



ACCELERATOR LOAN PROGRAM FREQUENTLY ASKED QUESTIONS (FAQ)

GENERAL

1. What is the Massachusetts Life Sciences Center?

The Massachusetts Life Sciences Center (Center) is a quasi-public agency of the Commonwealth of Massachusetts that is tasked with implementing the Massachusetts Life Sciences Initiative, a ten-year, \$1 billion initiative that was signed into law in June of 2008. The Center's mission is to create jobs in the life sciences and support vital scientific research that will improve the human condition. This work includes making financial investments in public and private institutions that are advancing life sciences research, development and commercialization as well as building ties between sectors of the Massachusetts life sciences community. For more information, visit www.masslifesciences.com.

2. Why has the Massachusetts Life Sciences Center made small businesses a priority?

Over 99 percent of all U.S. employers are small businesses, according to the U.S. Small Business Administration. Small business growth is essential to overall job growth, a central part of the Center's mission.

3. What programs does the Massachusetts Life Sciences Center have for small businesses?

In addition to the Accelerator Loan Program, the Center began the Small Business Matching Grant (SBMG) Program in 2010 for early-stage life sciences companies that have received a Phase II, post Phase II, or equivalent small business innovation research (SBIR) or small business technology transfer (STTR) grant from federal agencies such as the National Institutes of Health, the National Science Foundation, or the Department of Defense. The Center has awarded \$3.5 million in grants to seven companies under the SBMG Program.

The Center also launched a Cooperative Research Matching Grant Program in 2008 that provides matching grants to academic institutions for industry-sponsored research with near-term commercialization potential. Industry sponsors matched the grants that the Center provided to

successful research applicants. Eight grants totaling \$4.8 million have been awarded. While industry sponsors were not limited to small businesses, the majority of the grantees were small businesses.

In 2009, the Center launched the Internship Challenge Program, a workforce development program focused on enhancing the talent pipeline for Massachusetts life sciences companies with 100 or fewer employees. The Center provides stipends for up to 12 weeks to students interested in exploring careers in the life sciences during the summer. To date, the Center has provided small businesses with over \$3.8 million under this program. In summer 2011, the Center's internship database received over 1,300 applications and placed 224 interns with 129 companies. Beginning in the fall of 2011, the Internship Challenge Program is also offered during the academic year.

ACCELERATOR LOAN PROGRAM “BASICS”

4. What is the Life Sciences Accelerator Loan Program?

The Center ran the inaugural round of the Accelerator Program in 2009. This Program reflects the Center's ongoing commitment to provide financing to early stage life sciences companies that will grow employment opportunities, promote manufacturing and commercialization, and stimulate innovation across the Commonwealth.

To date, the Center has awarded more than \$8 million in generally unsecured loans to fourteen early-stage life sciences companies located throughout Massachusetts. These companies are engaged in a variety of life sciences endeavors including the treatment of cancer and spinal cord injuries; the development of injectable plugs to occlude blood flow; instrumentation to analyze molecular structures; a wound closure system that does not require anesthesia or sutures; and the provision of quality assay, formulation, and process development for biotech and pharmaceutical companies.

This round of the Accelerator Loan Program will provide up to \$750,000 per company in an unsecured loan and include a warrant which will give the Center the right to purchase equity in the company at a specific price within a certain time frame.

Applicants are early-stage life sciences companies with a high potential for technology commercialization, rapid growth, and private equity financing that have raised no more than \$7.5 million in total private financing. The Center recognizes that many companies struggle to address the significant financial investment associated with the long life sciences R&D cycle and the high cost of translating research into a commercially viable product. This solicitation is designed to help sustain these companies through a critical stage of development and to leverage additional sources of capital in order to bring cutting edge innovation to the marketplace.

5. What constitutes “life sciences?”

For purposes of the Program, “life sciences” means advanced and applied sciences that expand the understanding of human physiology and have the potential to lead to medical advances or

therapeutic applications including, but not limited to, agricultural biotechnology, biogenerics, bioinformatics, biomedical engineering, biopharmaceuticals, biotechnology, chemical synthesis, chemistry technology, diagnostics, genomics, image analysis, marine biology, marine technology, medical devices, nanotechnology, natural product pharmaceuticals, proteomics, regenerative medicine, RNA interference, stem cell research and veterinary science.

If you are uncertain whether your company is engaged in “life sciences”, please contact us at accelerator@masslifesciences.com

6. What are the objectives of the Accelerator Loan Program?

The Accelerator Loan Program is a funding program intended for early-stage life sciences companies in Massachusetts. Accelerator loans bridge the gap in a company’s capital-raising lifecycle, providing the company with time and resources to advance to a point at which it would become a good candidate for private investment.

The objective of the Accelerator Loan Program is to support the growth and commercialization of life sciences technologies in Massachusetts by:

- Providing direct and flexible capital to early-stage companies for life sciences research and development; and
- Leveraging additional sources of capital to reduce investor risk and facilitate companies in gaining access to private capital.

7. What is the difference between the Accelerator Loan Program and SBMG Program?

The Accelerator Loan Program is targeted at earlier stage companies than the Center anticipates would apply for its Small Business Matching Grant (SBMG) Program. Companies that apply for the SBMG Program must have received a Phase II, post Phase II, or equivalent SBIR or STTR grant from a federal agency to be eligible. The Accelerator Program is a loan program, whereas the SBMG is a grant program.

THE ELIBILITY CRITERIA FOR THE ACCELERATOR PROGRAM

8. What are the eligibility criteria for applicants to the Accelerator Loan Program?

If you meet any of the following criteria, you are **not** eligible to apply to this Program:

1. You received an award under the Center’s Accelerator Loan Program
2. You received an award under the Center’s Small Business Matching Grant Program
3. You have raised \$7.5 million or more in total equity financing

NOTE: If you reach the \$7.5 million threshold prior to the closing and funding of the loan, you will become ineligible for an award under the program.

4. You are majority owned (greater than 50%) by a parent company that is an operating or holding company and

- Have raised \$7.5 million or more in total equity financing, or
- Have received \$7.5 million or more in debt/equity financing from your parent, or
- Have raised/received \$7.5 million or more from a combination of the prior 2 bullets.

5. You are majority owned (greater than 50%) by a parent that is an investment company, investment partnership, or investment fund and have received \$7.5 million or more in financing from your parent

9. May a company who has already applied to the Accelerator Loan Program and did NOT receive an award re-apply?

Yes. There is no limit to the amount of times a company can apply, provided it has not yet received an award under the Accelerator or the Small Business Matching Grant Program.

10. What constitutes at-risk financing?

For the purposes of this program, at-risk financing is considered invested equity, debt and convertible debt into equity. All debt or equity must have been exchanged for capital. Like-kind exchanges (such as employees deferred compensation), grants, advance licensing/royalty payments, revenues, vendor lines of credit and vendor payables incurred in the normal course of business are not considered at-risk financing for this program.

11. Are awardees required to be “Certified Life Sciences” companies?

Yes. Life Sciences Certification is granted with the award of an Accelerator Loan due to funding under the Program only being available to a Certified Life Sciences Company in accordance with the Life Sciences Statute. **Companies do not have to be certified prior to submitting an Accelerator Loan application.** Certification is valid for 5 years starting with the tax year in which certification is granted. A Certified Life Sciences Company must file an annual report with the Center detailing whether it has met the specific employment generation targets established in its certification proposal.

If the awardee fails to meet the specified targets, the applicant’s status as a Certified Life Sciences Company may be subject to revocation. The Life Sciences Statute contains procedures for revocation of certification, and provisions regarding denial and recapture of benefits, if the Center determines that representations made by a Certified Life Sciences Company in its certification proposal are materially at variance with the conduct of the life sciences company after receiving certification. In such a case, revocation of certification is effective on the first day of the year in which the Center determines that a material variance commenced. Revocation of benefits is mandatory in the event of a material variance for two consecutive years.

12. Are applicants required to have Massachusetts operations?

Yes, applicants must be engaged in life sciences research, development, manufacturing or commercialization in the Commonwealth of Massachusetts. Applicants outside of Massachusetts may also apply, but must use any award proceeds received under the Program to establish and grow operations within the Commonwealth. Companies must be registered to do business in Massachusetts PRIOR to the time of submitting their Accelerator Loan application.

FUNDING FOR THE ACCELERATOR LOAN PROGRAM

13. How much funding is available to applicants under the Program?

The Center's Board of Directors allocated six million dollars (\$6,000,000) in funding for the FY2012 Accelerator Loan Program for two rounds. This fall/winter round is the second round of the Accelerator program in FY2012. The Center envisions that recipients under the Program will receive a loan in an amount up to \$750,000. The total amount requested by applicants must be matched by: (1) either at-risk capital, or (2) a combination of at-risk capital and grants previously awarded in accordance with the parameters set forth below. The awardees will be determined by the quality of the proposals. The amount of the loan will be determined as follows:

- No loan will exceed \$750,000 per company.
- 100% of the at-risk capital raised by applicant will count toward the level of funding for which applicant is eligible.
- If the at-risk capital raised by applicant is less than \$750,000 and applicant has been awarded grants, applicant may count such grant amounts (i.e. public and non-profit sources of funding) towards the requested level of funding. However, the grant matching amount may not exceed 1/3 of the TOTAL AMOUNT of funding requested.

Examples are provided below:

Example 1: Applicant that has raised \$750,000 in at-risk financing is eligible for a \$750,000 loan.

Example 2: Applicant that has raised no at-risk financing and been awarded \$750,000 in grants is not eligible for any loan.

Example 3: Applicant that has raised \$300,000 in at-risk financing and been awarded \$200,000 in grants is eligible for a \$450,000 loan (i.e., \$300,000 at-risk + \$150,000 = \$450,000).

Example 4: Applicant that has raised \$300,000 in at-risk financing and been awarded \$100,000 in grants is eligible for a \$400,000 loan.

SCHEDULE

14. What is the application deadline?

The application deadline for the Program is noon (EST) on December 30, 2011.

15. When does the Center anticipate making award announcements?

The Center anticipates contacting the awardees and making the award announcements on April 24, 2012.

APPLICATION PROCESS

16. How do companies apply for awards under the Accelerator Loan Program?

Companies interested in applying for awards under the Program should first review the Program solicitation and application, which will be available starting on November 14, 2011 on the Center's web site, www.masslifesciences.com. Each company may submit only one application to this round of the Accelerator program.

Applications may only be submitted online and the Center will not accept paper submissions.

17. Will the Center have any rights to intellectual property developed by the applicant by virtue of any award?

No. Awards under the Program are loans, and the MLSC will not have any claim to an applicant's intellectual property solely by virtue of an award under the Program.

18. Should applicants submit confidential information as part of an application?

The Center is subject to the requirements of the Massachusetts Public Records Law, M.G.L. c.66, which governs the retention, disclosure, disposition and archiving of public records. While certain information submitted to the Center may be protected under an exception granted through the Life Sciences Statute, most information submitted to the Center may be subject to public disclosure. Whenever possible, we would advise you not to submit confidential information. Please refer to Section 8.1 of the Program solicitation, which sets forth the Center's policy regarding the Public Records Law and disclosure of confidential information.

19. What are recipients' contractual obligations?

Successful applicants will be required to execute a Loan Agreement and Warrant with the Center that sets forth the requirements of the loan and warrant and the terms and conditions of compliance. A copy of the standard loan agreement and warrant will be available, together with the Program Solicitation on the Center's website on November 14, 2011 (www.masslifesciences.com).

Awardees will be required to provide regular progress reports to the Center to provide information regarding the company's progress in reaching its commercialization and job growth targets.

REVIEW PROCESS

20. What is the process for reviewing applications?

The review process will be transparent, competitive, and based on sound science and commercial viability. Center staff will conduct the initial administrative review of all applications to ensure that applicants are eligible for the Program.

This administrative review will be followed by a comprehensive peer review process comprised of Peer Reviewers that broadly represent the Commonwealth's life sciences scientific and business experts. Members of the Center's Scientific Advisory Board (SAB) will then review the most competitive proposals with respect to the scientific and/or technological merits of each proposal. The Center's staff will conduct corporate due diligence on the finalists that pass these reviews, and such finalists will make in-person presentations to a combined group of SAB and Board of Directors Investment Committee members. The SAB and Board of Directors Investment Committee will then make recommendations to the Center's Board of Directors for approval.

21. What is the composition and role of the Scientific Advisory Board?

The Scientific Advisory Board (SAB) consists of a group of distinguished academic and industry researchers and investment professionals who conduct the scientific and/or technological review prior to forwarding their findings and recommendations to the Center's Investment Committee and Board of Directors. More information on the SAB can be accessed here: <http://www.masslifesciences.com/advisor.html>.

22. Who will be making the award decisions?

The Center's Board of Directors has final authority for approving all loans under the Program, taking into account the findings and recommendations of the Scientific Advisory Board and the Board's Investment Committee.

23. What criteria will be applied in making the award decisions?

Applicant companies to the Accelerator Loan Program will be evaluated on whether they meet the following criteria:

- Must have products/technologies/services that have high potential for market adoption and penetration, as demonstrated in a marketing and business plan
- Must be set for growth that will create jobs in the Commonwealth
- Must be eligible for additional financing

A complete summary of the official criteria used to select loan recipients under the Program will be included in the Program Solicitation.

If you have any further questions that were not answered in this FAQ, please contact us at accelerator@masslifesciences.com