	2,650,000	203%	1999	1999	Taunton
Springboard Technology	324,378	324,378	-	1,800,000	455%	1999	1999	Springfield
TracRac, Inc.	750,000	750,000		2,370,000	216%	1999	1999	Fall River
City Fresh***	130,000	130,000		190,000	46%	1997	1998	Dorchester
Valley Home Care	100,000	50,000		250,000	400%	1997	1997	Lowell
Total	**4,622,660**	**4,522,660**	**-**	**17,610,000**	**289%**			
Total Cumulative Investing	**14,334,338**	**14,234,338**	**-**		**48%**			
Percentage of Committed Capital	**285%**	**283%**	**0%**					

* Total capital invested by all sources, including BCVF, in investment rounds where BCVF participated
** Total non-BCVF capital to BCVF capital
*** Preferred stock, representing initial investment and dividend, has been redeemed. BCVF common stock position has been redeemed.

Boston Community Venture Fund
BCLF Ventures II, LLC
Schedule of Investment Activity As of 06/30/11

Committed Capital	**$**	**16,500,000**
Current Capital	**$**	**13,812,467**

Portfolio Company	**Committed & Reserved**	**Funded**	**Available for Commitments**	**Total Capital Invested***	**Leverage Ratio****	**Year committed**	**Year closed**	**Location**
Acelero Learning	2,075,379	2,075,379	-	1,650,001	-20%	2005	2005	New York NY
Eating Well	3,521,322	3,521,322	-	3,000,000	-15%	2002	2002	Charlotte VT
Magellan Biosciences	4,362,552	4,362,552	-	15,228,608	249%	2004	2004	Chelmsford MA
SelecTech	570,500	570,500	-	6,000,000	952%	2001	2001	Avon MA
ZipCar	3,079,334	3,079,334	-	10,000,000	225%	2005	2005	Cambridge MA
Additional Reserved (aggregate)	-	-	-					
Total	**13,609,086**	**13,609,086**	**-**	**35,878,609**	**164%**			
Percentage of LLC II Current Capital	**99%**	**99%**	**0%**					

Exited								
Foreside	772,000	772,000	-	1,772,000	130%	2001	2001	Gorham ME
geoVue (formerly Geonomics)	380,748	330,748	-	1,450,000	338%	2001	2001	Boston MA
Parker Guitars	1,000,000	1,000,000	-	2,000,000	100%	2002	2002	Wilmington MA
Protedyne	911,125	911,125	-	21,000,000	2205%	2001	2001	Windsor CT
SelecTech	629,841	629,841		6,000,000	853%	2001	2001	Taunton MA
TekCel	1,182,690	1,182,690	-	8,675,000	633%	2002	2002	Hopkinton MA
Clearsource Corp / Trident LLC	1,374,925	1,374,925	-	5,000,000	264%	2004	2004	Natick MA
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Total	**6,251,329**	**6,201,329**	**-**	**45,897,000**	**640%**			
Total Cumulative Investing	**19,860,415**	**19,810,415**	**-**		**313%**			
Percentage of Committed Capital	**120%**	**120%**	**0%**					

* Total capital invested by all sources, including BCVF, in investment rounds where BCVF participated

** Total non-BCVF capital to BCVF capital