



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 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 Accelerator Loan Program?

On February 24, 2010 the Board of Directors of the Center approved the launch of the second round of the Accelerator Loan Program (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.

Last year, the Center awarded a total of \$3.4 million in unsecured debt financing to seven early-stage life sciences 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 blood flow, 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.

Due to the success of last year's program (88 applications reviewed and vetted by the Center's panel of expert peer reviewers), the Center anticipates strong participation in this round of the Program. This year's Accelerator Loan Program will provide up to \$750,000 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 \$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 to bring cutting edge innovation to the marketplace.

3. 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 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.

THE 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 second round of the Accelerator Loan Program, the Center launched its first round of the Small Business Matching Grant (SBMG) Program on February 1, 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 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 companies that the Center anticipates will 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.

ELIBILITY CRITERIA

7. 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 funding under the Center's 2009 Accelerator Loan Program
2. You have applied to the Center's 2010 Small Business Matching Grant Program
3. You have raised \$5 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 \$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.
5. 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

FUNDING FOR THE ACCELERATOR LOAN PROGRAM

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

The Center's Board of Directors has allocated five million five hundred thousand dollars (\$5,500,000) in funding for two rounds of the 2010 Accelerator Loan Program. For this first round of the 2010 Program, the Center has reserved three million five hundred thousand dollars (\$3,500,000) and anticipates a second round of the 2010 Program in September for the balance of the funding. The Center envisions that recipients under the Program will receive a loan in an amount up to \$750,000, but in no event more than the total amount of debt, convertible debt, or equity financing raised by the company. For example, if a company has raised \$300,000 in convertible debt and no other debt or equity financing, the Center would loan no more than \$300,000. The number and amount of loans will be determined by the quality of the proposals.

9. 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.

10. Are awardees required to be "Certified Life Sciences" companies?

Yes. Funding under the Program is available only to a Certified Life Sciences Company. Certification as a Certified Life Sciences Company pursuant to the Life Sciences Statute 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.

SCHEDULE

13. What is the application deadline?

The application deadline for the Program is 11:59 P.M. on March 24, 2010.

14. When does the Center anticipate making award announcements?

The Center anticipates making award announcements on June 25, 2010.

APPLICATION PROCESS

15. 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 February 24, 2010 on the Center's web site, www.masslifesciences.com. Each company may submit only one proposal to this round of the Accelerator program.

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

16. 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.

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

The Center 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 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.

18. 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 February 24, 2010 (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

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 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 anticipated ten to twelve 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.

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 loans 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 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 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 loan recipients under the Program will be included in the Program Solicitation.