



SMALL BUSINESS MATCHING GRANT 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 tasked with implementing the Massachusetts Life Sciences Act, 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.

CENTER'S PROGRAMS FOR SMALL BUSINESSES/EARLY STAGE COMPANIES

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

In addition to the SBMG program, the Center offers the **Accelerator Loan Program** which provides unsecured debt financing to companies engaged in life sciences research and development, commercialization and manufacturing in Massachusetts. Applicants to this program include early-stage life sciences companies with a high-potential for technology commercialization, rapid growth, and private equity financing. The Accelerator program was designed to help sustain these companies through a critical stage of development and financing. The Center has made 14 awards under the Accelerator Loan program totaling more than \$8M. Two of the companies repaid their loans after receiving over \$30 million in equity financing.

The Center offers a **Cooperative Research Matching Grant Program**, which provides matching grants to academic institutions for industry-sponsored research with near-term commercialization potential. Industry sponsors match the grants that the Center provides to successful research applicants. Eight (8) grants totaling \$4.8 million have been awarded. Industry sponsors may be small or large businesses. Five of the eight grants were sponsored by small businesses, while the remainder were sponsored by large businesses.

The Center launched its **Internship Challenge Program** in 2009, 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. Since fall 2011, the Internship Challenge Program is also offered during the academic year.

Small Business Match Grant (SBMG) Program “BASICS”

4. What is the Life Sciences Small Business Matching Grant Program?

The Small Business Matching Grant Program (SBMG or the 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. Since the beginning of the program, the Center has awarded seven (7) companies a total of three million five hundred thousand dollars (\$3.5M). For this round of the program, the Center is targeting an investment of three million (\$3M) dollars.

The Center recognizes that many companies struggle to address the significant capital investment associated with the long life sciences R&D cycle and the high cost of translating research into a commercially viable product. The Program is designed to help sustain these companies through a critical stage of commercialization and to leverage additional sources of capital 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, bio-generics, 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 sbmg@masslifesciences.com.

6. What are the objectives of the Small Business Matching Grant Program?

The primary objective of the SBMG is to provide grants to commercialization-ready 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.

7. Is the SBMG program project-specific?

The Program supports companies and not a specific project or award within a company. While we recognize that prior federal awards may have supported a specific project, our intent is to support the migration of companies into commercialization.

For example, a successful applicant that received \$300,000 in total SBIR/STTR grant funding would be eligible to receive \$300,000, but the funds would be awarded based on the company's commercialization prospects and overall business plan and not the specific project.

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

The Accelerator Loan Program is targeted at earlier stage companies than the companies that the Center anticipates will apply for the SBMG program. Companies that apply for the SBMG 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 SBMG PROGRAM

9. What are the eligibility criteria for applicants to the SBMG?

Applicant companies to the SBMG **must** meet the following criteria at the time of application through the execution of an award agreement:

- Must have been awarded a Phase II, post Phase II, or equivalent small business innovation research (SBIR) or small business technology transfer (STTR) grant from a federal agency within the prior seven (7) years, awarded 2005 - through the application deadline of February 10, 2012 at 12 NOON EST.
- Must be small businesses, as defined by the U.S. Small Business Administration (SBA). See <http://www.sba.gov/contractingopportunities/officials/size/index.html> to determine if your company qualifies as a small business.

If you meet any of the following criteria, at the time of application through the execution of an award agreement, you are **not** eligible to participate in this program

1. You received funding under the MLSC's SBMG program
2. You received funding under the MLSC's accelerator loan program
3. You have raised \$10 million or more in total equity financing
4. You are majority owned (greater than 50%) by a parent company that is an operating or holding company and
 - Have raised \$10 million or more in total equity financing, or
 - Have received \$10 million or more in debt financing from your parent, or
 - Have raised/received \$10 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 \$10 million or more in financing from your parent

10. Do pre-paid royalties, licensing fees or any funding from corporations affect eligibility?

Pre-paid royalties, licensing fees, deferred salary and distribution compensation do not count toward the threshold of \$10M in total equity financing, unless the aforementioned is done in exchange for equity or a debt obligation. Convertible debt is not considered equity under this program unless the debt is converted to equity prior to execution of the grant award agreement. You are NOT ELIGIBLE if you are majority owned (greater than 50%) by a parent that is an investment company, investment partnership, or investment fund and have received \$10 million or more in financing from your parent; or if you are majority owned (greater than 50%) by a parent company that is an operating or holding company and

1. Have raised \$10 million or more in total equity financing, or
2. Have received \$10 million or more in debt financing from your parent, or
3. Have raised/received \$10 million or more as a combination of 1. And 2. Above.

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

No; section 9(c) of the Life Sciences Statute states that “a company need not be a certified life sciences company” in order to receive an SBMG grant from the Center. For the other small business programs administered by the Center, there is a statutory requirement that a company receiving an award be certified by the Board of Directors.

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.

FUNDING FOR THE SMALL BUSINESS MATCHING GRANT PROGRAM

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

The Center's Board of Directors has allocated three (3) million dollars to this round of the SBMG program. The Center envisions that recipients under the Program will receive a grant amount that matches their federal SBIR/STTR grant funding on a 1:1 basis, but does not exceed \$500,000 per company. For example, a successful applicant that received \$300,000 in total SBIR/STTR grant funding would be eligible to receive \$300,000; whereas a successful applicant that received \$750,000 in SBIR/STTR grant funding would be eligible to receive no more than \$500,000 from the Center. The number of grants will be determined by the quality of the proposals and not by the funds allocated to the Program. The Board of Directors will, in its sole discretion, determine which proposals merit funding.

SCHEDULE

14. What is the application deadline?

The application deadline for the Program is **February 10, 2012 at 12 NOON, EST.**

15. When does the MLSC anticipate making award announcements?

The MLSC anticipates making award announcements on May 23, 2012.

16. Will applicants be notified of their status during the program?

Applicants who have been selected for due diligence will be notified during the program. All other applicants will not be notified of their status until after the awards are made in May 2012.

APPLICATION PROCESS

17. How do companies apply for awards under the SBMG Program?

Companies interested in applying for awards under the Program should first review the Program solicitation and application, which will be available starting on January 4, 2012 on the Center's web site, www.masslifesciences.com. Each company may submit only one proposal to this round of the SBMG program.

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

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

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

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

The MLSC is subject to the requirements of the Massachusetts Records Law, M.G.L. c.66, which governs the retention, disclosure, disposition and archiving of public records. While certain information submitted to the MLSC may be protected under an exemption granted through the Life Sciences Statute, most information submitted to the MLSC 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 MLSC's policy regarding the Public Records Law and disclosure of confidential information.

20. What are recipients' contractual obligations?

Successful applicants will be required to execute a Grant Agreement with the Center that sets forth the requirements of the grant and the terms and conditions of compliance. A sample copy of the standard grant agreement will be available, together with the Program Solicitation on the Center's website, www.masslifesciences.com on January 4, 2012.

Grantees 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

21. What is the process for reviewing applications?

The review process will be transparent, competitive, and based on commercial viability and sound science. Center staff will conduct the initial administrative review of all applications to ensure that applicants are eligible for the Program. This step will be followed by a comprehensive peer review process comprised of reviewers that broadly represent the Commonwealth's life sciences' business and science 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 anticipated eight to ten finalists that pass these reviews, and selected 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 as to which finalists merit approval. The Board of Directors is under no obligation to use the full \$3 million in allocated funding. Awards are made on the basis of merit.

22. 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. Profiles of the SAB can be view at www.masslifesciences.com.

23. Who will be making the award decisions?

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

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

Applicant companies to the SBMG will be evaluated on whether they meet the following criteria:

- Must have products/technologies/services that are production-ready or commercialization and have high-potential for market adoption and penetration
- Must be poised to grow create jobs in the Commonwealth

The Program Solicitation includes the summary of the criteria used to select grant recipients.

INFORMATION SESSIONS

25. Will information sessions be held on the program?

Yes, information sessions will be held at the following locations and times:

- Wednesday, January 11th, 2012 at 9:30 a.m.; 1100 Winter Street, 1st Floor Conference Room, Waltham, MA
- Wednesday, January 18th, 2012 at 10:00 a.m.; UMass Lowell, M2D2, 600 Suffolk Street, Lowell, MA
- Friday, January 20th, 2012 at 10:00 a.m.; MBI/WPI, Gateway Park, 60 Prescott Street, Worcester, MA
- Monday, January 23rd 2012 at 3:30 p.m.; 1100 Winter Street, 1st Floor Conference Room, Waltham, MA
- Thursday, January 26th 2012 at 10:00 a.m.; Mass Medic, 715 Albany Street, Boston, MA

Please RSVP for these winter information sessions to sbmg@masslifesciences.com and be aware of possible cancelation of the info session due to inclement weather.

QUESTIONS

26. Who do I contact with questions?

Please email any questions to: sbmg@masslifesciences.com.