



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

On January 27, 2010 the Board of Directors of the Center approved the launch of a new Small Business Matching Grant Program (SBMG or the Program). 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. The Center is targeting an FY10 investment of three million (\$3 million) dollars to the Small Business Matching Grant Program.

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.

3. 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.

3b. Is the SBMG program for a specific project or what is the purpose of the grants? And what if our company has received multiple Phase II Awards – which Award would be eligible?

The Program is seeking to support 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.

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 to bring cutting edge innovation to the marketplace.

CENTER'S PROGRAMS FOR SMALL BUSINESSES/EARLY STAGE COMPANIES

4. 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.

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

In addition to this new SBMG program, the Center last year launched its first round of the Accelerator Loan Program which provided up to \$500,000 in unsecured debt financing to companies engaged in life sciences research and development, commercialization and manufacturing in Massachusetts. Applicants to this program included 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.

On April 29, 2009, the MLSC's Board of Directors approved the award of Accelerator loans to seven companies located in Boston, Dorchester, Cambridge, Marlborough, Watertown, Westborough, and Woburn. These companies are engaged in the treatment of cancer and spinal cord injuries; the development of injectable plugs to occlude bloodflow, instrumentation to analyze molecular structures, a wound closure system that does not require anesthesia or sutures, and a company that provides quality assay, formulation, and process development for biotech and pharmaceutical companies.

The Center anticipates requesting Board approval for a second round of the Accelerator Loan Program at its February Board meeting. If you have applied for the SBMG, you will not be eligible to apply for this anticipated second round of the Accelerator Loan Program.

The Center also offered a Cooperative Research Matching Grant Program in 2008 that provided 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. While industry sponsors were not limited to small businesses, five of the six grantees were small businesses. The Center has not yet decided whether it will be launching another round of this program in this fiscal year.

This past January 2010, the Center launched a second round of its Internship Challenge Program, a workforce development program focused on enhancing the talent pipeline for Massachusetts life sciences companies with 100 or less employees. The Center will provide stipends for up to 12 weeks to students interested in exploring careers in the life sciences during the summer. Last year, the Center's internship database received over 500 applications and placed 104 interns with 59 companies and research institutions.

6. 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.

ELIBILITY CRITERIA

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

Applicant companies to the SBMG **must** meet the following criteria:

- Must have received a Phase II, post Phase II, or equivalent small business innovation research (SBIR) or small business technology transfer (STTR) grant from a federal agency.
- 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, you are **not** eligible to apply to this program:

1. You received funding under the MLSC's 2009 accelerator loan program
2. You have raised \$5 million or more in total equity financing
3. You are majority owned (greater than 50%) by a parent company that is an operating or holding company and
 - Have raised \$5 million or more in total equity financing, or
 - Have received \$5 million or more in debt/equity financing from your parent, or
 - Have raised/received \$5 million or more from a combination of the prior 2 bullets.
4. You are majority owned (greater than 50%) by a parent that is an investment company, investment partnership, or investment fund and have received \$5 million or more in financing from your parent

7b. Do pre-paid royalties, licensing fees or any funding from corporations affect eligibility?

Pre-paid royalties, licensing fees and distribution compensation do not count toward the threshold of \$5M in total equity/debt financing, unless the aforementioned is done in exchange for equity or a debt obligation. 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 \$5 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 \$5 million or more in total equity financing, or
2. Have received \$5 million or more in debt/equity financing from your parent, or
3. Have raised/received \$5 million or more as a combination of 1. and 2. above.

FUNDING FOR THE SMALL BUSINESS MATCHING GRANT PROGRAM

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

The Center's Board of Directors has allocated \$3 million dollars to this first 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.

9. Why did the Center decide to limit eligibility to life sciences companies?

The Life Sciences Statute references “high technology” companies in addition to life sciences companies. As the quasi-public agency responsible for implementing the Life Sciences Act, the MLSC Board believes that the best use of its limited investment dollars is to initially support the life sciences sectors in the pilot year of this Program.

10. 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, biogenetics, 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.

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.”

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.

SCHEDULE

13. What is the application deadline?

The application deadline for the Program is March 1, 2010.

14. When does the MLSC anticipate making award announcements?

The MLSC anticipates making award announcements on May 28, 2010.

APPLICATION PROCESS

15. 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 February 1, 2010 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.

16. 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.

17. 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 exception 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.

18. 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 copy of the standard grant agreement will be available, together with the Program Solicitation on the Center's website on February 1, 2010 (www.masslifesciences.com).

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

19. 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 two rounds of peer review: 1) an initial screen of applications using Peer Reviewers that broadly represent the Commonwealth's life sciences scientific and business experts; and 2) an intensive second round Peer Review process to recommend finalists to the Center's Scientific Advisory Board (SAB). Members of the SAB will then review the recommended finalists with respect to the scientific and/or technological merits of the proposal. Ten to twelve finalists that pass these reviews will make in-person presentations

to a combined group of SAB and Board Investment Committee members. The SAB and Board Investment Committee will then make recommendations to the Center's Board for approval.

20. 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>.

21. 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.

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

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