

OFFICE OF PERFORMANCE MANAGEMENT & OVERSIGHT

FISCAL 2013 ANNUAL REPORT

The Office of Performance Management & Oversight (OPMO) measures the performance of all public and quasi-public entities engaged in economic development. All agencies are required to submit an Annual Report, which includes all of the following information and demonstrates progress made against the Annual Plan submitted for the same year.

Based on review of Performance to Plan, the Office of Performance Management and Oversight will annually re-evaluate the goals and measures established by the agencies. The Office will recommend changes to goals and measures as appropriate to align with the statewide economic development policy and plan.

The annual reports of each agency will be published on the official website of the Commonwealth, and be electronically submitted to the clerks of the Senate and House of Representatives, the Chairs of the House and Senate Committees on Ways and Means and the House and Senate Chairs of the Joint Committee on Economic Development and Emerging Technologies.

Filing Instructions:

The Fiscal Year 2013 report is due no later than **Friday, November 1, 2013**. An electronic copy of the report and attachments A & B should be e-mailed to Anne.Struthers@state.ma.us.

1) AGENCY INFORMATION

Agency Name Massachusetts Business Development Corp.

Agency Head Kenneth J. Smith

Title President

Website www.bdcnewengland.com

Address 500 Edgewater Drive, Suite 555, Wakefield, MA 01880

2) MISSION STATEMENT

Please include the Mission Statement for your organization below.

Capital Access is a loan guaranty program designed to target main street businesses in Massachusetts

with working capital and expansion financing to grow companies and improve employment opportunities in participation with community banks throughout Massachusetts.

3) PERFORMANCE ON GOALS AND OBJECTIVES

Please provide details on the agency's progress and accomplishments for Fiscal Year 2013 as it relates to the Fiscal Year 2013 Plan submitted by your agency. This information should be included as **Attachment A and should include prior year perspective**. In addition to your Performance to Plan Report, Questions 5 through 10 provides guidance on the specific information required under Chapter 240 of the Acts of 2010.

4) ACCOUNTING

Please provide financial information for your agency. Below please give a summary of *Receipts and Expenditures* during the fiscal year, and include the *Assets and Liabilities* at the end of the fiscal year. Please include the most recent audited financial report for the agency as **Attachment B**.

	AMOUNT	
Receipts	\$see attached report	
Expenditures	\$	
Assets	\$	
Liabilities	\$	

5) INVESTMENTS OR GRANTS TO BUSINESSES OR INDIVIDUALS

Does your agency make **investments** and/or provide **grants** to businesses or individuals? Yes No

If **Yes**, please provide detailed information on investments and/or grants made during FY13 in the **Performance on Goals and Objectives** section of this report. Information should include the number, nature and amounts of investments made and grants awarded by your agency along with job, investment and/or other economic development impact. Please list the name(s) of the investment and/or grant programs offered by your agency in the space provided below:

[Please enter the investment or grant details here.]

6) DEBT OR EQUITY INVESTMENT DETAILS

Is your agency involved in **debt** or **equity investments** for businesses? Yes No

If **Yes**, please provide detailed information on debt and/or equity investments made during FY13 in the **Performance on Goals and Objectives** section of this report along with job, investment and/or other economic development impact. Please list the name(s) of the debit and/or equity investments

programs offered by your agency in the space provided below:

[Please enter the debt or equity investment details here.]

7) LOAN DETAILS

Is your agency involved in **real estate loans, working capital loans, or any other type of loan or guarantee**? Yes No

If **Yes**, please provide detailed information on loan(s) and/or guarantee(s) made during FY13 in the **Performance on Goals and Objectives** section of this report along with job, investment and/or other economic development impact. Please list the types of loan(s) and/or guarantee(s) offered by your agency in the space provided below:

See attachment C. [Please enter the loan details here.]

8) OTHER FORMS OF FINANCING OR FINANCIAL ASSISTANCE?

If your agency provides any other form of financing or financial assistance, please include FY13 details in the **Performance on Goals and Objectives** section of this report along with job, investment and/or other economic development impact. Please list the types of other forms of financing offered by your agency in the space provided below:

[Please enter the details on financing or financial assistance here]

9) PATENTS OR PRODUCTS

Does your agency track **patents or products** resulting from agency-funded activities? Yes No

If **Yes**, please include details in the **Performance on Goals and Objectives** section of this report along with job, investment and/or other economic development impact. Please list the agency-funded activities of your agency that promote patent and product advancement in the space provided below:

[Please enter the details on patents or products here.]

10) TECHNICAL ASSISTANCE

If your agency provides technical assistance, please provide detailed information on technical assistance provided during FY13 in the **Performance on Goals and Objectives** section of this report along with job, investment, and/or other economic development impact. Please list the name(s) of the technical assistance programs offered by your agency in the space provided below:

[Please enter the details on technical assistances here.]

ATTACHMENT A

October 15, 2013

To: Ms. Anne Struthers
Massachusetts Office of Business Development

From: Joseph O'Garro
Director of Capital Access Program (CAP)

Re: CAP Fiscal Year 2013 Summary Report

Dear Ms. Struthers,

I offer the following statistics for the year beginning July 1, 2012 and ending June 30, 2013:

1. A total of 252 loans were enrolled in the program compared to 227 loans for the prior year or an 11% increase. The enrolled amount was \$11,808,000 versus \$10,864,000.
2. 41 of these loans were to companies in the specially targeted gateway cities and towns.
3. A total of 13 claims totaling \$315,000 were paid in 2013 versus 18 claims totaling \$395,000.
4. Five new banks came on board during the year to bring our number up to 84.

We do anticipate that 2014 will be another strong year for the CAP program as we continue to increase our bank participants resulting in increased loan enrollments.

Our marketing plan will continue to promote CAP with banks helping small businesses to create and retain jobs in Massachusetts.

Please see the attached exhibits for further detail.

Very truly yours,



Joseph O'Garro

ATTACHMENT B - BUDGET

Date: May 23, 2012

To: Deborah Shuftrin, Director
Derek Lennon, Chief Financial Officer
Department of Business & Technology

From: Joseph O'Garro
Director, Capital Access Program

Subject: Budget for Capital Access Program
Period of July 1, 2012-June 30, 2013

The following budget is submitted in accordance with Section 3 of Attachment "B" of the contract between the Massachusetts Office of Business Development and the Massachusetts Business Development Corporation. The total Budget for FY 2012 was \$422,800.

ITEM	BUDGET 2011- BUDGET 2012-		
	2012	2013	
Personnel:	\$234,800.00	\$190,000.00	Decreased
PR/Marketing	\$0.00	\$0.00	Included in overhead
Pubs/Broc.:	\$2,000.00	\$2,000.00	Same
Transportation Expense	\$14,000.00	\$14,000.00	Same
Travel Expense	\$2,000.00	\$4,800.00	Increased
Computer	\$12,000.00	\$12,000.00	Same
Legal/Acctg.	\$0.00	\$0.00	Included in overhead
Dev./Education	\$0.00	\$0.00	Included in overhead
Overhead	\$158,000.00	\$200,000.00	Increased
Totals:	\$422,800.00	\$422,800.00	Same

ATTACHMENT B - KTRUH

Capital Access
FY2013 Budget

	Budget	July	August	September	October	November	December	January	February	March	April	May	June	Total	Balance
Personnel	\$192,622.51	\$15,744.39	\$15,744.39	\$15,744.39	\$15,744.39	\$15,744.39	\$15,744.39	\$16,461.94	\$16,461.94	\$16,461.94	\$16,461.94	\$16,185.95	\$16,122.46	\$192,622.51	\$0.00
P/R Marke	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Public/Bro	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Car Expen	\$15,786.24	\$973.06	\$1,021.22	\$972.78	\$1,064.85	\$4,679.64	\$1,084.81	\$1,221.22	\$882.97	\$896.82	\$970.12	\$1,185.81	\$832.94	\$15,786.24	\$0.00
Travel	\$2,391.25	\$0.00	\$0.00	\$0.00	\$23.00	\$0.00	\$926.22	\$0.00	\$238.64	\$73.15	\$0.00	\$26.35	\$594.01	\$1,881.37	\$509.88
Computer	\$12,000.00	\$0.00	\$0.00	\$3,000.00	\$0.00	\$0.00	\$3,000.00	\$0.00	\$0.00	\$3,000.00	\$0.00	\$0.00	\$3,000.00	\$12,000.00	\$0.00
Legal/Acc	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dev Educ	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Overhead	\$200,000.00	\$16,666.67	\$16,666.67	\$16,666.67	\$16,666.67	\$16,666.67	\$16,666.67	\$16,666.67	\$16,666.67	\$16,666.67	\$16,666.67	\$16,666.67	\$16,666.67	\$200,000.00	\$0.00
Total	\$422,800.00	\$33,384.12	\$33,432.28	\$36,383.84	\$33,498.91	\$37,090.70	\$37,422.09	\$34,349.83	\$34,250.22	\$37,098.58	\$34,098.73	\$34,064.78	\$37,216.04	\$422,290.12	\$509.88

C12-193	10/10/2012	Bliss Bakery & Market Inc	Gordon	01450-1137	25017326100	\$	120,000	5461	311890	2011	2	1	2	W	North Middlesex Bank	04-1678010	Line	\$	75,000	\$	75,000
C12-194	10/10/2012	P & S Towing	Brookton	02302-5641	25023511301	\$	-	7538	811111	2012	8	0	8	B	Mutual Federal Savings	04-1647485	Term	\$	25,200	\$	5,000
C12-195	10/10/2012	P & S Towing	Brookton	02302-5641	25023511301	\$	-	7538	811111	2012	8	0	8	B	Mutual Federal Savings	04-1647485	Term	\$	10,150	\$	5,000
C12-196	10/10/2012	Triple C Equipment	Rayham	02767-9000	25006512100	\$	458,879	4226	399390	1996	3	0	3	0	Mutual Federal Savings	04-1647485	Term	\$	55,000	\$	55,000
C12-197	10/10/2012	Seigel Godfrey Sign LLC	Hayfield	01066-0000	25018071500	\$	114,172	3939	399390	2009	2	0	2	W	Florence Savings Bank	04-1332530	Term	\$	5,000	\$	5,000
C12-198	10/10/2012	Small Beer Press	Easthampton	01027-9801	25015824202	\$	140,000	2731	511130	n/a	1	0	1	0	Florence Savings Bank	04-1332530	Line	\$	20,000	\$	20,000
C12-199	10/16/2012	Karpel Klean	Abington	02351-1209	25023520201	\$	72,000	7217	561740	2007	2	0	2	0	South Shore Savings Bank	04-1969370	Line	\$	5,000	\$	5,000
C12-200	10/16/2012	Phymont Optical, Inc	Longmeadow	01106-2060	25013813904	\$	338,411	8042	621320	1977	3	0	3	0	South Shore Savings Bank	04-1969370	Line	\$	30,000	\$	30,000
C12-201	10/16/2012	Bruno PC	Plymouth	02360-2228	25023530600	\$	375,000	8721	541211	2012	1	6	1	W	Mayflower Cooperative	00-0934684	Line	\$	50,000	\$	50,000
C12-202	10/16/2012	Colby & Co	Plymouth	02360-2664	25023530600	\$	420,000	8721	541211	2012	3	1	3	W	Mayflower Cooperative	00-0934684	Line	\$	50,000	\$	50,000
C12-203	10/16/2012	Colby & Co	Plymouth	02360-2664	25023530600	\$	420,000	8721	541211	2012	3	1	3	W	Mayflower Cooperative	00-0934684	Line	\$	25,000	\$	25,000
C12-204	10/17/2012	Kory Curcuro & Jon Looney	Gloucester	01980-3113	25009263100	\$	57,870	7313	541840	n/a	2	2	2	1	Cape Ann Savings Bank	04-1148820	Term	\$	10,000	\$	10,000
C12-205	10/17/2012	Carolyn J. Stone	West Newbury	01985-1844	25009263100	\$	201,705	7231	812112	n/a	1	1	1	1	Cape Ann Savings Bank	04-1148820	Term	\$	6,000	\$	6,000
C12-206	10/17/2012	Carolyn J. Stone	West Newbury	01985-1844	25009263100	\$	201,705	7231	812112	n/a	1	1	1	1	Cape Ann Savings Bank	04-1148820	Term	\$	9,000	\$	9,000
C12-207	10/19/2012	Bruno PC	Plymouth	02360-2228	25023530600	\$	375,000	8721	541211	2012	1	6	1	W	Mayflower Cooperative	00-0934684	Line	\$	85,000	\$	85,000
C12-208	10/19/2012	The Natural Landscape, Inc	Northborough	01532-1979	25027740200	\$	1,470,000	782	561730	2008	6	2	6	6	Mayflower Cooperative	00-0934684	Term	\$	100,000	\$	48,574
C12-209	10/19/2012	Custom Automatic Machine	Haverhill	01830-3942	25009265000	\$	2,700,000	3939	337110	1990	8	0	8	0	Penicook Bank	04-1145370	Line	\$	150,000	\$	50,000
C12-210	10/24/2012	Joseph W. Perkins	Eastham	02642-2866	25001103904	\$	42,300	6514	531110	n/a	2	0	2	M	Cape Cod Five	04-1149710	Term	\$	20,000	\$	20,000
C12-211	10/24/2012	The Center After School Prog	Springfield	01109-4109	25013801800	\$	237,949	8351	624410	2005	7	1	7	7	United Bank	04-1858810	Term	\$	15,000	\$	15,000
C12-212	10/26/2012	CRJ Roadside Service	Newton	02461-1909	25017374100	\$	4,400	7549	488810	n/a	1	0	1	0	The Village Bank	04-1050590	Term	\$	20,000	\$	20,000
C12-213	10/26/2012	Phymont Optical, Inc	Longmeadow	01106-2060	25013813904	\$	338,411	8042	621320	1977	3	0	3	0	Monson Savings Bank	04-1145370	Line	\$	30,000	\$	30,000
C12-214	11/7/2012	Lampert Signworks	Beverly	01915-4724	25009217600	\$	106,000	7312	541800	1988	3	1	3	1	Rockport National Bank	04-1782774	Line	\$	15,000	\$	15,000
C12-215	11/7/2012	R.M. Paetola, Inc	Plainville	02762-1306	25021440100	\$	3,060,000	1974	228910	1977	15	0	15	0	Needham Bank	04-1655620	Line	\$	300,000	\$	100,000
C12-216	11/7/2012	Therapeutic Feet, Inc	Springfield	01107-1637	25018080600	\$	105,916	5661	448810	2004	2	0	2	0	Greenfield Savings Bank	01-0669576	Line	\$	75,000	\$	37,500
C12-217	11/7/2012	South Shore Wood Products	Holliston	02343-1072	25021421200	\$	722,307	5989	489410	2007	4	0	4	W	Cambridge Trust Co	04-1145370	Term	\$	30,400	\$	30,400
C12-218	11/15/2012	Adkinson Carpet Installation	Haverhill	01833-8506	25009261002	\$	2,835,293	1752	228330	1988	18	0	18	0	Enterprise Bank & Trust	04-2993547	Line	\$	150,000	\$	50,000
C12-219	11/15/2012	Adkins Power Services, Inc	Westfield	01085-1627	25013812500	\$	511,455	1731	39950	2010	1	0	1	0	The Village Bank	04-1050590	Line	\$	40,000	\$	40,000
C12-220	11/15/2012	Adkins Power Services, Inc	Westfield	01085-1627	25013812500	\$	511,455	1731	39950	2010	1	0	1	0	United Bank	04-1858810	Term	\$	30,000	\$	30,000
C12-221	11/16/2012	Buchino Enterprises, Inc	Nantucket	02534-4849	25019995000	\$	520,000	1521	236110	2009	6	0	6	6	Cape Cod Five	04-1149710	Term	\$	20,000	\$	20,000
C12-222	11/19/2012	Exceld Sports Performance	Northborough	01532-2414	25027740200	\$	59,500	7991	713940	2012	2	1	2	1	Fidelity Bank	04-1145370	Term	\$	25,000	\$	25,000
C12-223	11/19/2012	Hub Technical Services, LLC	South Easton	02785-7949	25005600202	\$	10,100,000	5045	429340	1996	40	0	40	0	Mutual Federal Savings	04-1647485	Term	\$	17,668	\$	3,000
C12-224	11/20/2012	Lagare and Company, LLC	Andover	01810-1435	25009254100	\$	945,346	8721	541211	1996	5	0	5	0	Enterprise Bank & Trust	04-2993547	Line	\$	30,000	\$	30,000
C12-225	11/21/2012	Melle Etc	Ipswich	01986-2213	25009223200	\$	171,111	7231	812110	n/a	2	1	2	W	First National Bank of Ips	04-1479125	Term	\$	87,240	\$	81,000
C12-226	11/21/2012	Ralsa Naim-Hamilton	Marlborough	01751-1467	25017371600	\$	-	7231	812110	n/a	3	0	3	0	Marlborough Savings BK	04-1598410	Term	\$	34,050	\$	34,000
C12-227	11/21/2012	New England Safety Services	Rehoboth	02769-1824	25006531000	\$	120,945	8292	616730	2008	4	2	4	4	Mechanics Cooperative	04-1686620	Line	\$	10,000	\$	10,000
C12-228	11/27/2012	New England Safety Services	Marlborough	01752-3683	25017321100	\$	9,000	8299	611699	2001	1	1	1	1	Marlborough Savings BK	04-1598410	Line	\$	5,000	\$	5,000
C12-229	11/27/2012	New England Safety Services	Marlborough	01752-3683	25017321100	\$	9,000	8299	611699	2001	1	1	1	1	Marlborough Savings BK	04-1598410	Term	\$	13,409	\$	12,753
C12-230	11/28/2012	11 Bridge Street, LLC	South Hadley	01075-2808	25015821100	\$	121,000	5812	722110	2012	1	2	1	1	Peoples Bank	04-0262355	Term	\$	109,510	\$	105,510
C12-231	11/28/2012	Wild Orchid Baby, Inc	Worcester	01602-3047	25027731002	\$	237,742	2023	311514	2012	2	0	2	W	Bay State Savings Bank	04-1332530	Term	\$	36,500	\$	36,500
C12-232	11/30/2012	Problem Solv'd, LLC	New Salem	01355-9505	25011040600	\$	34,024	7299	812290	2012	2	0	2	W	Florence Savings Bank	04-1332530	Term	\$	3,000	\$	3,000
C12-233	12/3/2012	Leonard's Auto Repair	Tunton	02780-1833	25005613600	\$	486,600	7538	811111	2003	4	0	4	0	Sovereign Bank	04-3532869	Line	\$	37,000	\$	37,000
C12-234	12/3/2012	AI Affordable, Inc	W. Bridgewater	02379-1258	25023524102	\$	800,000	7538	811111	2011	7	0	7	0	Mutual Federal Savings	04-1647485	Term	\$	14,300	\$	10,000
C12-235	12/6/2012	Pride Tail Service, Inc	Provincetown	02657-1547	25001010100	\$	94,600	4121	485310	2008	2	4	2	W	Seamens Bank	04-1817540	Term	\$	15,000	\$	15,000
C12-236	12/6/2012	Bourne Enterprises, Inc	South Easton	02375-1910	25005600202	\$	36,585,012	5521	441120	1973	26	0	26	0	Mutual Federal Savings	04-1647485	Term	\$	15,150	\$	5,000
C12-237	12/6/2012	Bourne Enterprises, Inc	South Easton	02375-1910	25005600202	\$	36,585,012	5521	441120	1973	26	0	26	0	Mutual Federal Savings	04-1647485	Term	\$	18,150	\$	5,000
C12-238	12/6/2012	Bourne Enterprises, Inc	South Easton	02375-1910	25005600202	\$	36,585,012	5521	441120	1973	26	0	26	0	Mutual Federal Savings	04-1647485	Term	\$	20,550	\$	5,000
C12-239	12/6/2012	Bourne Enterprises, Inc	South Easton	02375-1910	25005600202	\$	36,585,012	5521	441120	1973	26	0	26	0	Mutual Federal Savings	04-1647485	Term	\$	17,210	\$	5,000
C12-240	12/6/2012	Cote Construction	Gardner	01440-2861	25027707300	\$	153,749	1761	238160	n/a	1	0	1	0	Fidelity Bank	20-5791745	Term	\$	30,000	\$	30,000
C12-241	12/6/2012	Paramount Perf & Reliab, Inc	Wrentham	02093-0000	25021441204	\$	-	8049	621340	2012	2	5	2	2	Rockland Trust Co	04-1782600	Term	\$	46,800	\$	23,400
C12-242	12/6/2012	Denkita, Inc	Southampton	01073-9650	25018325200	\$	260,091	7291	541213	2009	16	0	16	0	Florence Savings Bank	04-1332530	Term	\$	90,000	\$	90,000
C12-243	12/10/2012	Hi-Tone Pza, LLC	Easthampton	01027-2020	25015822402	\$	5,043,820	5812	722110	2011	0	6	0	WM	Greenfield Savings Bank	01-0669576	Term	\$	120,000	\$	18,000
C12-244	12/10/2012	Environmental Operations	W. Bridgewater	02379-1087	25023524102	\$	5,043,820	4212	722110	1995	20	1	20	4	Mutual Federal Savings	04-1647485	Term	\$	35,900	\$	30,000
C12-245	12/13/2012	PhysioWorks Professional LLC	Nantucket	02534-4028	25019995000	\$	482,719	8049	621399	2011	4	1	4	1	Cape Cod Five	04-1149710	Line	\$	25,000	\$	25,000
C12-246	12/13/2012	Nolan Fisheries	Eastham	02642-0000	25001010304	\$	91,324	913	114112	n/a	1	1	1	1	Seamens Bank	04-1817540	Term	\$	18,375	\$	18,375
C12-247	12/17/2012	Karis, Kurban & Associates	Boston	02116-2615	25025010701	\$	1,785,724	8021	621210	1991	12	0	12	0	Sovereign Bank	04-3532869	Term	\$	212,000	\$	212,000
C12-248	12/17/2012	Lighthouse Environmental	Clinton	01510-1631	25027716200	\$	300,000	1799	562910	2011	1	1	1	1	North Middlesex Bank	04-1678010	Line	\$	100,000	\$	100,000
C12-249	12/19/2012	Automotive Elegance, LLC	Fitchburg	01420-5808	25027710100	\$	154,096	7536	811121	2003	1	2	1	1	Rollstone Bank	04-1382870	Term	\$	85,000	\$	85,000
C12-250	12/19/2012	M & H Services, LLC	Chicopee	01013-1874	25013811102	\$	116,253	782	561730	2010	2	0	2	0	MUVO Bank	26-2492306	Line	\$	20,000	\$	20,000
NC12-251	12/28/2012	Economy Printing & Signs LLC	Woburn	01801-2004	25017333400	\$	358,000	7389	541800	2011	4	0	4	0</							

CI3-001	1/10/2013	Phreer Cleaning LLC	Nantucket	02554-2620	25019506307	\$	500,000	7349	561720	2012	6	8	6	Cape Cod Five	04-1149070	Term	\$	170,000	\$	85,000
CI3-002	1/10/2013	Karpet Klean	Abington	02351-1209	25023520200	\$	77,000	7219	811490	2007	2	0	2	South Shore Bank	04-1963710	Line	\$	5,000	\$	5,000
CI3-003	1/10/2013	The Green Connection, Inc	Scituate	02066-4535	25020352900	\$	950,000	4959	562998	1996	12	0	12	South Shore Bank	04-1963710	Term	\$	75,000	\$	75,000
CI3-004	1/10/2013	185 Business Products, Inc	Shirley	01464-2905	25017882000	\$	1,285,000	7389	541980	2007	2	0	2	North Middlesex Savings	04-167485	Term	\$	65,000	\$	65,000
CI3-005	1/10/2013	Clear Water Pump & Well Svc	Canton	02021-2703	25014152000	\$	-	1799	238990	2012	3	0	3	Mutual Federal Savings	04-167485	Term	\$	12,900	\$	12,500
CI3-006	1/14/2013	Positive Results LLP	Holyoke	01040-5448	25013812103	\$	983,139	5412	454990	2012	3	0	3	Peoples Bank	20-0262355	Term	\$	51,500	\$	51,500
CI3-007	1/14/2013	Mark's Landscape & Design	Stow	01775-1214	25017323100	\$	365,956	781	246990	2011	4	0	4	North Middlesex Savings	04-2163213	Term	\$	26,000	\$	26,000
CI3-008	1/14/2013	Smith K92	Cambridge	01747-2231	2501752102	\$	801,910	5122	446190	2010	12	0	12	Seaman's Bank	04-1817540	Term	\$	20,000	\$	20,000
CI3-009	1/15/2013	Salem Cycle	Salem	01970-5206	25009204000	\$	480,000	5941	451110	1998	3	0	3	Salem Five	04-1802790	Term	\$	50,000	\$	50,000
CI3-010	1/16/2013	Hilsimons Contracting	Watertown	02472-3356	25017370202	\$	440,000	1521	236115	2012	3	0	3	The Village Bank	04-1050590	Line	\$	30,000	\$	30,000
CI3-011	1/16/2013	Studio 44	Ayer	01432-2500	25009261000	\$	862,200	8211	812112	1997	0	2	0	North Middlesex Savings	04-1678010	Line	\$	25,000	\$	25,000
CI3-012	1/17/2013	Bradford Christian Academy	Haverhill	01835-8340	25009261000	\$	-	1731	812112	1997	0	2	0	Pentucket Bank	04-1715580	Line	\$	50,000	\$	50,000
CI3-013	1/17/2013	First Quality Metal Products	Plymouth	02367-1212	25023543100	\$	1,037,877	3498	332966	1985	3	0	3	Mutual Federal Savings	04-1647485	Line	\$	150,000	\$	50,000
CI3-014	1/17/2013	Georges Service Station	Brockton	02302-3541	25023511901	\$	1,300,000	7538	811111	1977	6	0	6	Mutual Federal Savings	04-1647485	Term	\$	45,150	\$	5,000
CI3-015	1/25/2013	The Artisan Bake Shop	Rochester	02770-4028	25023541100	\$	220,000	2051	311812	2007	1	0	1	Mayflower Co-op Bank	00-0934844	Line	\$	10,000	\$	10,000
CI3-016	1/25/2013	The Artisan Bake Shop	Rochester	02770-4028	25023541100	\$	220,000	2051	311812	2007	1	0	1	Mayflower Co-op Bank	00-0934844	Line	\$	15,000	\$	15,000
CI3-017	1/25/2013	BH Farm	Warwick	01378-7818	25010404000	\$	99,000	851	115310	2012	1	0	1	Greenfield Savings Bank	81-0669576	Term	\$	21,000	\$	21,000
CI3-018	1/25/2013	Area Sweeping & Landscaping	Whitman	02382-2405	25023521202	\$	731,138	782	561730	1988	6	0	6	Mutual Federal Savings	81-1647485	Term	\$	63,000	\$	63,000
CI3-019	1/25/2013	R&R Plastics LLC	Whitcomb	01495-1159	25027701100	\$	2,183,598	3083	326112	1999	4	0	4	Bay State Savings Bank	75-328872	Term	\$	90,000	\$	90,000
CI3-020	1/25/2013	Environmental Operations	W. Bridgewater	02379-1087	25023524101	\$	5,043,820	4212	562111	1995	32	0	32	Mutual Federal Savings	04-1647485	Line	\$	300,000	\$	33,000
CI3-021	1/25/2013	Middle East Restaurant	Cambridge	02139-4132	25017353101	\$	3,300,000	5812	722511	1976	45	5	45	Sovereign Bank	04-3532869	Term	\$	427,000	\$	427,000
CI3-022	1/25/2013	Wingall Animal Hospital	Dracut	01826-2644	25017314301	\$	3,600,000	742	541940	2004	15	1	15	Sovereign Bank	04-3532869	Term	\$	350,000	\$	350,000
CI3-023	2/1/2013	Solstate Dry Spa, Inc	Hyannis	02601-3916	25000101500	\$	888,972	7231	812112	2004	6	1	6	Cape Cod Five	04-1149070	Term	\$	186,000	\$	186,000
CI3-024	2/1/2013	Russo Earth Care	Haverhill	01830-2230	25009260500	\$	200,000	782	561730	1976	2	0	2	Pentucket Bank	04-1715580	Term	\$	10,000	\$	10,000
CI3-025	2/1/2013	Pellota-Metals, Inc	West Roxbury	02132-1713	25025130100	\$	22,000	5211	1984	1984	4	0	4	The Village Bank	04-1050590	Line	\$	15,000	\$	15,000
CI3-026	2/1/2013	Belladora Corporation	Marlborough	01752-1596	25017321600	\$	890,729	4215	492210	2004	8	7	8	Marlborough Savings	04-1584100	Line	\$	75,000	\$	75,000
CI3-027	2/1/2013	Tryon Corporation	Northampton	01060-2916	25015822000	\$	-	5812	722210	2013	1	4	1	Greenfield Savings Bank	81-0669576	Term	\$	80,000	\$	12,000
CI3-028	2/6/2013	Gas Associates, Inc	Haverhill	01835-8342	25009261102	\$	1,929,000	1711	238220	1984	11	0	11	Pentucket Bank	04-1715580	Term	\$	90,000	\$	90,000
CI3-029	2/6/2013	Ceramania LLC	Boyston	01505-1426	25027718100	\$	705,000	1799	238990	2012	2	0	2	Bay State Savings Bank	75-328872	Term	\$	78,750	\$	78,750
CI3-030	2/6/2013	Watson Technology, LLC	Shirley	01464-2530	25017882000	\$	705,000	3578	334417	2008	5	1	5	North Middlesex Savings	04-1678010	Line	\$	120,503	\$	120,503
CI3-031	2/8/2013	Watson Technology, LLC	Shirley	01464-2530	25017882000	\$	705,000	3578	334417	2008	5	1	5	North Middlesex Savings	04-1678010	Line	\$	120,503	\$	120,503
CI3-032	2/8/2013	RR and Company Realty, LLC	Springfield	01108-1711	25018021000	\$	315,000	6531	531210	2008	8	0	8	Florence Savings Bank	04-1332530	Line	\$	35,000	\$	35,000
CI3-033	2/11/2013	Bayside Runner	Plymouth	02360-2606	25023530600	\$	800,000	5091	451110	2010	2	2	2	Mayflower Co-op Bank	00-0934844	Term	\$	60,000	\$	60,000
CI3-034	2/14/2013	Bourne Enterprises, Inc	South Easton	02375-1910	25005002000	\$	36,585,912	5521	441210	1973	26	0	26	Mutual Federal Savings	04-1647485	Term	\$	16,150	\$	5,000
CI3-035	2/15/2013	Capeway Towing & Transport	Hyannis	02501-4343	25010125002	\$	555,794	7538	811111	2004	5	1	5	Cape Cod Five	04-1149070	Term	\$	91,150	\$	22,788
CI3-036	2/15/2013	Mandy Brown Enterprises, LLC	Needham	02344-3091	25021403500	\$	422,000	7011	721110	2011	6	0	6	The Village Bank	04-1050590	Term	\$	31,690	\$	31,690
CI3-037	2/22/2013	Harmony Springs Inc	Ludlow	01056-2930	25013810404	\$	130,000	2086	312112	2012	2	0	2	Chicopee Savings	04-1174490	Term	\$	14,920	\$	14,920
CI3-038	2/22/2013	Murphy Law Group	North Andover	01845-3458	25002521000	\$	466,000	8111	541110	2005	4	0	4	Salem Five	04-1802790	Term	\$	50,000	\$	50,000
CI3-039	2/25/2013	Freedom Diesel	Southampton	01073-9360	25015822500	\$	72,000	7539	811110	2007	1	0	1	Florence Savings Bank	04-1332530	Term	\$	10,000	\$	10,000
CI3-040	2/25/2013	Giovanni's Landscaping	Westfield	01085-1896	25010921400	\$	52,740	782	561730	2010	3	1	3	Rochport National Bank	04-1149820	Term	\$	10,500	\$	10,500
CI3-041	2/27/2013	All New England Seamless	Westfield	01085-1896	25013812500	\$	66,000	1761	238170	2007	1	2	1	Westfield Bank	04-3305700	Term	\$	11,250	\$	5,675
CI3-042	2/27/2013	All New England Seamless	Westfield	01085-1896	25013812500	\$	66,000	1761	238170	2007	1	2	1	Westfield Bank	04-3305700	Term	\$	12,854	\$	6,427
CI3-043	2/27/2013	D.E.S. Portuguese Club	Gloucester	01930-3739	25009215000	\$	46,158	8641	813410	1927	1	0	1	Cape Ann Savings Bank	04-1149820	Term	\$	20,000	\$	20,000
CI3-044	2/27/2013	Gregory Bath Inc	Nantucket	02554-0000	25019950200	\$	1,772,000	782	561730	2006	20	3	20	Cape Cod Five	04-1149070	Term	\$	75,000	\$	75,000
CI3-045	3/6/2013	Jenny-Cakes	Gloucester	01930-3533	25009212700	\$	-	5461	311811	2013	2	1	2	Cape Ann Savings Bank	04-1148820	Line	\$	7,500	\$	7,500
CI3-046	3/6/2013	Jenny-Cakes	Gloucester	01930-3533	25009212700	\$	-	5461	311811	2013	2	1	2	Cape Ann Savings Bank	04-1148820	Term	\$	12,500	\$	12,500
CI3-047	3/6/2013	Cnap Flatbread, Inc	Barnstable	02655-2012	25001013002	\$	-	5812	722511	2013	0	20	0	Cape Cod Five	04-1149070	Term	\$	200,000	\$	50,000
CI3-048	3/6/2013	A.O.K. Pest Control	Holyoke	01040-1423	25013812101	\$	124,983	7342	561710	1988	1	0	1	Peoples Bank	20-0262355	Line	\$	20,000	\$	20,000
CI3-049	3/6/2013	The Main Street Grill	Agawam	01001-1849	25013813209	\$	116,800	5812	721210	2006	5	0	5	Westfield Bank	04-3305700	Line	\$	1,000	\$	1,000
CI3-050	3/7/2013	Daniel Shea Electrician, Inc	Scituate	02066-4026	25023505200	\$	120,000	1731	238210	2013	1	1	1	South Coastal Bank	04-1782520	Line	\$	20,000	\$	10,000
CI3-051	3/8/2013	Lorenzo & Son Trucking	Pittsfield	01201-7902	25003000700	\$	82,000	4212	484220	2002	1	0	1	Hoosac Bank	04-3413060	Term	\$	31,200	\$	30,000
CI3-052	3/8/2013	Just Saw Sew	Albington	02351-1770	25023520201	\$	85,000	7219	813220	1990	2	0	2	Mutual Federal Savings	04-1647485	Term	\$	10,000	\$	5,000
CI3-053	3/15/2013	The Siding Guy, Inc	Billerica	01821-2502	25017316102	\$	469,974	1761	238170	2000	5	0	5	Sovereign Bank	04-3532869	Line	\$	70,000	\$	70,000
CI3-054	3/19/2013	K.T.Har Imports	Hedley	01035-9743	25015821400	\$	45,540	5199	424990	2012	1	0	1	Florence Savings Bank	04-1332530	Term	\$	20,000	\$	20,000
CI3-055	3/20/2013	Joyful Living Enterprises, LLC	Provincetown	02657-1619	25001010100	\$	36,000	8093	621999	2004	1	0	1	Seaman's Bank						

CLAIM DETAILS
JULY 1, 2012 - JUNE 30, 2013

Loan Number	Borrower	Bank	Original Loan / Match Date	Withdrawal Date	Original Loan Amount	Claim / Charge Off Amount
06-00049	Henry Vens	Rockland Trust Company	10/9/2004	8/22/2012	\$50,000	\$51,428
07-00183	Manuel Avila	Sovereign Bank New England	7/31/2006	1/30/2013	\$54,000	\$52,753
07-00257	Edward L. Cecchetti	Bethshir Bank	1/15/2007	6/25/2013	\$25,000	\$15,545
08-00107	Weidon R. Fizeil	Eastern Bank	2/19/2008	11/20/2012	\$25,000	\$25,442
08-00170	Stefanie Celata	Eastern Bank	7/5/2008	11/20/2012	\$80,000	\$20,536
10-00004	Donna P. Kolodziejczak	Clinton Savings Bank	8/17/2008	12/24/2012	\$70,000	\$32,351
10-00180	Weidon R. Fizeil	Eastern Bank	5/31/2009	11/20/2012	\$13,000	\$10,631
10-00255	Kevin Conrad	Eastern Bank	11/29/2009	11/20/2012	\$17,500	\$12,654
10-00303	Paula H. Hegarty	Eastern Bank	4/9/2010	11/20/2012	\$15,000	\$13,033
11-00010	Jill Lampro	Bethshir Bank	8/24/2010	6/26/2013	\$40,000	\$14,529
12-00015	Marguerite Canada	Mutual Federal Savings Bank	8/9/2011	7/15/2012	\$25,000	\$12,081
12-00083	Arnold Gray	Avidia Bank	12/6/2011	3/17/2013	\$50,000	\$49,450
12-00131	Lisa B. Martin	Rockport National Bank	2/22/2012	8/26/2012	\$5,000	\$5,044
Totals					\$469,500	\$315,478

Fiscal Year 2013

Massachusetts Business Development Corporation
CAP Program Activity Between 07/01/2012 and 06/30/2013

PERIOD LOANS BY INDUSTRY:

INDUSTRY TYPE	NUMBER OF LOANS	DOLLAR AMOUNT	PERCENT OF DOLLARS
Agribusiness	22	\$1,207,342	7.44
Mining/Construction	26	\$2,244,954	13.83
Manufacturing	19	\$855,254	5.27
Transportation	22	\$2,467,514	15.20
Wholesale	13	\$918,168	5.66
Retail	59	\$3,347,470	20.62
Finance/Real Estate	7	\$570,000	3.51
Service/Misc.	83	\$4,501,489	27.73
Unknown	1	\$120,000	0.74

TOTALS:	252	\$16,232,190	100.00

BREAKDOWN BY LOAN SIZE IN PERIOD:

LOAN SIZE RANGE	NUMBER OF LOANS	DOLLAR AMOUNT	PERCENT OF DOLLARS
\$0 - \$24,999	97	\$1,294,540	7.98
\$25,000 - \$49,999	61	\$1,986,261	12.24
\$50,000 - \$99,999	47	\$3,231,724	19.91
\$100,000 - \$249,999	34	\$4,892,836	30.14
\$250,000 - \$499,999	11	\$3,826,830	23.58
\$500,000 and above	2	\$1,000,000	6.16

TOTALS:	252	\$16,232,190	100.00

BREAKDOWN BY SALES OF BORROWER IN PERIOD:

SALES RANGE	NUMBER OF LOANS	DOLLAR AMOUNT	PERCENT OF DOLLARS
\$0 [Start-up]	26	\$2,274,350	14.01
Less than \$100,000	38	\$467,932	2.88
\$100,000 - \$249,999	46	\$1,690,101	10.41
\$250,000 - \$499,999	39	\$2,165,340	13.34
\$500,000 - \$1,000,000	41	\$2,437,803	15.02
Over \$1,000,000	62	\$7,196,665	44.34

TOTALS:	252	\$16,232,190	100.00

RANGE	NUMBER OF LOANS	DOLLAR AMOUNT	PERCENT OF DOLLARS
0 - 9	198	\$11,420,690	70.36
10 - 24	32	\$3,210,973	19.78
25 - 49	21	\$1,540,528	9.49
50 - 99	0	\$0	0.00
100 - 249	1	\$60,000	0.37
250 +	0	\$0	0.00
TOTALS:	252	\$16,232,190	100.00

TOP BANKS BY DOLLAR AMOUNT OF LOANS ENROLLED DURING PERIOD:

BANK NAME	NUMBER OF LOANS	AMOUNT ENROLLED
Sovereign Bank New England	11	\$2,216,000
Mutual Federal Savings Bank	44	\$1,666,000
Cape Cod Five	19	\$907,288
The Savings Bank	3	\$805,000
North Middlesex Savings Bank	8	\$545,003

PERIOD PERFORMANCE DATA: 07/01/2012 THROUGH 06/30/2013

Total amount of CAP loans:	\$16,232,190.38
Amount of loans enrolled:	\$11,807,566.62
Amount of program reserve deposits:	\$581,960.13
Amount of reserve paid by banks/borrowers:	\$371,646.80
Accrued interest on reserves:	\$3,589.75
Less net claims paid:	(\$314,810.83)
Less interest w/d to defer administrative costs:	\$0.00
Net change in total reserves during period:	\$642,385.85
Smallest amount enrolled:	\$1,000.00
Largest amount enrolled:	\$500,000.00
Average amount enrolled:	\$46,875.26
Jobs created by CAP loans:	270
Jobs retained by CAP loans:	1,835
Agency deposit per job created/retained:	\$2,155
Loan-to-program-deposit ratio:	\$20.30: \$1
Wtd. avg. interest rate of loans:	5.47%
EZ/EC borrowers:	15.87%
EZ/EC loans:	14.68%
Lines of credit:	30.93%
Term loans:	69.07%

Massachusetts Business Development Corporation
CAP Performance Report as of 10/07/2013

LOANS BY INDUSTRY:

INDUSTRY TYPE	NUMBER OF LOANS	DOLLAR AMOUNT	PERCENT OF DOLLARS
Agribusiness	193	\$8,841,204	2.80
Mining/Construction	410	\$22,779,850	7.20
Manufacturing	512	\$39,150,534	12.38
Transportation	291	\$20,141,388	6.37
Wholesale	257	\$20,027,177	6.33
Retail	978	\$58,357,913	18.45
Finance/Real Estate	161	\$13,337,815	4.22
Service/Misc.	1,934	121,048,879	38.28
Unknown	282	\$12,536,605	3.96
TOTALS:	5,018	316,221,365	100.00

BREAKDOWN BY LOAN SIZE:

LOAN SIZE RANGE	NUMBER OF LOANS	DOLLAR AMOUNT	PERCENT OF DOLLARS
\$0 - \$24,999	1,626	\$21,545,938	6.81
\$25,000 - \$49,999	1,215	\$38,419,701	12.15
\$50,000 - \$99,999	1,156	\$71,640,021	22.66
\$100,000 - \$249,999	823	116,158,185	36.73
\$250,000 - \$499,999	169	\$53,707,520	16.98
\$500,000 and above	29	\$14,750,000	4.66
TOTALS:	5,018	316,221,365	100.00

BREAKDOWN BY SALES OF BORROWER:

SALES RANGE	NUMBER OF LOANS	DOLLAR AMOUNT	PERCENT OF DOLLARS
\$0 [Start-up]	734	\$44,318,206	14.01
Less than \$100,000	773	\$26,954,526	8.52
\$100,000 - \$249,999	982	\$39,503,502	12.49
\$250,000 - \$499,999	953	\$49,601,373	15.69
\$500,000 - \$1,000,000	796	\$61,124,158	19.33
Over \$1,000,000	780	\$94,719,600	29.95
TOTALS:	5,018	316,221,365	100.00

RANGE	NUMBER OF LOANS	DOLLAR AMOUNT	PERCENT OF DOLLARS
0 - 9	4,085	216,846,710	68.57
10 - 24	705	\$72,607,954	22.96
25 - 49	164	\$18,081,947	5.72
50 - 99	39	\$4,970,854	1.57
100 - 249	21	\$3,098,900	0.98
250 +	4	\$615,000	0.19
TOTALS:	5,018	316,221,365	100.00

TOP FIVE BANKS BY DOLLAR AMOUNT OF LOANS ENROLLED:

BANK NAME	NUMBER OF LOANS	AMOUNT ENROLLED
Bank of America	906	\$47,617,977
Sovereign Bank New England	287	\$22,624,142
TD Banknorth, N.A.	484	\$20,208,248
Rockland Trust Company	310	\$19,948,197
Citizens Bank	370	\$19,863,255

PROGRAM PERFORMANCE DATA:

Total amount of CAP loans:	316,221,365
Amount of loans enrolled:	251,399,409
Amount of reserve deposited by agency:	\$9,906,364
Amount of reserve paid by banks/borrowers:	\$7,926,923
Accrued interest on reserves:	\$400,348
Less interest withdrawn to fund administration:	\$360,415
Less net claims paid:	\$12,590,778
Total current reserve	\$5,282,442
Current default rate:	5.01%
Amount of loans outstanding:	138,072,126
Coverage on loans outstanding:	3.83%
Smallest amount enrolled:	\$1,000
Largest amount enrolled:	\$500,000
Average amount enrolled:	\$50,105
Jobs created by CAP loans:	13,437
Jobs retained by CAP loans:	20,438
Agency deposit per job created/retained:	\$737
Agency cost (net claims) per job created/retained:	\$937
Loan-to-program-deposit ratio:	\$25.38: \$1
Loan-to-loss (leverage) ratio:	\$19.97: \$1
Wtd. avg. interest rate of loans:	8.26%
Gateway City Borrowers:	2.81%
Gateway City Loans:	2.47%
Lines of credit:	42.54%
Term loans:	57.46%

MARKETING PLAN FOR THE FEDERAL AND STATE CAPITAL ACCESS PROGRAMS

- **PRESENT NEW FEDERAL AND FEDERAL/STATE (BLENDED) CAP PROGRAMS TO ALL EXISTING CAP PARTICIPATING BANKS**
- **PROMOTE PROGRAMS TO NON-PARTICIPATING BANKS AND CREDIT UNIONS THROUGH DIRECT VISITS, MAIL, EMAIL, TELEPHONE AND VARIOUS MEDIA TO DEVELOP A STRONG FINANCIAL INSTITUTION AWARENESS**
- **CREATE SEMINARS FOR MASS BANKERS**
- **UPDATE BDC WEBSITE WITH INFORMATION ON CAP PROGRAMS**
- **PROVIDE CAP INFORMATION TO SMALL BUSINESSES THROUGH CHAMBER MEETINGS, ACCOUNTANTS AND ATTORNEYS STIMULATING BORROWER DEMAND**
- **SEND NEWS ARTICLES, LETTERS TO BANKS AND EMAIL BLASTS TO FINANCIAL INSTITUTIONS**

**Massachusetts Business
Development Corporation
and Subsidiaries and Affiliate**

Financial Statements

Year Ended December 31, 2012

Massachusetts Business Development Corporation and Subsidiaries and Affiliate

FINANCIAL STATEMENTS
Year Ended December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors, Stockholders, and Members of
Massachusetts Business Development Corporation and Subsidiaries and Affiliate
Wakefield, Massachusetts

Report on the Financial Statements

We have audited the accompanying combined financial statements of Massachusetts Business Development Corporation and Subsidiaries and Affiliate which comprise the balance sheet as of December 31, 2012, and the related combined statements of operations, stockholder's equity, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Massachusetts Business Development Corporation and Subsidiaries and Affiliate as of December 31, 2012, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Boston, Massachusetts
March 19, 2013

Massachusetts Business Development Corporation and Subsidiaries and Affiliate

Balance Sheet
December 31, 2012

ASSETS

Cash and cash equivalents	\$ 1,907,523
Restricted cash	130,348
Loans receivable	37,299,951
Allowance for loan losses	(1,863,517)
Net loans receivable	<u>35,436,434</u>
Interest receivable	220,662
Fees receivable	372,129
Other receivables	123,602
Equity method investments	3,344,605
Other investments	1,603,972
Deferred tax asset	1,316,148
Property and equipment, net	74,689
Loan servicing rights, net	106,437
Other assets	<u>413,514</u>
Total assets	<u>\$ 45,050,063</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Notes payable to members	\$ 32,500,000
Accounts payable and other accrued liabilities	1,434,943
Income taxes payable	287,409
Borrowers' deposits	183,817
Accrued interest payable	38,801
Deferred income	80,158
Total current liabilities	<u>34,525,128</u>
SSBCI funding	<u>2,193,989</u>
Commitments and Contingencies, (Note 9)	
Stockholders' equity:	
Common stock, \$1 par value - 4,000,000 authorized; 166,282 shares issued and outstanding	166,282
Capital in excess of par value	1,800,501
Retained earnings	6,364,163
Total stockholders' equity	<u>8,330,946</u>
Total liabilities and stockholders' equity	<u>\$ 45,050,063</u>

The accompanying notes are an integral part of these financial statements.

Massachusetts Business Development Corporation and Subsidiaries and Affiliate

Statement of Operations

Year Ended December 31, 2012

Interest income:	
Interest on loans	\$ 2,224,141
Interest on cash and cash equivalents	<u>2,821</u>
Total interest income	2,226,962
Interest expense	<u>270,469</u>
Net interest income	1,956,493
Provision for loan losses	<u>400,000</u>
Net interest income after provision for loan losses	<u>1,556,493</u>
Non-interest income:	
Loan servicing and processing fees	2,332,448
Contract revenue for loan and other management programs	1,006,664
Management fees	727,543
Income allocated from equity method investments	201,763
Net unrealized losses on investments	(322,969)
Other income	<u>402,994</u>
Total non-interest income	<u>4,348,443</u>
Total income after provision for loan losses	<u>5,904,936</u>
Non-interest expense:	
Employee compensation and benefits	4,088,304
Rent	241,279
Depreciation and amortization	105,799
Professional services	259,000
Loss on disposal of assets	12,417
Travel and entertainment	185,012
Other expenses	<u>561,410</u>
Total non-interest expense	<u>5,453,221</u>
Income before provision for taxes	451,715
Provision for income taxes	<u>152,645</u>
Net income	<u><u>\$ 299,070</u></u>

The accompanying notes are an integral part of these financial statements.

Massachusetts Business Development Corporation and Subsidiaries and Affiliate

Statement of Stockholders' Equity
Year Ended December 31, 2012

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance, December 31, 2011	184,627	\$ 184,627	\$ 2,079,162	\$ 6,090,035	\$ 8,353,824
Shares repurchased	(18,345)	(18,345)	(278,661)	-	(297,006)
Net income	-	-	-	299,070	299,070
Dividends paid (\$0.15 per share)	-	-	-	(24,942)	(24,942)
Balance, December 31, 2012	166,282	\$ 166,282	\$ 1,800,501	\$ 6,364,163	\$ 8,330,946

The accompanying notes are an integral part of these financial statements.

Massachusetts Business Development Corporation and Subsidiaries and Affiliate

Statement of Cash Flows

Year Ended December 31, 2012

Cash flows from operating activities:	
Net income	\$ 299,070
Adjustments to reconcile net income to net cash provided by operating activities:	
Provision for loan losses	400,000
Depreciation and amortization	105,799
Income from equity method investments	(201,763)
Net unrealized losses on investments	322,969
Deferred income taxes	(400,406)
Loss on disposals of property and equipment	12,417
Changes in assets and liabilities:	
Decrease in restricted cash	29,633
Decrease in interest receivable	5,574
Decrease in fees receivable and other assets	18,118
Increase in other receivables	(123,602)
Increase in income taxes payable	394,560
Decrease in accounts payable and other accrued liabilities	(78,596)
Increase in borrowers' deposits	33,151
Decrease in accrued interest payable	(4,082)
Decrease in deferred income	(127,410)
Net cash provided by operating activities	<u>685,432</u>
Cash flows from investing activities:	
Net decrease in loans	2,579,745
Purchases of investments	(220,865)
Proceeds from sale of investments	167,103
Distributions from equity method investments	694,054
Purchases of property and equipment	(36,018)
Net cash provided by investing activities	<u>3,184,019</u>
Cash flows used in financing activities:	
Net decrease in short term notes payable	(3,300,000)
Borrowing of notes payable to members	7,500,000
Repayment of notes payable to members	(9,000,000)
State Small Business Credit Initiative proceeds, net	(368,446)
Common stock redeemed	(297,006)
Dividends paid	(24,942)
Net cash used in financing activities	<u>(5,490,394)</u>
Decrease in cash and cash equivalents	(1,620,943)
Cash and cash equivalents, beginning of year	<u>3,528,466</u>
Cash and cash equivalents, end of year	<u>\$ 1,907,523</u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for:	
Interest	<u>\$ 264,865</u>
Income taxes	<u>\$ 158,491</u>

The accompanying notes are an integral part of these financial statements.

Massachusetts Business Development Corporation and Subsidiaries and Affiliate

Notes to Financial Statements
Year Ended December 31, 2012

1. ORGANIZATION

The accompanying combined financial statements include the accounts of Massachusetts Business Development Corporation ("MBDC" or the "Company") and its wholly-owned subsidiaries, BDC New England, BDC Capital Corporation, BDC Finance Corporation, as well as its affiliate, New England Certified Development Corporation ("NECDC") (collectively, the "Entities"). NECDC is an affiliate by virtue of its common management.

MBDC was formed in 1953 to promote economic development within the Commonwealth of Massachusetts and assists small and middle-market companies in finding solutions to their capital needs through private, state, and federal programs. MBDC also participates in small business loans in conjunction with other banks and/or the Small Business Administration ("SBA").

BDC New England was formed in November 2004, as a wholly-owned subsidiary, to foster business expansion in all New England states.

BDC Capital Corporation was formed in May 2008, as a wholly-owned subsidiary, to establish a corporate name that better reflects the diverse nature of the financial product offerings of the Entities.

BDC Finance Corporation was formed in November 2009, as a wholly-owned subsidiary, to provide a corporate identity for the Company's entry into new product lines.

NECDC, which is an affiliate of the Company, was granted certification by the SBA in 1982 under Section 108.503 of the SBA's Rules and Regulations. NECDC is a regional certified development company licensed under the SBA to provide for the extension of SBA 504 loans.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The financial statements include the Company's wholly-owned subsidiaries and its affiliate, NECDC. All significant intercompany transactions have been eliminated in consolidation and combination.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Significant estimates made by management include the allowance for loan losses, the valuation of investments, and income taxes.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of demand deposit and money market accounts. The Company considers all highly liquid investments purchased with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents are carried at cost, which approximates their fair market value.

Massachusetts Business Development Corporation and Subsidiaries and Affiliate

Notes to Financial Statements
Year Ended December 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Cash, Cash Equivalents and Restricted Cash...continued

Restricted cash relates to the Premier Certified Lending Program ("PCLP") agreement with the SBA requiring a minimum of 1% of all outstanding PCLP loans to be set aside to provide collateral for any potential instances of default.

Concentration of Credit Risk

The charter of MBDC allows for a broad range of loan and investment activities. MBDC typically engages in lending to smaller companies located throughout New England where the potential for economic expansion and job creation is high. Accordingly, the portfolio includes credits that would not typically be underwritten by regulated financial institutions.

The Company maintains its cash accounts at several major financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per depositor. At various times throughout the year, the Company had uninsured balances. The Company does not believe that such deposits are subject to an unusual level of risk.

Operating Leases

The Company recognizes rent expense related to leased office space on a straight-line basis over the term of the lease. The difference between rent expense and rent paid is the result of escalation provisions and any lease incentives, such as free rent periods provided by the lessor and is classified with accounts payable and other accrued liabilities in the accompanying balance sheet.

Equity Method Investments

MBDC has ownership interests in two investment funds (the "Funds") that provide debt and equity financing to small businesses. MBDC is the manager of each of the Funds and in that role is responsible for their management and operation. Due to the substantive participating rights of the non-manager members consolidation is not required. As a result, MBDC accounts for its investments in the Funds under the equity method of accounting. In exchange for the managerial and administrative services provided to the Funds, MBDC receives annual management fees (see Note 11 for additional information). In addition, MBDC may receive an incentive distribution based upon 20% of the cumulative positive earnings of the Funds after the Funds' members receive 100% of their contributed capital. Due to the uncertainty of this incentive allocation, MBDC defers recognition of this income until received, as such this incentive allocation is not included in the carrying value of the investment at year end.

The Funds follow investment company accounting guidance and report their assets at fair value. Therefore, MBDC's valuation under the equity method of accounting approximates fair value.

Massachusetts Business Development Corporation and Subsidiaries and Affiliate

Notes to Financial Statements
Year Ended December 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Equity Method Investments...continued

For the year ended December 31, 2012, the pertinent financial information pertaining to MBDC's investments in the Funds is as follows:

	<u>Carrying Value</u>	<u>Fund Net Ownership Share</u>	<u>MBDC Share Income (Loss)</u>	<u>of Net Income (Loss)</u>
MB Capital Fund II, LLC ^(a)	\$ 131,460	23.26 %	\$ 38,299	\$ 9,820
MB Capital Fund III, LLC	<u>3,213,145</u>	18.18 %	\$ 1,422,051	\$ 191,941
	<u>\$ 3,344,605</u>			

(a) Due to limitations on certain investors in MB Capital Fund II, income (loss) is not always shared proportionately to each investor's ownership share.

Other Investments

The Company has investments, each representing less than a 20% ownership interest, in several venture funds as of December 31, 2012, which are accounted for at cost. The Company evaluates each investment to determine if any impairment exists at each reporting date. There was an impairment charge of \$75,276 recorded for the year ended December 31, 2012 related to the investments held. These investments had a remaining unimpaired cost of \$603,275 at December 31, 2012.

In addition, the Company holds warrants received in connection with a loan which has since been repaid and equity securities in a public company, which are recorded at fair value. During 2012, the Company recorded a decrease in fair value to these investments of \$247,693 on these investments, resulting in a fair value of \$1,000,687 at December 31, 2012.

The changes in the fair value of the aforementioned securities are recognized in the unrealized losses on investments in the accompanying statement of operations.

Loans Receivable

Loans receivable are secured, in most cases, by mortgages on real estate, security interests in machinery and equipment, accounts receivable, inventories and assignments of leases and life insurance policies. A substantial number of loans are also personally guaranteed. All loans are made to entities in New England. The majority of loans have repayment terms requiring level monthly principal payments over the terms of the loans, which generally range from 1 to 20 years, plus interest. Substantially all loans are written with variable rate terms.

Massachusetts Business Development Corporation and Subsidiaries and Affiliate

Notes to Financial Statements
Year Ended December 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Loans Receivable...continued

Interest income on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding. Variable rate loans are based on either the 30 day LIBOR or the prime rate plus a margin. It is MBDC's policy to cease accrual of interest on loans when the loan repayment status is in excess of 90 days past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received, until such time as the loan is returned to accrual status.

At December 31, 2012, there were no loans receivable on non-accrual status.

Nonrefundable loan origination fees and certain direct loan origination costs are deferred and recognized as an adjustment of the yield of the related loan. At December 31, 2012, net deferred costs of \$95,332 are included in loans receivable in the accompanying combined balance sheet.

Allowance for Loan Losses

The adequacy of the allowance for loan losses is evaluated on a periodic basis throughout the year by management. The allowance for loan losses is maintained at a level that represents the Company's best judgment of the inherent loss of the loan portfolio. Factors considered in evaluating the adequacy of the allowance include previous loss experience, current economic conditions and their effect on borrowers, the performance of individual loans in relation to contract terms and estimated fair values of underlying collateral. The provision for loan losses charged to operations is the amount necessary to maintain the allowance at a level adequate to absorb inherent losses. Loan losses are charged against the allowance when management believes that the collectability of the principal is unlikely.

The allowance for loan losses is based on estimates and ultimate losses may vary from these estimates. The estimates are reviewed periodically, with any necessary adjustments reported in earnings in the period in which they become known.

Impaired Loans

A loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. Management considers all loans on nonaccrual status with insufficient collateral to be impaired. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral-dependent. When the measure of the impaired loan is less than the recorded investment in the loan, the impairment is recorded through a valuation allowance.

Massachusetts Business Development Corporation and Subsidiaries and Affiliate

Notes to Financial Statements
Year Ended December 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Impaired Loans...continued

If a loan is impaired or the borrower is experiencing financial difficulty, the Company may restructure the loan. If a concession is granted to a borrower experiencing financial difficulty the restructuring is considered to be a troubled debt restructuring. Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Company determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

There were no impaired loans or troubled debt restructurings as of December 31, 2012.

Section 504 Loans

On behalf of the SBA, NECDC grants long-term loans to small business concerns in New England that generate further economic activity and employment within New England. Serving as a conduit between the SBA and borrowers, NECDC administers and services the loans originated through the SBA Section 504 lending program. Long-term loans granted to small businesses are funded through the sale of debentures by and on behalf of the SBA that are subsequently marketed to the investing public through the Federal Financing Bank or private investors. Since a borrower is obligated to the SBA, the Federal Financing Bank or private investors, loans receivable and debentures payable are not recorded as assets and liabilities, respectively, by NECDC or the Company. As of December 31, 2012, NECDC services loans with an outstanding balance of \$216,368,332.

NECDC is a PCLP agent for the SBA with authority to approve, close and service SBA Section 504 loans without individual loan authorization from the SBA. In consideration of the services provided and income earned by NECDC, for each loan processed as a PCLP agent, NECDC is required to place 1% of the loan balance in a restricted bank account with joint access by NECDC and the SBA. Such amount is available to absorb losses on such loans for which NECDC assumes a maximum exposure of up to 10% of all losses.

At December 31, 2012, \$8,886,392 in loans were outstanding under PCLP. NECDC has placed an amount in excess of the required 1%, or \$130,348, of the total loan balance in a restricted cash account. Since the Company assumes all expenses of NECDC, a liability for the estimated loss is recorded by the Company.

At December 31, 2012, the SBA, through NECDC, had 76 loan commitments totaling approximately \$57,185,000 that are outstanding under the SBA's Section 504 lending program.

Massachusetts Business Development Corporation and Subsidiaries and Affiliate

Notes to Financial Statements
Year Ended December 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Loan Servicing Rights

In November 2005, the SBA assigned the portfolio servicing rights of the Section 504 loan portfolio with an outstanding principal balance of \$20.4 million of Commercial Loan Partners to NECDC. As part of the assignment, NECDC assumed certain liabilities of Commercial Loan Partners in the amount of \$241,097 and recorded an intangible asset in that amount. The servicing rights are being amortized using the proportional method. Amortization amounted to \$18,790 for the year ended December 31, 2012.

Servicing rights are evaluated for impairment based upon the fair value of the rights as compared to amortized costs. No impairment of the loan servicing rights was identified during the year ended December 31, 2012.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the shorter of the lease term or the estimated useful life of the asset. Upon sale or retirement, the asset cost and related accumulated depreciation are removed from the respective amounts, and any gain or loss is reflected in operations. Ordinary maintenance and repair costs are expensed as incurred.

Depreciation is based on the following estimated useful lives:

Furniture and fixtures	10 years
Computer equipment	5 years
Leasehold improvements	Useful life or term of lease, whichever is shorter
Vehicles	4 years

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

During the normal course of business the Company may transfer a portion of a financial asset, for example, a participant loan. In order to be eligible for sales treatment, the transfer of the portion of the loan must meet the criteria of a participating interest if it does not meet the criteria of a participating interest, the transfer must be accounted for as a secured borrowing. In order to meet the criteria of a participating interest, all cash flows from the loan must be divided proportionately, the rights of each loan holder must have the same priority, the loan holders must have no recourse to the transferor other than standard representations and warranties and no loan holder has the right to pledge or exchange the entire loan. At December 31, 2012, there were no transfers of financial assets that were accounted for as secured borrowings.

Massachusetts Business Development Corporation and Subsidiaries and Affiliate

Notes to Financial Statements
Year Ended December 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Service, Processing Fees and Interest Income

NECDC earns processing fees up to 1.5% of the original loan balance when a debenture is sold by the SBA to the Federal Financing Bank or private investors. After the SBA funds each loan, at which time the 1.5% fee is recognized in income, NECDC is responsible for managing and servicing the lending relationship with the customer on behalf of the SBA. This includes monitoring payment status, performing site visits to the customer, obtaining updated financial information and other credit monitoring services. NECDC earns monthly service fees for performing this work.

In addition to these fees, NECDC also earns a share of the interest on the "float" related to SBA loans. Customers make monthly loan payments to the SBA. These loan payments are used by the SBA to make the payments on the debentures. Since the debentures require only semi-annual payments, the SBA earns interest on the float, which is shared with NECDC on a pro rata basis. The amounts received in 2012 are insignificant.

Loans and Other Management Programs

MBDC serves as administrator for various loan programs for the Commonwealth of Massachusetts. These programs were designed to simplify borrowings for small business owners and to provide access to capital where access to borrowings is difficult to obtain. Since MBDC only administers these programs, loans receivable are not recorded as assets. In return for administering these programs, MBDC receives monthly or quarterly fees and is reimbursed for certain operating costs, as defined by the respective programs.

Income Taxes

The Company accounts for income taxes using the liability method whereby deferred tax asset and liability account balances are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates that will be in effect when the differences are expected to reverse.

The Company records deferred tax assets to the extent it believes there will be sufficient future taxable income to utilize those assets upon reversal of the temporary differences. To the extent deferred tax assets may be unable to be utilized, the Company records a valuation allowance against the potentially unrealizable amount and records a charge against earnings.

The calculation of the Company's tax liabilities involves uncertainties in the application of complex tax regulations in several different tax jurisdictions. The Company is periodically reviewed by tax authorities regarding the amount of taxes due. These reviews include questions regarding the timing and amount of deductions. In evaluating the exposure associated with various filing positions, the Company records a liability based on a more-likely-than-not recognition threshold. The Company had no uncertain tax positions requiring recognition as a liability at December 31, 2012. The Company's current and prior three tax years remain subject to examination.

Due to ever-changing tax laws and income tax rates, significant judgment is required to estimate the effective tax rate that will apply to tax differences that are expected to reverse in the future. The Company must also make estimates about the sufficiency of taxable income in future periods to offset any deductions related to deferred tax assets currently recorded. These estimates could have a significant impact on the combined financial statements.

Massachusetts Business Development Corporation and Subsidiaries and Affiliate

Notes to Financial Statements
Year Ended December 31, 2012

3. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

Loans receivable at December 31, 2012, consisted of one class of loans, commercial loans, as follows:

COMMERCIAL LOANS:

Term loans	\$ 29,665,307
Revolving lines of credit	<u>7,539,312</u>
	37,204,619
Deferred loan origination costs and fees	95,332
Allowance for loan losses	<u>(1,863,517)</u>
Loans, net	<u>\$ 35,436,434</u>

Activity in the allowance for loan losses for the year ended December 31, 2012 was as follows:

Balance at December 31, 2011	\$ 1,368,415
Provision for loan losses	400,000
Loan recovery	120,102
Loan charge off	<u>(25,000)</u>
Balance at December 31, 2012	<u>\$ 1,863,517</u>

The Company uses a five grade internal loan rating system for all loans in its portfolios as follows:

Loans rated (P) – Pass – Loans in this category are considered “pass” rated loans with low credit risk

Loans rated CE – OAEM (Collateral Exception – Other Asset Especially Mentioned) – Loans in this category exhibit or have exhibited characteristics of a loan rated 4 – OAEM, but with a strong collateral position as a mitigation to credit risk.

Loans rated 4 – OAEM (Other Asset Especially Mentioned) – Loans in this category have or have had minor credit quality concerns and are being monitored by Company management.

Loans rated 5 – Substandard – Loans in this category exhibit specific credit weakness and are being closely monitored by Company management.

Loans rated 6 – Doubtful – Loans in this category exhibit the characteristics of a loan rated 5 – Substandard, with the additional characteristic that collection or liquidation in full would be improbable.

Massachusetts Business Development Corporation and Subsidiaries and Affiliate

Notes to Financial Statements
Year Ended December 31, 2012

3. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES...continued

The following table represents the Company's loans, net of SBA and other guarantees, by risk rating at December 31, 2012:

Pass	\$ 15,613,803	56.4 %
OAEM – CE	9,712,195	35.1 %
4 – OAEM	1,630,617	5.9 %
5 – Substandard	204,583	0.1 %
6 – Doubtful	<u>495,550</u>	<u>2.5 %</u>
	27,656,748	<u>100.0 %</u>
SBA and other guarantees	<u>9,547,871</u>	
Total loans	<u>\$ 37,204,619</u>	

At December 31, 2012, there were no past due loans.

Specific loan loss reserves have been established for all 5 and 6 rated loans. The established reserves for these loans are adequate to cover management's estimates of potential loan losses should liquidation be required.

Specific loan loss reserves have been established for all 5 and 6 rated loans and total approximately \$351,000. The established reserves for these loans are adequate to cover management's estimates of potential loan losses should liquidation be required. All other loans have been collectively evaluated for impairment based upon their homogenous nature and are evaluated by their assigned internal risk rating.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2012:

Furniture and fixtures	\$ 89,096
Computer equipment	216,722
Leasehold improvements	79,312
Vehicles	<u>149,632</u>
	534,762
Accumulated depreciation	<u>(460,073)</u>
	<u>\$ 74,689</u>

Depreciation expense was \$87,009 for the year ended December 31, 2012.

5. FAIR VALUE MEASUREMENTS

MBDC measures the fair value of certain assets based upon valuation techniques that include observable and unobservable inputs and assumptions that market participants would use in pricing these assets and liabilities and uses a fair value hierarchy that prioritizes the information used to develop those assumptions.

Massachusetts Business Development Corporation and Subsidiaries and Affiliate

Notes to Financial Statements
Year Ended December 31, 2012

5. FAIR VALUE MEASUREMENTS...continued

The fair value hierarchy is summarized as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Fair value on a recurring basis

The following table represents the fair value hierarchy for the Company's financial assets measured at fair value on a recurring basis as of December 31, 2012.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 795,500	\$ -	\$ -	\$ 795,500
Common stock warrants	-	-	205,187	205,187
	<u>\$ 795,500</u>	<u>\$ -</u>	<u>\$ 205,187</u>	<u>\$ 1,000,687</u>

The Company's equity securities consist of securities held in a public entity and are valued based upon the most recently quoted market price at year end.

The Company's investment in common stock warrants of a private company is valued using a market approach which entails multiplying key performance metrics of the investee by the relevant valuation multiple observed for companies or transactions adjusted by management for differences between the investment and the referenced multiple.

Activity in the level 3 investments for the year ended December 31, 2012 was as follows:

Balance, January 1, 2012	\$ 254,000
Change in fair value	<u>(48,813)</u>
Balance, December 31, 2012	<u>\$ 205,187</u>

Fair value on a non-recurring basis

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cost method investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 603,275</u>	<u>\$ 603,275</u>

During 2012, the Company recognized \$75,276 of impairment on their cost method investments. The Company recognized impairment to reduce the cost method investments to the amounts ultimately expected to be realized.

Massachusetts Business Development Corporation and Subsidiaries and Affiliate

Notes to Financial Statements
Year Ended December 31, 2012

6. NOTES AND LOANS PAYABLE TO MEMBERS

MBDC obtains funds from the sale of its stock and loans from financial institutions, primarily banks and insurance companies. As Members of MBDC, such institutions are contractually obligated to lend money to the Company upon call according to the MBDC charter and terms of their membership agreements. Such loans are made on terms consistent with the existing outstanding member note series as indicated in the conditions of membership.

MBDC's outstanding borrowings from its Members are unsecured and consist of the following at December 31, 2012:

<u>Series</u>	<u>Interest Rate</u>	<u>Date Due</u>	<u>Amount</u>
WW	30 Day LIBOR plus ½%	July 27, 2014	\$ 7,000,000
XX	30 Day LIBOR plus ½%	September 10, 2014	8,000,000
YY	30 Day LIBOR plus ½%	September 30, 2015	10,000,000
ZZ	30 Day LIBOR plus ½%	May 23, 2017	7,500,000
			<u>\$ 32,500,000</u>

Each of the Member notes was issued with an original maturity period of five years. The weighted average interest rate during 2012 was 0.7684% on the Member notes and other short-term borrowings on the Company's line of credit.

The interest rate on the Member notes is adjusted monthly. Interest is payable semi-annually in arrears. Principal and interest can be prepaid at any time without penalty. The interest rate on the notes payable to Members at December 31, 2012 was 0.7085%.

At December 31, 2012, MBDC could borrow up to approximately \$94,600,000 of additional funds from Members. In addition, the Company has a line of credit agreement with Berkshire Bank which is scheduled to expire on August 21, 2014 and is renewable every two years. This agreement permits the Company to borrow up to \$7,500,000 with interest at LIBOR based rates. At December 31, 2012, there was no balance outstanding on the line of credit. The interest rate in effect on the Company's line of credit at December 31, 2012, was 2.962%. The Company is in compliance with its line of credit debt covenants at December 31, 2012.

7. STATE SMALL BUSINESS CREDIT INITIATIVE

In December 2011, the Company received the first installment of \$2,697,300 from the Commonwealth of Massachusetts (the "State") under a Federal economic development incentive program entitled State Small Business Credit Initiative ("SSBCI"). The Company has been informed by the State that additional amounts may be available in the future. Funds received under the SSBCI, net of an allowance for administrative fees of 5%, are to be leveraged in conjunction with other participating lenders for qualifying loan programs and to fund existing "capital access" programs maintained by various banks.

The funding under SSBCI is limited in its use for certain loan participation programs, capital access premiums, and administrative expenses, which meet the criteria as stipulated in the program guidelines. Because these funds are committed to programs meeting the specified criteria, a liability is established in the financial statements at December 31, 2012.

Massachusetts Business Development Corporation and Subsidiaries and Affiliate

Notes to Financial Statements
Year Ended December 31, 2012

7. STATE SMALL BUSINESS CREDIT INITIATIVE...continued

A breakdown of the components of the liability at December 31, 2012 is as follows:

Funds deployed in loan participations	\$ 1,066,646
Funds available for loan participations	915,864
Funds available for capital access premiums	110,323
Funds available for administrative expenses	<u>101,156</u>
 Total SSBCI funding	 <u>\$ 2,193,989</u>

As of December 31, 2012, the Company had paid a total of \$368,447 of capital access premiums. Additionally, for the year ended December 31, 2012, the Company recognized interest income of \$101,489 on SSBCI loan participations and was reimbursed for administrative expenses of \$211,452.

8. INCOME TAXES

The components of the provision for income taxes for the year ended December 31, 2012 are as follows:

Current	\$ 553,051
Deferred	<u>(400,406)</u>
	<u>\$ 152,645</u>

The components of the net deferred tax asset at December 31, 2012 are as follows:

Deferred tax assets:	
Allowance for loan losses	\$ 640,680
Unrealized loss on investments	553,674
Accrued expense	297,575
Capital loss carryforward	<u>137,000</u>
Gross deferred tax assets	1,628,929
 Less – valuation allowance	 <u>(133,805)</u>
 Deferred tax assets	 <u>1,495,124</u>
Deferred tax liabilities:	
Partnership pass-throughs	144,431
Depreciation and amortization	1,358
Deferred loan origination costs	<u>33,187</u>
Deferred tax liabilities	<u>178,976</u>
 Net deferred tax asset	 <u>\$ 1,316,148</u>

A valuation allowance is required against deferred tax assets if it is more likely than not that some or all of the deferred tax assets will not be realized. During the year ended December 31, 2012, the Company recognized a decrease in the valuation allowance of \$30,294.

Massachusetts Business Development Corporation and Subsidiaries and Affiliate

Notes to Financial Statements
Year Ended December 31, 2012

8. INCOME TAXES...continued

The Company's effective tax rate in 2012 was 34%, which approximates the Federal statutory rate, plus applicable state tax rates, net of the effect of permanent tax differences.

The Company adopted the accounting guidance related to uncertainty in income taxes on January 1, 2009. As a result of the adoption, the Company did not recognize a liability as it believes it does not have any uncertain tax positions at December 31, 2012. Interest and penalties, if applicable, would be included as a component of income tax expense. The Company's open tax years for Federal and most state income tax purposes are 2009 to 2012.

9. COMMITMENTS AND CONTINGENCIES

MBDC leases its main office location under a non-cancelable operating lease that expires on June 30, 2017. MBDC also leases a satellite office location in Hartford, CT under a non-cancellable lease expiring on November 30, 2015, and has three sub-lease agreements for office space in Providence, RI; Portland, ME; and Concord, NH where MBDC is a tenant-at-will. Rent expense was \$241,279 in 2012. At December 31, 2012, future minimum lease payments were as follows:

2013	\$ 185,117
2014	189,228
2015	189,444
2016	168,388
2017	<u>85,080</u>
Total	<u>\$ 817,257</u>

The Company had \$1,481,819 in investment commitments outstanding at December 31, 2012. In addition, there were \$86,267 in loan commitments at December 31, 2012.

10. EMPLOYEE BENEFITS

MBDC may make discretionary contributions to its employees' individual retirement accounts. During 2012, MBDC contributed \$442,600 to these accounts.

11. RELATED PARTY TRANSACTIONS

MBDC acts as the fund manager for the Funds, receiving a management fee from each of these Funds for providing personnel, office space, supplies, and operating administrative and clerical services. The Funds have agreed to pay MBDC, on a quarterly basis, an annual management fee of 2.5% of the total committed capital of each Fund for these services until the respective closing dates of each Fund. The management fee is subject to reductions from this rate as defined by the limited liability agreements of each Fund. Total management fees earned in 2012 were \$727,543.

12. SUBSEQUENT EVENTS

The Company evaluates its December 31, 2012 financial statements for events through March 19, 2013, the date the financials were available to be issued.

Massachusetts Small Business Capital Access Program (CAP)

Business Plan

FISCAL YEAR 2013

David Harrington

DIRECTOR

Submitted for approval – February 21ST 2012

Executive Summary

Mission statement

To impact “Main Street” business creation and expansion through lending to smaller, community-based businesses throughout the Commonwealth

Strategic Goals, Action Steps and Performance Measures

[Detail the high-level goals, actions and metrics to evaluate goals, programs and initiatives. Include action steps outlined in Economic Development Plan & Policy]

Goal	Action	Measurement
Create/Retain Jobs	CAP will analyze and track job creation and retention for each company financed.	CAP funding will create or retain 1,700 main street jobs this fiscal year, up 22% from last fiscal year.
Assist Main Street businesses in obtaining loans to expand business opportunities	CAP will undertake extensive outreach efforts within the banking and small business community to increase program usage.	CAP will lend to 200 new Main Street Businesses this year up 23% from last fiscal year.
Leverage private sector financing by attracting bank loans into these companies	CAP will continue to work in conjunction with Mass. Bankers Association to maximize the number of banks CAP to assist Main Street businesses in their communities.	CAP will attract \$11 million in new private sector loans into these 200 Main Street businesses and achieve a leverage ratio of 24:1 private/public sector funds usage.
Utilize state funds efficiently to stimulate job creation.	CAP will track all other private sector investment to maximize private investment and minimize state investment in job creation activities	Cost per job created/retained under CAP will be less than \$300 per job.

Invest state funds effectively by impacting Main Street business expansion in many cities and towns	CAP will work with all 351 cities and towns to promote use of the CAP program within their communities.	CAP will invest in 125 different cities and towns this fiscal year.

Additional Opportunities/Challenges for FY2013

CAP has opportunities to further leverage state funds in the program through the use on new federal funding available through the federal State Small Business Credit Initiative (SSBCI) implemented in 2012.