Form **990** Department of the Treasury Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047 **2011** Open to Public Inspection

A For the 2011 calendar year, or tax year beginning and ending

B Check if applicable: [X] Address change [ ] Name change [ ] Initial return [ ] Terminated [ ] Amended return [ ] Application pending

C Name of organization: CBSET, INC.

Doing Business As

Number and street (or P.O. box if mail is not delivered to street address): 500 SHIRE WAY | Room/suite

City or town, state or country, and ZIP + 4: LEXINGTON, MA 02421

D Employer identification number: 20-4325286

E Telephone number: 781-541-5555

G Gross receipts $ 13,431,985.

F Name and address of principal officer: PETER MARKHAM SAME AS C ABOVE

H(a) Is this a group return for affiliates? [ ] Yes [X] No

H(b) Are all affiliates included? [ ] Yes [ ] No If "No," attach a list. (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status: [X] 501(c)(3) [ ] 501(c) ( ) ◀ (insert no.) [ ] 4947(a)(1) or [ ] 527

J Website: ▶ WWW.CBSET.ORG

K Form of organization: [X] Corporation [ ] Trust [ ] Association [ ] Other ▶

L Year of formation: 2006 **M** State of legal domicile: MA

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities: CSBET, INC. IS DEDICATED TO RESEARCH, EDUCATION, AND ADVANCEMENT OF EARLY STAGE TECHNOLOGIES.

2 Check this box ▶ [ ] if the organization discontinued its operations or disposed of more than 25% of its net assets

3	Number of voting members of the governing body (Part VI, line 1a)	3	3
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	0
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	59
6	Total number of volunteers (estimate if necessary)	6	0
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	0.
b	Net unrelated business taxable income from Form 990-T, line 34	7b	0.

		Prior Year	Current Year
Revenue			
8	Contributions and grants (Part VIII, line 1h)	0.	0.
9	Program service revenue (Part VIII, line 2g)	11,678,254.	13,426,585.
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	6,894.	5,400.
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	0.	0.
12	Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	11,685,148.	13,431,985.
Expenses			
13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)	100,135.	173,000.
14	Benefits paid to or for members (Part IX, column (A), line 4)	0.	0.
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	4,165,543.	5,028,690.
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0.	0.
b	Total fundraising expenses (Part IX, column (D), line 25) ▶ 0.		
17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	7,298,493.	6,637,107.
18	Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	11,564,171.	11,838,797.
19	Revenue less expenses. Subtract line 18 from line 12	120,977.	1,593,188.
Net Assets or Fund Balances		**Beginning of Current Year**	**End of Year**
20	Total assets (Part X, line 16)	5,272,885.	6,312,764.
21	Total liabilities (Part X, line 26)	3,839,343.	3,286,034.
22	Net assets or fund balances Subtract line 21 from line 20	1,433,542.	3,026,730.

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Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here ▶ Signature of officer — Date 5/3/12

▶ PETER MARKHAM, PRESIDENT

Type or print name and title

Paid Preparer Use Only				
Print/Type preparer's name: JOYCE M. CHRISTENSEN	Preparer's signature: JOYCE M. CHRISTENSEN	Date: 5/1/12	Check [ ] if self-employed	PTIN: P00175682
Firm's name ▶ SHARKANSKY LLP			Firm's EIN ▶ 04-2602838	
Firm's address ▶ 1350 BELMONT STREET BROCKTON, MA 02301			Phone no. (508) 584-2120	

May the IRS discuss this return with the preparer shown above? (see instructions) [X] Yes [ ] No

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SCANNED JUN 18 2012

Part III **Statement of Program Service Accomplishments**

Check if Schedule O contains a response to any question in this Part III [X]

1 Briefly describe the organization's mission:

CBSET INC.'S MISSION IS TO HELP OUR SPONSORS DEVELOP UNIQUE TOOLS AND NOVEL METHODS TO PROMOTE EARLY DIAGNOSIS AND DEVELOP INNOVATIVE TREATMENTS FOR COMPLEX DISEASES. CBSET SPECIALIZES IN THE DEVELOPMENT AND APPLICATION OF NOVEL MINIMALLY INVASIVE TECHNIQUES IN THE FIELDS

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? [ ] Yes [X] No

If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? [ ] Yes [X] No

If "Yes," describe these changes on Schedule O.

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code ________) (Expenses $ 9,685,993. including grants of $ 173,000.) (Revenue $ 13,426,585.)

CBSET, INC., FOCUSES ITS RESEARCH ON NOVEL DIAGNOSTIC, THERAPEUTIC,SURGICAL MEDICAL DEVICE, AND IMAGINING TECHNOLOGIES USED IN THE DIAGNOSIS AND TREATMENT OF DISEASE. CBSET'S MISSION IS TO ADVANCE SCIENCE AND EDUCATION,IMPROVE REGULATORY INSIGHT,ADVANCE RESEARCH METHODS, AND ULTIMATELY IMPROVE DIAGNOSIS,PATIENT CARE,AND TREATMENT OF DISEASE.

4b (Code ________) (Expenses $ ________ including grants of $ ________) (Revenue $ ________)

4c (Code ________) (Expenses $ ________ including grants of $ ________) (Revenue $ ________)

4d Other program services (Describe in Schedule O.)

(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses ▶** 9,685,993.

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	X	
2	Is the organization required to complete *Schedule B, Schedule of Contributors*?	2		X
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		X
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		X
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		X
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		X
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		X
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		X
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		X
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI*	11a	X	
b	Did the organization report an amount for investments - other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII*	11b		X
c	Did the organization report an amount for investments - program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII*	11c		X
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX*	11d		X
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e		X
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X*	11f		X
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a	X	
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b		X
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		X
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		X
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Parts I and IV*	14b		X
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the United States? *If "Yes," complete Schedule F, Parts II and IV*	15		X
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the United States? *If "Yes," complete Schedule F, Parts III and IV*	16		X
17	Did the organization report a total of more than $15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		X
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		X
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		X
20a	Did the organization operate one or more hospital facilities? *If "Yes," complete Schedule H*	20a		X
b	If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b		

Part IV Checklist of Required Schedules *(continued)*

			Yes	No
21	Did the organization report more than $5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21	X	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	22		X
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	23	X	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K If "No", go to line 25*	24a		X
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	25a		X
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	25b		X
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	26		X
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	27		X
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions).			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28a		X
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28b	X	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	28c		X
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29		X
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		X
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		X
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	32		X
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301.7701-3? *If "Yes," complete Schedule R, Part I*	33		X
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	34		X
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a		X
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	35b		X
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	36		X
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	37		X
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	38	X	

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Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response to any question in this Part V ☐

					Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a	20			
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b	0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c	X	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	59			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	X	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to *e-file* (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a		X
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			4a		X
b	If "Yes," enter the name of the foreign country: ▶					
	See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts.					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?			5a		X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b		X
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?			5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			6a		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			7a		X
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		X
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			7f		X
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b		
10	**Section 501(c)(7) organizations.** Enter:					
a	Initiation fees and capital contributions included on Part VIII, line 12	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter.					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state?			13a		
	Note. See the instructions for additional information the organization must report on Schedule O.					
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b				
c	Enter the amount of reserves on hand	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			14a		X
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O*			14b		

Form **990** (2011)

132005
01-23-12

Part VI Governance, Management, and Disclosure *For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions*

Check if Schedule O contains a response to any question in this Part VI [X]

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year (1a) 3. If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O.				
b	Enter the number of voting members included in line 1a, above, who are independent (1b) 0				
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		X
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person?		3		X
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		X
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		5		X
6	Did the organization have members or stockholders?		6		X
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		7a		X
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		7b		X
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:				
a	The governing body?		8a	X	
b	Each committee with authority to act on behalf of the governing body?		8b	X	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*		9		X

Section B. Policies *(This Section B requests information about policies not required by the Internal Revenue Code.)*

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a		X
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	X	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990.			
12a	Did the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	X	
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	X	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? *If "Yes," describe in Schedule O how this was done*	12c		X
13	Did the organization have a written whistleblower policy?	13		X
14	Did the organization have a written document retention and destruction policy?	14		X
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a	X	
b	Other officers or key employees of the organization	15b	X	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		X
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure

17 List the states with which a copy of this Form 990 is required to be filed ▶MA

18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
[ ] Own website [ ] Another's website [X] Upon request

19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization: ▶
PETER MARKHAM - 781-541-5564
500 SHIRE WAY, LEXINGTON, MA 02421

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response to any question in this Part VII ☐

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

List persons in the following order: individual trustees or directors, institutional trustees; officers, key employees; highest compensated employees, and former such persons

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position: Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former	(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
(1) PETER MARKHAM PRES/EXEC DIR	40.00	X		X				350,229.	0.	26,984.
(2) ADAM GROOTHUIS VP/TREAS/CLERK	40.00	X		X				270,087.	0.	29,889.
(3) ELAZER EDELMAN DIRECTOR	AS REQUIRED	X						187,500.	0.	0.
(4) JOHN KEATING PATHOLOGIST	40.00				X			156,986.	0.	14,592.
(5) JAMES STANLEY PATHOLOGIST	40.00				X			191,309.	0.	26,543.
(6) LYNN BAILEY INTERVENTIONALIST	40.00				X			155,785.	0.	14,045.
(7) ELIZABETH THEVE VETERINARIAN	40.00					X		139,494.	0.	20,121.
(8) DANIEL HOWELL SALES MANAGER	40.00					X		146,422.	0.	23,910.
(9) BRETT ZANI STUDY DIRECTOR	40.00					X		113,738.	0.	18,956.
(10) ALAN LAROCHELLE STUDY DIRECTOR	40.00					X		130,105.	0.	15,998.
(11) KIMBERLY LESIW OFFICE MANAGER	40.00					X		131,540.	0.	6,288.

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees *(continued)*

(A) Name and title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee): Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former	(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
1b Sub-total ▶								1,973,195.	0.	197,326.
c Total from continuation sheets to Part VII, Section A ▶								0.	0.	0.
d Total (add lines 1b and 1c) ▶								1,973,195.	0.	197,326.

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 14

		Yes	No
3 Did the organization list any **former** officer, director, or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	3		X
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *If "Yes," complete Schedule J for such individual*	4	X	
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? *If "Yes," complete Schedule J for such person*	5		X

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address NONE	(B) Description of services	(C) Compensation

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶ 0

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts						
1 a	Federated campaigns	1a				
b	Membership dues	1b				
c	Fundraising events	1c				
d	Related organizations	1d				
e	Government grants (contributions)	1e				
f	All other contributions, gifts, grants, and similar amounts not included above	1f				
g	Noncash contributions included in lines 1a-1f $					
h	**Total.** Add lines 1a-1f	▶				
Program Service Revenue		Business Code				
2 a						
b						
c						
d						
e						
f	All other program service revenue	541700	13,426,585.	13,426,585.		
g	**Total.** Add lines 2a-2f	▶	13,426,585.			
Other Revenue						
3	Investment income (including dividends, interest, and other similar amounts)	▶	5,400.			5,400.
4	Income from investment of tax-exempt bond proceeds	▶				
5	Royalties	▶				
		(i) Real / (ii) Personal				
6 a	Gross rents					
b	Less rental expenses					
c	Rental income or (loss)					
d	Net rental income or (loss)	▶				
		(i) Securities / (ii) Other				
7 a	Gross amount from sales of assets other than inventory					
b	Less cost or other basis and sales expenses					
c	Gain or (loss)					
d	Net gain or (loss)	▶				
8 a	Gross income from fundraising events (not including $ ______ of contributions reported on line 1c) See Part IV, line 18	a				
b	Less direct expenses	b				
c	Net income or (loss) from fundraising events	▶				
9 a	Gross income from gaming activities. See Part IV, line 19	a				
b	Less: direct expenses	b				
c	Net income or (loss) from gaming activities	▶				
10 a	Gross sales of inventory, less returns and allowances	a				
b	Less: cost of goods sold	b				
c	Net income or (loss) from sales of inventory	▶				
	Miscellaneous Revenue	Business Code				
11 a						
b						
c						
d	All other revenue					
e	**Total.** Add lines 11a-11d	▶				
12	**Total revenue.** See instructions.	▶	13,431,985.	13,426,585.	0.	5,400.

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)

Check if Schedule O contains a response to any question in this Part IX ☐

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the United States. See Part IV, line 21	173,000.	173,000.		
2 Grants and other assistance to individuals in the United States. See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	864,370.	615,901.	248,469.	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	3,362,826.	2,774,303.	588,523.	
8 Pension plan accruals and contributions (include section 401(k) and section 403(b) employer contributions)	92,809.	76,678.	16,131.	
9 Other employee benefits	415,663.	332,542.	83,121.	
10 Payroll taxes	293,022.	231,487.	61,535.	
11 Fees for services (non-employees).				
a Management				
b Legal	1,639.		1,639.	
c Accounting	20,396.		20,396.	
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other				
12 Advertising and promotion				
13 Office expenses	48,377.	38,218.	10,159.	
14 Information technology				
15 Royalties				
16 Occupancy	1,691,964.	1,336,652.	355,312.	
17 Travel	87,329.	68,990.	18,339.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	31,143.		31,143.	
20 Interest	131,554.		131,554.	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	960,928.	734,374.	226,554.	
23 Insurance	81,348.	64,265.	17,083.	
24 Other expenses. Itemize expenses not covered above. (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a SUPPLIES	1,595,133.	1,584,257.	10,876.	
b OUTSIDE SERVICES	1,019,176.	1,019,176.		
c EQUIPMENT SERVICE CONTR	234,024.	184,879.	49,145.	
d CONSULTING	224,293.	133,975.	90,318.	
e All other expenses	509,803.	317,296.	192,507.	
25 **Total functional expenses.** Add lines 1 through 24e	11,838,797.	9,685,993.	2,152,804.	0.
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

			(A) Beginning of year		(B) End of year
Assets	1	Cash - non-interest-bearing		1	
	2	Savings and temporary cash investments	506,241.	2	511,642.
	3	Pledges and grants receivable, net		3	
	4	Accounts receivable, net	2,305,645.	4	3,999,831.
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L		5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions)		6	
	7	Notes and loans receivable, net	1,148.	7	0.
	8	Inventories for sale or use		8	
	9	Prepaid expenses and deferred charges	217,777.	9	286,666.
	10a	Land, buildings, and equipment cost or other basis. Complete Part VI of Schedule D — 10a 4,951,123.			
	b	Less accumulated depreciation — 10b 3,468,076.	2,133,654.	10c	1,483,047.
	11	Investments - publicly traded securities		11	
	12	Investments - other securities. See Part IV, line 11		12	
	13	Investments - program-related. See Part IV, line 11		13	
	14	Intangible assets		14	
	15	Other assets. See Part IV, line 11	108,420.	15	31,578.
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)	5,272,885.	16	6,312,764.
Liabilities	17	Accounts payable and accrued expenses	1,010,563.	17	897,051.
	18	Grants payable		18	
	19	Deferred revenue	406,488.	19	373,100.
	20	Tax-exempt bond liabilities		20	
	21	Escrow or custodial account liability. Complete Part IV of Schedule D		21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22	
	23	Secured mortgages and notes payable to unrelated third parties	2,422,292.	23	2,015,883.
	24	Unsecured notes and loans payable to unrelated third parties		24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D		25	
	26	**Total liabilities.** Add lines 17 through 25	3,839,343.	26	3,286,034.
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ [X] and complete lines 27 through 29, and lines 33 and 34.**			
	27	Unrestricted net assets	1,433,542.	27	3,026,730.
	28	Temporarily restricted net assets		28	
	29	Permanently restricted net assets		29	
		Organizations that do not follow SFAS 117, check here ▶ [ ] and complete lines 30 through 34.			
	30	Capital stock or trust principal, or current funds		30	
	31	Paid-in or capital surplus, or land, building, or equipment fund		31	
	32	Retained earnings, endowment, accumulated income, or other funds		32	
	33	Total net assets or fund balances	1,433,542.	33	3,026,730.
	34	Total liabilities and net assets/fund balances	5,272,885.	34	6,312,764.

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI ☐

1	Total revenue (must equal Part VIII, column (A), line 12)	1	13,431,985.
2	Total expenses (must equal Part IX, column (A), line 25)	2	11,838,797.
3	Revenue less expenses. Subtract line 2 from line 1	3	1,593,188.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	1,433,542.
5	Other changes in net assets or fund balances (explain in Schedule O)	5	0.
6	Net assets or fund balances at end of year. Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	3,026,730.

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII ☒

			Yes	No
1	Accounting method used to prepare the Form 990: ☐ Cash ☒ Accrual ☐ Other If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?	2a		X
b	Were the organization's financial statements audited by an independent accountant?	2b	X	
c	If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?	2c	X	
	If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.			
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both: ☒ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		X
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits.	3b		

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047
2011
Open to Public Inspection

Name of the organization CBSET, INC.
Employer identification number 20-4325286

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is: (For lines 1 through 11, check only one box.)

1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
3 ☐ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state:
5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II)
8 ☐ A community trust described in **section 170(b)(1)(A)(vi).** (Complete Part II)
9 [X] An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2).** (Complete Part III.)
10 ☐ An organization organized and operated exclusively to test for public safety. See **section 509(a)(4).**
11 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2). See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h.
a ☐ Type I b ☐ Type II c ☐ Type III - Functionally integrated d ☐ Type III - Other
e ☐ By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
f If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box ☐
g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

		Yes	No
(i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?	11g(i)		
(ii) A family member of a person described in (i) above?	11g(ii)		
(iii) A 35% controlled entity of a person described in (i) or (ii) above?	11g(iii)		

h Provide the following information about the supported organization(s).

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-9 above or IRC section (see instructions))	(iv) Is the organization in col. (i) listed in your governing document? Yes	No	(v) Did you notify the organization in col. (i) of your support? Yes	No	(vi) Is the organization in col. (i) organized in the U.S.? Yes	No	(vii) Amount of support
Total									

Part II **Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III If the organization fails to qualify under the tests listed below, please complete Part III)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
11 **Total support.** Add lines 7 through 10						

12 Gross receipts from related activities, etc (see instructions) 12

13 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here** ▶ ☐

Section C. Computation of Public Support Percentage

14 Public support percentage for 2011 (line 6, column (f) divided by line 11, column (f)) 14 %

15 Public support percentage from 2010 Schedule A, Part II, line 14 15 %

16a **33 1/3% support test - 2011.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

b **33 1/3% support test - 2010.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

17a **10% -facts-and-circumstances test - 2011.** If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization ▶ ☐

b **10% -facts-and-circumstances test - 2010.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization ▶ ☐

18 **Private foundation.** If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶ ☐

Part III Support Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")	1,009,291.	61,307.	47,700.			1,118,298.
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose	7,130,343.	7,495,356.	8,821,017.	11,678,254.	13,276,701.	48,401,671.
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5	8,139,634.	7,556,663.	8,868,717.	11,678,254.	13,276,701.	49,519,969.
7a Amounts included on lines 1, 2, and 3 received from disqualified persons	1,009,291.	61,307.				1,070,598.
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						0.
c Add lines 7a and 7b	1,009,291.	61,307.				1,070,598.
8 **Public support** (Subtract line 7c from line 6)						48,449,371.

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6	8,139,634.	7,556,663.	8,868,717.	11,678,254.	13,276,701.	49,519,969.
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources	40,939.	34,318.	22,831.	6,894.	5,400.	110,382.
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b	40,939.	34,318.	22,831.	6,894.	5,400.	110,382.
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 **Total support** (Add lines 9, 10c, 11, and 12.)	8,180,573.	7,590,981.	8,891,548.	11,685,148.	13,282,101.	49,630,351.

14 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here** ▶ ☐

Section C. Computation of Public Support Percentage

15	Public support percentage for 2011 (line 8, column (f) divided by line 13, column (f))	15	97.62 %
16	Public support percentage from 2010 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2011** (line 10c, column (f) divided by line 13, column (f))	17	.22 %
18	Investment income percentage from **2010** Schedule A, Part III, line 17	18	%

19a **33 1/3% support tests - 2011.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☒

b **33 1/3% support tests - 2010.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

20 **Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶ ☐

SCHEDULE D (Form 990)

Department of the Treasury Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047
2011
Open to Public Inspection

Name of the organization: CBSET, INC.
Employer identification number: 20-4325286

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? ☐ Yes ☐ No

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7

1 Purpose(s) of conservation easements held by the organization (check all that apply).
- ☐ Preservation of land for public use (e.g., recreation or education)
- ☐ Preservation of an historically important land area
- ☐ Protection of natural habitat
- ☐ Preservation of a certified historic structure
- ☐ Preservation of open space

2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year.

			Held at the End of the Tax Year
a	Total number of conservation easements	2a	
b	Total acreage restricted by conservation easements	2b	
c	Number of conservation easements on a certified historic structure included in (a)	2c	
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d	

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶ ______

4 Number of states where property subject to conservation easement is located ▶ ______

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ▶ ______

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ $ ______

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.
Complete if the organization answered "Yes" to Form 990, Part IV, line 8

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items:

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $ ______

(ii) Assets included in Form 990, Part X ▶ $ ______

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items.

a Revenues included in Form 990, Part VIII, line 1 ▶ $ ______

b Assets included in Form 990, Part X ▶ $ ______

Part III **Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets** *(continued)*

3 Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply).

a ☐ Public exhibition
b ☐ Scholarly research
c ☐ Preservation for future generations
d ☐ Loan or exchange programs
e ☐ Other

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV **Escrow and Custodial Arrangements.** Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV and complete the following table:

			Amount
c	Beginning balance	1c	
d	Additions during the year	1d	
e	Distributions during the year	1e	
f	Ending balance	1f	

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV

Part V **Endowment Funds.** Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

		(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a	Beginning of year balance					
b	Contributions					
c	Net investment earnings, gains, and losses					
d	Grants or scholarships					
e	Other expenditures for facilities and programs					
f	Administrative expenses					
g	End of year balance					

2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:

a Board designated or quasi-endowment ▶ ________ %

b Permanent endowment ▶ ________ %

c Temporarily restricted endowment ▶ ________ %

The percentages in lines 2a, 2b, and 2c should equal 100%.

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

			Yes	No
	(i) unrelated organizations	3a(i)		
	(ii) related organizations	3a(ii)		
b	If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b		

4 Describe in Part XIV the intended uses of the organization's endowment funds

Part VI **Land, Buildings, and Equipment.** See Form 990, Part X, line 10.

	Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a	Land				
b	Buildings				0.
c	Leasehold improvements	930,923.		431,332.	499,591.
d	Equipment	4,020,200.		3,036,744.	983,456.
e	Other				0.
	Total. Add lines 1a through 1e. *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				1,483,047.

Schedule D (Form 990) 2011

Part VII Investments - Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A)		
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
(I)		
Total. (Col (b) must equal Form 990, Part X, col (B) line 12.) ▶		

Part VIII Investments - Program Related. See Form 990, Part X, line 13

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total (Col (b) must equal Form 990, Part X, col (B) line 13.) ▶		

Part IX Other Assets. See Form 990, Part X, line 15

(a) Description	(b) Book value
(1)	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
Total. *(Column (b) must equal Form 990, Part X, col (B) line 15)* ▶	

Part X Other Liabilities. See Form 990, Part X, line 25

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
(11)	
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	

2. FIN 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740).

Part XI Reconciliation of Change in Net Assets from Form 990 to Audited Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	13,431,985.
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	11,838,797.
3	Excess or (deficit) for the year. Subtract line 2 from line 1	3	1,593,188.
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV.)	8	
9	Total adjustments (net) Add lines 4 through 8	9	
10	Excess or (deficit) for the year per audited financial statements Combine lines 3 and 9	10	1,593,188.

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements			1	13,431,985.
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV.)	2d			
e	Add lines 2a through 2d			2e	0.
3	Subtract line 2e from line 1			3	13,431,985.
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV.)	4b			
c	Add lines 4a and 4b			4c	0.
5	Total revenue Add lines 3 and 4c. *(This must equal Form 990, Part I, line 12.)*			5	13,431,985.

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements			1	11,838,797.
2	Amounts included on line 1 but not on Form 990, Part IX, line 25:				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIV.)	2d			
e	Add lines 2a through 2d			2e	0.
3	Subtract line 2e from line 1			3	11,838,797.
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV.)	4b			
c	Add lines 4a and 4b			4c	0.
5	Total expenses. Add lines 3 and 4c. *(This must equal Form 990, Part I, line 18.)*			5	11,838,797.

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, line 8; Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

SCHEDULE I (Form 990)

Department of the Treasury Internal Revenue Service

Grants and Other Assistance to Organizations, Governments, and Individuals in the United States

Complete if the organization answered "Yes" to Form 990, Part IV, line 21 or 22.

▶ Attach to Form 990.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization: CBSET, INC.

Employer identification number 20-4325286

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☐ Yes ☒ No

2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States.

Part II Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than $5,000 Check this box if no one recipient received more than $5,000. Part II can be duplicated if additional space is needed ▶ ☐

1 (a) Name and address of organization or government	(b) EIN	(c) IRC section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
CENTER FOR BIOMEDICAL SCIENCE & ENGINEERING TRUST - 30 WARREN STREET - BROOKLINE, MA 02445	04-3299490	501(C)(3)	173,000.	0.			DISCRETIONARY RESEARCH FUND

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table ▶ 1.

3 Enter total number of other organizations listed in the line 1 table ▶

LHA **For Paperwork Reduction Act Notice, see the Instructions for Form 990.**

Schedule I (Form 990) (2011)

132101 01-27-12

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22
Part III can be duplicated if additional space is needed.

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance

Part IV **Supplemental Information.** Complete this part to provide the information required in Part I, line 2, and any other additional information

SCHEDULE J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization: CBSET, INC.

Employer identification number: 20-4325286

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items. ☐ First-class or charter travel ☐ Travel for companions ☐ Tax indemnification and gross-up payments ☐ Discretionary spending account ☐ Housing allowance or residence for personal use ☐ Payments for business use of personal residence ☐ Health or social club dues or initiation fees ☐ Personal services (e g , maid, chauffeur, chef)			
b	If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2		
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director. Explain in Part III. ☐ Compensation committee ☐ Independent compensation consultant ☐ Form 990 of other organizations ☐ Written employment contract ☐ Compensation survey or study ☒ Approval by the board or compensation committee			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	4a		X
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b		X
c	Participate in, or receive payment from, an equity-based compensation arrangement? If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.	4c		X
	Only section 501(c)(3) and 501(c)(4) organizations must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	5a		X
b	Any related organization? If "Yes" to line 5a or 5b, describe in Part III.	5b		X
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:			
a	The organization?	6a		X
b	Any related organization? If "Yes" to line 6a or 6b, describe in Part III.	6b		X
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7		X
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III	8		X
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	9		

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that are not listed on Form 990, Part VII.

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual.

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
1 PETER MARKHAM	(i)	299,999.	50,000.	230.	0.	26,984.	377,213.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
2 ADAM GROOTHUIS	(i)	239,997.	30,000.	90.	0.	29,889.	299,976.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
3 ELAZER EDELMAN	(i)	187,500.	0.	0.	0.	0.	187,500.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
4 JOHN KEATING	(i)	150,000.	6,886.	100.	0.	14,592.	171,578.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
5 JAMES STANLEY	(i)	171,159.	20,000.	150.	0.	26,543.	217,852.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
6 LYNN BAILEY	(i)	149,635.	6,000.	150.	0.	14,045.	169,830.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
7 ELIZABETH THEVE	(i)	131,394.	8,000.	100.	0.	20,121.	159,615.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
8 DANIEL HOWELL	(i)	80,000.	59,162.	7,260.	0.	23,910.	170,332.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
9	(i)							
	(ii)							
10	(i)							
	(ii)							
11	(i)							
	(ii)							
12	(i)							
	(ii)							
13	(i)							
	(ii)							
14	(i)							
	(ii)							
15	(i)							
	(ii)							
16	(i)							
	(ii)							

SCHEDULE L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions With Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047
2011
Open To Public Inspection

Name of the organization: CBSET, INC.
Employer identification number: 20-4325286

Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only)

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1 (a) Name of disqualified person	(b) Description of transaction	(c) Corrected? Yes	No

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 ▶ $

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization ▶ $

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c) Original principal amount	(d) Balance due	(e) In default?		(f) Approved by board or committee?		(g) Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
Total			▶ $							

Part III Grants or Assistance Benefiting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount and type of assistance

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues? Yes	No
JULIAN EDELMAN	RELATIVE OF ORGANIZ	44,368.	EMPLOYED BY		X

Part V Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule L (see instructions)

SCH L, PART IV, BUSINESS TRANSACTIONS INVOLVING INTERESTED PERSONS:

(A) NAME OF PERSON: JULIAN EDELMAN

(B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION:

RELATIVE OF ORGANIZATION DIRECTOR ELAZER EDELMAN

(D) DESCRIPTION OF TRANSACTION: EMPLOYED BY CBSET,INC.

SCHEDULE O (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or 990-EZ or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047
2011
Open to Public Inspection

Name of the organization: CBSET, INC.

Employer identification number: 20-4325286

FORM 990, PART III, LINE 1, DESCRIPTION OF ORGANIZATION MISSION:

OF CARDIOLOGY, ENDOSCOPY, SURGERY, DRUG, AND DEVICE DELIVERY, DRUG AND DEVICE SAFETY, AND DIAGNOSTIC IMAGING.

FORM 990, PART VI, SECTION B, LINE 11: BOARD OF DIRECTORS AND MANAGEMENT REVIEW FORM 990 FOR ACCURACY AND APPROVE PRIOR TO FILING.

FORM 990, PART VI, SECTION B, LINE 15: THE BOARD APPROVES THE PAYROLL OF TOP MANAGEMENT AND KEY EMPLOYEES USING THE INPUT FROM OUTSIDE CONSULTANTS. THE ORGANIZATION LEASES EMPLOYEES THROUGH A STAFFING COMPANY, GENESIS CONSOLIDATED SERVICES, WHICH PROVIDES SALARY RECOMMENDATIONS.

FORM 990, PART VI, SECTION C, LINE 18: THE ORGANIZATION WILL FURNISH DOCUMENTATION UPON REQUEST.

FORM 990, PART VI, SECTION C, LINE 19: THE ORGANIZATION WILL FURNISH DOCUMENTATION UPON REQUEST.

THERE HAS BEEN NO CHANGE FROM THE PRIOR YEAR WITH RESPECT TO THIS PROCEDURE.

Form **4562**

Department of the Treasury Internal Revenue Service (99)

Depreciation and Amortization 990

(Including Information on Listed Property)

▶ See separate instructions. ▶ Attach to your tax return.

OMB No 1545-0172

2011

Attachment Sequence No 179

Name(s) shown on return	Business or activity to which this form relates	Identifying number
CBSET, INC.	FORM 990 PAGE 10	20-4325286

Part I Election To Expense Certain Property Under Section 179 **Note:** *If you have any listed property, complete Part V before you complete Part I.*

1	Maximum amount (see instructions)	1	500,000.
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation	3	2,000,000.
4	Reduction in limitation Subtract line 3 from line 2 If zero or less, enter -0-	4	
5	Dollar limitation for tax year Subtract line 4 from line 1 If zero or less, enter -0- If married filing separately, see instructions	5	

6 (a) Description of property	(b) Cost (business use only)	(c) Elected cost

7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the **smaller** of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2010 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 2012 Add lines 9 and 10, less line 12 ▶	13	

Note: *Do not use Part II or Part III below for listed property Instead, use Part V*

Part II **Special Depreciation Allowance and Other Depreciation (Do not** include listed property)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	892,698.

Part III **MACRS Depreciation (Do not** include listed property) (See instructions)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2011	17	
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ ☐		

Section B - Assets Placed in Service During 2011 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only - see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property		37,118.	3 YRS.	MQ	200DB	14,390.
b 5-year property		239,980.	5 YRS.	MQ	200DB	22,163.
c 7-year property		1,882.	7 YRS.	MQ	200DB	336.
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property	/		27.5 yrs.	MM	S/L	
	/		27 5 yrs.	MM	S/L	
i Nonresidential real property	/		39 yrs.	MM	S/L	
	/			MM	S/L	

Section C - Assets Placed in Service During 2011 Tax Year Using the Alternative Depreciation System

(a) Classification of property	(b)	(c)	(d)	(e)	(f)	(g)
20a Class life					S/L	
b 12-year			12 yrs.		S/L	
c 40-year	/		40 yrs.	MM	S/L	

Part IV **Summary** (See instructions.)

21	Listed property. Enter amount from line 28	21	
22	**Total.** Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instr.	22	929,587.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Part V **Listed Property** (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement)

Note: *For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete* **only** *24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable*

Section A - Depreciation and Other Information (Caution: *See the instructions for limits for passenger automobiles* **)**

24a Do you have evidence to support the business/investment use claimed? ☐ Yes ☐ No **24b** If "Yes," is the evidence written? ☐ Yes ☐ No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use						25		
26 Property used more than 50% in a qualified business use:								
		%						
		%						
		%						
27 Property used 50% or less in a qualified business use·								
		%				S/L -		
		%				S/L -		
		%				S/L -		
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1						28		
29 Add amounts in column (i), line 26 Enter here and on line 7, page 1							29	

Section B - Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person.
If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles

	(a) Vehicle		(b) Vehicle		(c) Vehicle		(d) Vehicle		(e) Vehicle		(f) Vehicle	
30 Total business/investment miles driven during the year (**do not** include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year. Add lines 30 through 32												
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **are not** more than 5% owners or related persons.

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use?		

Note: *If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.*

Part VI **Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2011 tax year:					
43 Amortization of costs that began before your 2011 tax year				43	
44 **Total.** Add amounts in column (f) See the instructions for where to report				44	

CBSET, Inc.

Financial Statements

Years Ended December 31, 2011 and 2010

CBSET, Inc.

Contents

Sharkansky LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Trustees
CBSET, Inc.
Lexington, Massachusetts

We have audited the accompanying statements of financial position of CBSET, Inc. (a non-profit organization) as of December 31, 2011 and 2010, and the related statements of activities and of cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CBSET, Inc. as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

LLP
Sharkansky LLP
Certified Public Accountants

Brockton, Massachusetts
April 2, 2012

1350 Belmont Street Brockton, Massachusetts 02301 p: 508.584.2120 f: 508.583.8132 www.sharkcpa.com

CBSET, Inc.

Statements of Financial Position

December 31,	2011	2010
ASSETS		
Current:		
Accounts receivable (net of allowance for doubtful accounts. 2011, $15,000; 2010, $-0-)	$ 3,659,460	$ 1,781,805
Employee advance	-	1,148
Due from affiliate	-	48,000
Costs and estimated earnings in excess of billings on uncompleted contracts	340,371	523,840
Prepaid medical supplies and expenses	286,666	217,777
Total current assets	4,286,497	2,572,570
Property and equipment - net	1,483,047	2,133,654
Other assets.		
Cash and cash equivalents - pledged	511,642	506,242
Lease acquisition costs - net	24,269	31,877
Deferred financing costs - net	7,309	15,519
Organization costs - net	-	13,023
Total other assets	543,220	566,661
TOTAL	$ 6,312,764	$ 5,272,885
LIABILITIES AND NET ASSETS		
Current:		
Line-of-credit	$ 669,546	$ 383,645
Accounts payable	671,544	796,365
Accrued expenses	225,507	214,198
Billings in excess of costs and estimated earnings on uncompleted contracts	373,100	406,488
Capital lease obligation - current portion	21,750	20,692
Notes payable - current portion	624,099	643,051
Total current liabilities	2,585,546	2,464,439
Capital lease obligation - net of current portion	1,862	23,612
Notes payable - net of current portion	698,626	1,351,292
Total liabilities	3,286,034	3,839,343
Unrestricted net assets	3,026,730	1,433,542
TOTAL	$ 6,312,764	$ 5,272,885

See accompanying notes and independent auditors' report.

CBSET, Inc.

Statements of Activities

Years Ended December 31,	2011	2010
Unrestricted support and revenue:		
Contract income	$ 13,426,585	$ 11,678,254
Interest income	5,400	6,894
Total unrestricted support and revenue	13,431,985	11,685,148
Expenses:		
Program services - research	9,685,993	9,688,654
General and administrative expenses	2,152,804	1,875,517
Total expenses	11,838,797	11,564,171
Increase in unrestricted net assets	1,593,188	120,977
Unrestricted net assets, beginning of year	1,433,542	1,312,565
Unrestricted net assets, end of year	$ 3,026,730	$ 1,433,542

See accompanying notes and independent auditors' report

CBSET, Inc.

Statements of Cash Flows

Years Ended December 31,	2011	2010
Cash flows from operating activities:		
Increase in unrestricted net assets	$ 1,593,188	$ 120,977
Adjustments to reconcile increase/(decrease) in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	960,928	925,594
Changes in assets and liabilities:		
(Increase)/decrease in:		
Accounts receivable	(1,877,655)	(196,869)
Employee advances	1,148	(1,148)
Costs and estimated earnings in excess of billings on uncompleted contracts	183,469	(128,234)
Prepaid medical supplies and expenses	(68,889)	69,818
Increase/(decrease) in:		
Accounts payable	(124,821)	14,841
Accrued expenses	11,309	(9,892)
Deferred revenue	-	(51,720)
Billings in excess of costs and estimated earnings on uncompleted contracts	(33,388)	405,623
Net cash provided by operating activities	645,289	1,148,990
Cash flows from investing activities:		
Purchase of property and equipment	(278,980)	(183,967)
Cash flows from financing activities:		
Pledged cash and cash equivalents	(5,400)	405,829
Deferred financing costs	(2,500)	-
Net borrowings/(repayment) on line-of-credit	285,901	(191,355)
Repayment of capital lease obligation	(20,692)	(19,686)
Repayment of long-term debt	(671,618)	(746,497)
Repayment of short-term loan	-	(138,520)
Net advances from/(to) affiliate	48,000	(300,000)
Net cash used financing activities	(366,309)	(990,229)
Net decrease in cash and cash equivalents	-	(25,206)
Cash and cash equivalents, beginning of year	-	25,206
Cash and cash equivalents, end of year	-	-
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	$ 131,554	$ 176,276

See accompanying notes and independent auditors' report

CBSET, Inc.

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding CBSET, Inc.'s ("CBSET") financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of these financial statements.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations under the not-for-profit entities topic of the FASB Accounting Standards Codification. The Corporation is required to report information regarding its financial position and activities according to three classes of net assets. Descriptions of the three categories of net assets are as follows:

Unrestricted net assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets

Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. No temporarily restricted net assets were received or held by the Organization in 2011 and 2010; accordingly, no temporarily restricted net assets are reflected in the accompanying financial statements.

Permanently restricted net assets

Net assets subject to donor-imposed stipulations such that they are maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. No permanently restricted net assets were received or held by the Organization in 2011 and 2010; accordingly, no permanently restricted net assets are reflected in the accompanying financial statements.

See independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Organization places its cash with high quality financial institutions.

Revenue Recognition

The Organization receives substantially all of its contract revenue from private companies for the performance of medical research studies in the fields of biological and physical sciences. Revenues from contracts are recognized on the percentage-of-completion method, measured by the percentage of costs incurred to date to estimated total costs for each contract. This method is used because management considers expended costs to be the best available measure of progress on these contracts. Because of inherent uncertainties in estimating costs, it is at least reasonably possible that the estimates used will change within the near-term.

Percentage of completion is reviewed by management monthly for reasonableness of cost estimates and the amounts are adjusted accordingly. Additionally, management reviews the percentage of completion calculation and may adjust on a specific contract basis. Contract costs include direct labor and supply costs, and indirect overhead costs. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. As contracts can extend over one or more years, changes in study performance, study conditions, and estimated profitability may result in revisions in costs and income and are reflected during the accounting period in which the facts requiring the revision became known.

The asset, "costs and estimated earnings in excess of billings on uncompleted contracts," represents revenues recognized in excess of amounts billed. The liability, "billings in excess of costs and estimated earnings on uncompleted contracts," represents billings in excess of revenues recognized.

Operating Cycle

The Organization's work is performed under cost-plus-fee contracts and fixed-price contracts modified by various amendments. The lengths of the Organization's contracts vary, but are typically in excess of one year. Therefore, assets and liabilities are not classified as current and noncurrent because the contract-related items in the balance sheet have realization and liquidation periods extending beyond one year.

See independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Unrestricted contributions are recognized when received or committed by the donor.

Subsequent Events

The Organization evaluated subsequent events through April 2, 2012, the date the financial statements were available to be issued.

Accounts Receivable

The allowance for doubtful accounts is based on management's evaluation of outstanding accounts receivable at the end of the year based on a history of past write-offs, collections, and current credit and economic conditions. Consequently, an adverse change in those factors could affect the Organization's estimate of its bad debt. The allowance for doubtful accounts was $15,000 and $-0- at December 31, 2011 and 2010, respectively. Bad debt expense for the years ended December 31, 2011 and 2010 amounted to $15,000 and $-0-, respectively.

Fair Value of Financial Instruments

The FASB ASC topic on fair value establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurement); then priority to quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market (Level 2 measurement); then the lowest priority to unobservable inputs (Level 3 measurement).

See independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fair Value of Financial Instruments (cont'd)

The carrying value of cash and cash equivalents, accounts receivable, prepaid expenses, other assets, accounts payable, accrued expenses, and the credit line approximates fair value because of the short maturity of their instruments

The carrying value of the notes payable and the capital lease obligation approximates fair value because the Organization can obtain similar loans at the same terms.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using accelerated and straight-line depreciation methods over the estimated useful life of the asset. Maintenance, repairs, and renewals, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. CBSET's capitalization policy is to capitalize assets with a useful life that exceeds one year.

Intangible Assets

The costs of intangible assets are being amortized on a straight-line method over their estimated lives, as follows:

Lease acquisition costs – 8 years
Deferred financing costs related to long-term debt – 5 years
Deferred financing costs related to credit line – 2-5 years

Intangible assets presented on the statement of financial position consist of the following:

	Gross Carrying Amount	Accumulated Amortization
December 31, 2011:		
Amortized intangible assets		
Lease acquisition costs	$ 48,286	$ 24,017
Deferred financing costs	51,988	44,679
Total	$ 100,274	$ 68,696

See independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Intangible Assets (cont'd)

December 31, 2010:	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets		
Lease acquisition costs	$ 48,286	$ 16,409
Deferred financing costs	49,488	33,969
Organization costs	18,144	5,121
Total	$ 115,918	$ 55,499

Amortization on these intangible assets is expected to be as follows:

2012	$ 14,188
2013	$ 8,337
2014	$ 7,608
2015	$ 1,445

Amortization expense for the years ended December 31, 2011 and 2010 amounted to $31,341 and $19,670, respectively. The weighted average amortization period for these assets is 6.44 years.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. These estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

CBSET, Inc. is a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code, and is classified as a public charity. As such, it is exempt from Federal and state income taxes. The Organization's information returns are subject to examination by the appropriate taxing jurisdictions. As of December 31, 2011, the returns generally remain open for the last three years.

Cash and Cash Equivalents

CBSET considers all highly liquid investments with a maturity of three months or less to be cash equivalents. CBSET's cash balances deposited at financial institutions exceeded the Federal

See independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash and Cash Equivalents (cont'd)

Deposit Insurance Corporation limit of $250,000 by $261,642 and $256,242 (including restricted cash and cash equivalents) at December 31, 2011 and 2010, respectively. On a daily basis, available unrestricted cash is swept to the line-of-credit, thereby reducing the outstanding credit line balance on which interest is calculated.

Pledged Cash and Cash Equivalents

CBSET established a collateral account equal to its obligation under a letter of credit obtained as security for the lessor. Restricted cash is presented as a noncurrent asset, reflecting the nature of the underlying letter of credit.

Planned Major Maintenance Activities

The Organization uses the direct expensing method to account for planned major maintenance activities.

Donated Services

Donated services are recorded as contributions at their estimated fair values in the period received. Certain donated services have not been recognized in the statement of activities because the criteria for recognition have not been satisfied.

Uncertain Tax Positions

The Organization evaluates uncertain tax positions with a two-step recognition and measurement approach. The Organization recognizes interest accrued related to uncertain tax positions in interest expense, and penalties in operating expenses, when applicable.

2. DESCRIPTION OF THE ORGANIZATION

CBSET, Inc., located in Lexington, Massachusetts, is a not-for-profit organization established in 2006 under the laws of the Commonwealth of Massachusetts. CBSET is dedicated to medical research in the fields of biological and physical sciences. CBSET's primary funding sources are sponsor contributions and contract revenue for medical research.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Estimated Useful Life	2011	2010
Equipment	5 years	$3,438,587	$3,214,528
Computer software	3 years	291,597	280,955
Computers	5 years	290,016	272,213

See independent auditors' report.

3. PROPERTY AND EQUIPMENT (cont'd)

	Estimated Useful Life	2011	2010
Leasehold improvements	8 years	930,923	904,447
Total		4,951,123	4,672,143
Less accumulated depreciation		3,468,076	2,538,489
Property and equipment – net		$1,483,047	$2,133,654

Depreciation expense for the years ended December 31, 2011 and 2010 amounted to $929,587 and $905,924, respectively.

4. LETTERS OF CREDIT

The Organization had an irrevocable standby letter of credit with a bank totaling $800,000 as security for an office lease. Effective January 15, 2010, the standby letter of credit, for which the Organization has a portion of pledged cash and cash equivalents as collateral, was reduced from $800,000 to $500,000 pursuant to the lease agreement. The letter is renewable annually and expires on July 14, 2012. The letter of credit is assessed at three fourths of one percent fee per year.

The letter of credit is secured by pledged cash and cash equivalents held in a certificate of deposit account amounting to $511,642 and $506,242 at December 31, 2011 and 2010, respectively.

5. LINE-OF-CREDIT

In July 2007, CBSET entered into a revolving line-of-credit agreement with Boston Private Bank and Trust. This agreement provides borrowings not to exceed $1,000,000, subject to a borrowing base. The borrowing base is defined as 75% of eligible domestic accounts receivable plus the lesser of $150,000 or 50% of eligible foreign accounts receivable. Upon the expiration date of July 31, 2011, this agreement was renewed under the same terms for an additional two years through July 31, 2013. The line bears interest at prime plus one-quarter percent per annum. At December 31, 2011 and 2010, the interest rate was 3.75%.

The following summarizes the borrowing availability as of December 31:

	2011	2010
Loan amount	$1,000,000	$1,000,000
Less amount in excess of borrowing base	-	-
Total borrowing availability	1,000,000	1,000,000
Less balance of line-of-credit	669,546	383,645
Net borrowing availability	$ 330,454	$ 616,355

See independent auditors' report.

6. NOTES PAYABLE

Notes payable consist of the following:

	2011	2010
Boston Private Bank and Trust Company – equipment loan, $2,400,000, dated September 29, 2006, secured, maturing September 29, 2013, payable in monthly installments of principal in the amount of $28,571 plus interest, interest shall accrue at a fixed rate per annum, equal to 6.68%	$ 657,169	$1,028,592
Boston Private Bank and Trust Company – term loan, $750,000, dated April 27, 2009, secured, maturing April 27, 2014, payable in monthly installments of principal in the amount of $12,500 plus interest, interest shall accrue at a fixed rate per annum, equal to 5.71%	50,000	500,000
Boston Private Bank and Trust Company – secured, equipment draw down note up to $750,000, dated August 20, 2008, converted to term loan November 30, 2008. The note matures September 30, 2013 and is payable in monthly installments of interest only at prime plus 0.25% through the date of conversion, at which time payments of $14,578 commenced for principal and interest at a fixed rate equal to the sum of the five year Federal Home Loan Bank "Classic" rate plus 2.0% per annum, equal to 6.22%	315,556	465,751
Total	1,322,725	1,994,343
Current portion of notes payable	624,099	643,051
Notes payable - net	$ 698,626	$1,351,292

See independent auditors' report.

6. NOTES PAYABLE (cont'd)

Maturities of notes payable are as follows:

2012	$ 624,099
2013	648,626
2014	50,000
Total	$1,322,725

Interest expense amounted to $131,554 and $176,276 for the years ended December 31, 2011 and 2010, respectively.

The debt is also secured by a third-party pledge agreement from The Center for Biomedical Science and Engineering Trust ("The Center"). As is explained in Note 9, the Center is a related party with respect to CBSET. The Center has pledged as collateral an investment management and trust account maintained with the lender, and other assets of the entity. At December 31, 2011 and 2010, the market value of this account amounted to $2,159,569 and $2,137,706, respectively. The Center must maintain fair value in excess of two million dollars for the purpose of collateral. The financing agreements include certain financial covenants including requirements to maintain defined levels of debt to tangible net worth, debt service, and financial statement reporting requirements As of December 31, 2011, the Organization was in compliance with these covenants.

7. CONCENTRATIONS

For the years ended December 31, 2011 and 2010, five customers accounted for 43% and 63%, respectively, of the Organization's contract revenue. Management does not anticipate any adverse conditions regarding these customers' business.

8. LEASE COMMITMENTS

The Organization leases its office facilities under a noncancellable lease expiring in January 2015. The lease requires monthly rental payments and a proportionate share of operating and property tax costs.

At December 31, 2011, the minimum rental payments due under this lease are as follows:

2012	$1,200,885
2013	1,200,885
2014	1,200,885
2015	100,074
Total	$3,702,729

See independent auditors' report.

8. LEASE COMMITMENTS (cont'd)

Rent expense amounted to $1,691,964 and $1,679,582, including operating and property tax costs for the years ended December 31, 2011 and 2010, respectively.

The Organization leases office equipment under various operating lease agreements that expire through July 2012. Rent expense relating to these operating leases amounted to $8,367 and $8,127 for the years ended December 31, 2011 and 2010, respectively.

At December 31, 2011, the minimum rental payments due under these leases are as follows:

2012	$ 2,548

9. RELATED PARTY TRANSACTIONS

The Center for Biomedical Science and Engineering Trust (the "Center") is considered a related party by virtue of common management and a common board member. CBSET and the Center share certain administrative staff, facilities, and other services. The Center has executed a pledge agreement, pledging the Center's Investment Management and Trust Account with a lender as collateral security for the obligation as described in Note 6.

At December 31, 2010, there was a balance from the Center amounting to $48,000 related to cash flow advances received. This balance, as well as an additional $125,000, was contributed to the Center during the year ended December 31, 2011, and is included in program service expense in the statement of activities.

During the year ended December 31, 2010, the Center performed medical research studies for CBSET totaling $45,000 included in program services expense in the statement of activities.

The Board President is compensated by the Organization for services as Executive Director, the Treasurer/Clerk of the Board is compensated for services as Vice President of the Organization, and a Board Director is compensated for program advisory services.

10. CAPITAL LEASES

In February, 2008, the Organization acquired equipment, included in property and equipment, under a capital lease agreement expiring January 2013. The lease provides the option to purchase the equipment at fair market value at the expiration of the lease term. The cost of the equipment amounted to $99,500, and related accumulated depreciation amounted to $69,650 and $49,750 at December 31, 2011 and 2010, respectively.

See independent auditors' report.

10. CAPITAL LEASES (cont'd)

At December 31, 2011, the future minimum lease payments under capital leases are presented as follows:

2012	$22,435
2013	1,870
Total	24,305
Less amount representing interest	693
Present value of minimum lease payments	$23,612
Current maturities	$21,750
Noncurrent maturities	1,862
Total	$23,612

Maturities of capital lease obligations are as follows:

2012	$21,750
2013	1,862
Total	$23,612

11. COMPENSATED ABSENCES

Employees of CBSET are contracted through a third-party service provider. Vacation and sick days off are the responsibility of the third-party service provider; accordingly, no liability has been recorded on the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

12. RECLASSIFICATION

Certain accounts in the 2010 financial statements have been reclassified to conform to the 2011 financial statement presentation.

See independent auditors' report.