
THE MASSACHUSETTS LIFE SCIENCES CENTER

Board of Directors Meeting
Tuesday, November 18, 2008
Simches Research Center, Massachusetts General Hospital
Boston, Massachusetts

MINUTES

A meeting of the Massachusetts Center Board was held on November 18, 2008 at the Richard B. Simches Research Center, Framingham, Massachusetts, pursuant to notice duly given.

Board Members present:

Co-Chair Daniel O’Connell, Secretary of Housing and Economic Development
Co-Chair Leslie A. Kirwan, Secretary of Administration and Finance
Vice Chair Jack Wilson, Ph.D., President, University of Massachusetts
Treasurer Marc D. Beer, former President and CEO, ViaCell, Inc.
Secretary Peter Slavin, M.D., President of Massachusetts General Hospital
Joshua Boger, Ph.D., President and CEO, Vertex Pharmaceuticals, Inc.

Designee for Lydia Villa-Komaroff, Ph.D., CEO, Cytonome, Inc.:

Jack Lapidis, Vice President of Business Development, Cytonome, Inc.

Special Guests:

Richard Cutler, Director of Facilities, Marine Biological Laboratories
Joshua Hamilton, Chief Academic and Scientific Officer, MBL
Pamela Clapp Hinckle, Director of Development & External Relations, MBL

MA Life Sciences Center Officers present:

Susan Windham-Bannister, President and CEO
Melissa Walsh, Chief Operating Officer
Robert Sepucha, Senior Vice President and General Counsel
Angus McQuilken, Vice President for Marketing and Communications
Luis Barros, Senior Vice President, Industry Relations
Beth Nicklas, Vice President and Counsel, Academic and Research Programs

I. Call to Order

Co-Chair O’Connell called the meeting of the Massachusetts Life Sciences Center (Center or MLSC) Board of Directors to order with five board members present at 2:05 pm.

II. Approval of the Minutes of the October 31, 2008 Board Meeting

On the motion of President Wilson, which was duly seconded by Secretary Kirwan, the Board unanimously voted to approve the minutes of the October 31, 2008 Board meeting.

III. Welcome by Peter Slavin to the Simches Research Center at Massachusetts General Hospital

Dr. Slavin welcomed the audience of over 70 people and stated that it was truly his pleasure to host this meeting of the Massachusetts Life Sciences Center. He gave brief remarks about the building that the meeting was held in and stated that Simches is a "magnet" for regenerative medicine, human genetics, and biology

Secretary O'Connell thanked Dr. Slavin for hosting the meeting, commented that he had been to the building before and knows how important the work being done here is. He stated that he was aware that a discussion of a possible investment in the Marine Biological Laboratories (MBL) would come up later on in the agenda and he stated that he wanted to share with the group how terrific the visit was out there yesterday. He explained that the Governor truly enjoyed his time at MBL and that, having been out there last summer as well, the Secretary could attest to their being no air conditioning in the building. He described that there is a real need for major renovation at MBL and taking about needing a major renovation, and spoke of his delight in spending some time with Nobel Prize winner Shimomura.

He asked Secretary Kirwan to make some opening comments.

Secretary Kirwan shared that there has been a shared sacrifice by many including quasi-public and public governmental entities to minimize the impact on towns and cities and that additional future actions should be anticipated as the Commonwealth works to manage the current economic climate. She expressed the broad support for the Life Sciences and the Administration's recognition that the types of investments that the Center is making are critical to growing the economy. She cautioned, though, that it is uncertain what any future rounds of budget cuts would look like.

IV. President's Report

Dr. Windham-Bannister stated that she would speak briefly as some of the senior staff of the Center would be providing updates on the work that is taking place and that we have representatives of the Marine Biological Laboratories (MBL) who are present to make a presentation to the Board. She thanked those representatives for being at the meeting.

Dr. Windham-Bannister stated that she had been spending a lot of time with key stakeholders in many parts of the state and that the programs that we would hear about today reflect the feedback that she has been hearing from the market, as well as our own internal thinking and that of our Board and SAB. She expressed to the Board her pride for the progress the team had made on the Certification criteria, as the Life Sciences Law requires that all companies become "certified" by the Center before receiving any dollars from the Center. This is an important mandate and we are well-positioned to "go live" with these criteria in January, as required by the law.

Dr. Windham-Bannister expressed the need for the Board to ratify subcommittees, as the Center takes shape and there is a need for the work of the Board to be able to draw from the expertise of respective Board members. She proposed three subcommittees.

Investment Opportunities: Dr. Windham-Bannister stated the purpose of this committee would be to work with Center staff and a subgroup of the SAB to review investments by the Center other than grants. She noted that some of our support for early stage companies, for example, may take the form of financial

investments other than grants and may require business and financial analysis in addition to an assessment of the quality of the science. This committee would address that need.

PROPOSED MEMBERS

Marc Beer, Chair
Peter Slavin
Lydia Villa-Komaroff

Audit: Dr. Windham-Bannister proposed that the Audit subcommittee be created to oversee the audit function and work with the Center's CFO to provide rigorous oversight and review. She recognized that the Center's outside auditors ultimately are accountable to the Board of Directors, but that the Audit subcommittee would assist the Board's oversight of the Center's financial statements, compliance with legal and regulatory requirements and the adequacy of financial statements pertaining to the Center's benefit plans, including reserves and underlying assumptions.

PROPOSED MEMBERS

Jack Wilson, Chair
Leslie Kirwan

Finance: Dr. Windham-Bannister outlined the duties of the proposed Finance subcommittee, stating that it would be created with the purpose of overseeing all area of finance for ht Center, including expenditures, cash management and banking activities.

PROPOSED MEMBERS

Josh Boger, Chair
Daniel O'Connell

Secretary O'Connell asked if there was any discussion of these subcommittees. There was none and the Secretary asked if there was a motion to approve the creation of the Board subcommittees. Upon motion duly made by President Wilson and seconded by Marc Beer, members of the Board of Directors voted unanimously by roll call vote as follows:

WHEREAS, the Board of Directors ("Board") of the Massachusetts Life Sciences Center ("MLSC"), acting pursuant to the authority delegated under Chapter 23I of the General Laws of the Commonwealth, deems it to be in the best interest of the MLSC to create certain committees of the Board to oversee the MLSC's audit, finance and investment functions;

NOW, THEREFORE, BE IT RESOLVED, that the Audit Committee of the Board be, and it hereby is, authorized and created and that the Audit Committee Charter be, and it hereby is, adopted and approved in the form attached hereto as Exhibit A;

RESOLVED FURTHER, that the Board hereby designates the following directors to serve on the Audit Committee:

**Jack Wilson, chair
Leslie Kirwan**

RESOLVED FURTHER, that the Finance Committee of the Board be, and it hereby is, authorized and created and that the Finance Committee Charter be, and it hereby is, adopted and approved in the form attached hereto as Exhibit B;

RESOLVED FURTHER, that the Board hereby designates the following directors to serve on the Finance Committee:

**Josh Boger, chair
Daniel O'Connell**

RESOLVED FURTHER, that the Investment Committee of the Board be, and it hereby is, authorized and created and that the Investment Committee Charter be, and it hereby is, adopted and approved in the form attached hereto as Exhibit C;

RESOLVED FURTHER, that the Board hereby designates the following directors to serve on the Investment Committee:

**Marc Beer, chair
Lydia Villa-Kamaroff
Peter Slavin**

Each of the Audit Committee, Finance Committee and Investment Committee (collectively, the “Committees”) shall operate in a volunteer capacity and none of their respective members shall be compensated by the Board or the MLSC in any manner.

The designation of any member of the Committees shall be subject to the approval of the Board of Directors.

Dr. Windham-Bannister thanked the Board for their continued interest in the work that the staff was doing and expressed her appreciation for members’ willingness to join the subcommittees. She commended the Center staff for all of their hard work and thanked colleagues of the various Secretariats and state agencies for their partnership as the Center moves forward with its next steps. She explained that, relative to Certification, the Center is not required to make the process public, but that the staff would like to post the draft criteria on the website, to solicit public feedback in advance of the Board vote on final approval of the criteria in December.

President Windham-Bannister invited Bobby Sepucha, SVP and General Counsel at the Center, to present to the Board where the Center is in its drafting of the Certification criteria and Tax Benefits administration. She expressed that the goal would be to come back before the Board with final language for the Board to approve at its next meeting in December.

V. Certification and Tax Benefits

Mr. Sepucha stepped to the podium to deliver a PowerPoint presentation on Certification criteria and Tax Benefits. He stated that Certification is required for all companies who apply to the Center for tax benefits, Craig Mello Fund investments, and grants (other than those targeted in the law).

Mr. Sepucha said that certification is not required for the Small Business Matching Fund. He described the process the Center went through as being very inclusive of stakeholder groups and included outreach to Legislative and Executive members and staff, industry and other state agencies and quasi-public entities. He described two alternative approaches to certification that the staff at the Center considered.

One approach would be a one-step, simultaneous certification and project evaluation, while the other would be a two-step certification independent from project evaluation. Mr. Sepucha asserted that the team had determined that it would be most appropriate for the Center to take a one-step approach, as it would avoid submission overload and because such an approach would reduce the burden of monitoring compliance with certification criteria, especially where the law requires revocation of certification for noncompliant companies. The certification questions will be embedded in all program applications and the same set will be asked of all program applicants to ensure transparency. Additionally, customized questions will be asked that are specific to the funding request. Mr. Sepucha explained the need for a hierarchy in how the Center approaches all of its funding decisions, with only those that truly merit investment being funded and certified. The MLSC portfolio will ultimately reflect the intersection of the Center's priorities, with its application of review criteria and Certification criteria, as ultimately determined by the Board of Directors.

Mr. Sepucha described the Application Process for funding, stating that there will be some standard identifying questions such as name, address and contact person, but that some questions that will be asked are required by the life sciences law, such as the companies' projected revenue in Massachusetts over the next 5 years and the plan to achieve revenue goals.

The second part of the Application will be the programmatic criteria that is program specific relative to, for example, the specific research being done, the IP protection and the potential for technological advancements in the life sciences.

Mr. Sepucha further described the application process as having a third part, which will solicit supplemental information relative to corporate social responsibility, the potential to leverage other resources and the applicant's business plan.

Mr. Sepucha then turned to the Tax Incentive Program overview, reiterating that the life sciences law calls for \$250 million over 10 years in tax incentives, based on 9 different benefits. These credits are applicable to companies of all development stages, as several credits are refundable – a benefit that many smaller companies are excited about. He discussed the process the Center engaged in as it developed the Tax Incentives Program, including soliciting input from legislative, executive, industry and agency experts – including the Department of Revenue who has praised the work that the Center is doing.

Mr. Sepucha described the market feedback as asking “Who will get what?” and stating that tax incentives should be open to companies of all stages of development. The tax incentives will be administered with assistance from DOR but the decision-making will rest with the Center. The certification criteria will be built into the tax benefits application as discussed prior, with an eye towards a similar hierarchy. The team is proposing there be three parts to an application. (1) Certification as just outlined; (2) Application for tax benefits, including project description, scientific value and a DOR waiver; and (3) the Supplemental information. Mr. Sepucha encouraged the audience to comment on these proposed processes in advance of the December Board meeting where the criteria and tax incentives program will be voted on by the Board in final form, so that they may “go live” on January 1st.

Mr. Sepucha stepped down from the podium and Dr. Windham-Bannister asked Luis Barros, SVP for Industry Relations to present on the Center's draft Early Stage Company Initiative.

VI. Early Stage Company Initiative

Mr. Barros thanked the Board for allowing him some time to present on the status of the Early Stage Company Initiative and a draft Investment program. He described the process through which the Center has come to rest on some of its priorities in this area as having been inclusive of venture capital firms,

company innovation incubators, the Massachusetts Technology Transfer Center, MassDevelopment, the Massachusetts Office of Business Development, and others.

He described three programs: pre-seed, seed, life sciences accelerator fund, that seek to address the major funding gaps that are being realized at various parts of the critical life cycle for respective life sciences companies now. He described the need for the Center's money to be smart and patient to make sure that there is a sustainable funding source.

He stated that the group identified the need to support early stage companies and brainstormed programs that would provide the greatest value. Programs considered included Phase 0 grants, seed financing, matching grants to companies receiving SBIR funding, and investments in early companies through convertible debt and loan instruments.

Mr. Barros also described the certification process that was under development by the Center and the draft criteria that were being discussed with the Center's partners, including the Massachusetts Office of Business Development and the Massachusetts Biotechnology Council.

Dr. Slavin described the conversation as focusing on a business question and not a science question. He cautioned that we know the nature of other funders and highlighted that all three programs appear to be far left (pre-seed).

Mr. Barros explained that we continue to develop relationships with the angel community.

President Wilson commended the Center on the progress made and urged the Center to focus. He stated that this is a very ambitious program and he is concerned that it might be trying to do too much. President Wilson suggested that the Center really understand the niche and how the Center can best help. He stated that it is very important to match up organizations and individuals

Dr. Windham-Bannister agreed and stated that the focus will be to play along and focus on the left side [early stage]. She declared that the Center staff will continue to spend time with all other players, as well, but will be careful not to replicate what is already being done. She reiterated how important it is to the staff that the Center always be working to find additional partners.

Melissa Walsh clarified that the programs that Mr. Barros just described are, in fact, drafts and that the Center looks forward to more conversations with the Board in advance of any official proposals coming before the Board. Dr. Windham-Bannister echoed Ms. Walsh's comments and reminded the Board that this will be an area where the staff will lean on the newly created subcommittees for guidance.

Mr. Barros described the Corporate Investment program that is being considered at the Center. He admitted that it was a draft, and that he was not at liberty to disclose the potential partner, but explained that we are reviewing a possible matching relationship with a large, well-known company, and hope that we will be responsible for \$250,000 and they would match that for a total fund that could provide real support for companies.

Dr. Windham-Bannister thanked Mr. Barros and asked Beth Nicklas, VP and Counsel for Academic and Research Programs, to speak to a roundtable event that she is convening.

VI. Workforce Development Roundtable

Ms. Nicklas thanked Dr. Windham-Bannister and stated that she wanted to provide a brief education and workforce development update, as the Center develops its strategy following September's release of the Life Sciences Talent Initiative report. She declared that the Center is moving rapidly to develop this strategy, understanding there is a great need here. She explained that she has reached out to dozens of colleagues, to gather even more information about what programs are already being done and will convene a roundtable on December 12th to discuss with a small targeted group. Ms. Nicklas said that she was eager to brainstorm how to brainstorm with some colleagues and draw from experiences of those in the field. A major goal, of course, is to build civic capacity and she thinks that there is a role that the Center can play as a convener. Ms. Nicklas gave an anecdotal example of this by telling a recent story of Middlesex Community College's need for stem cells in their labs. Ms. Nicklas called Dr. Gary Stein at the UMass Medical School and he was happy to provide them and offered to visit MSCC. The Center is well positioned to create a comprehensive strategy, using the LSTI as its foundation.

Josh Boger stated that it will no doubt be an exciting program and urged Ms. Nicklas focus heavily on education and the benefits they pose to the workforce. We need to have more concern with gross employment and need very precise input from stakeholders on what their needs are.

Ms. Nicklas agreed and stated that the Center has learned of the great need for technicians and operators, statisticians and more co-op programs and that we need to do more in these areas. She looks forward to reporting back to the Board on what flows from the Roundtable discussion at the beginning of December.

Dr. Windham-Bannister thanked Mr. Boger for his feedback. The final item on the agenda is the second major capital investment that the Center will make, with approval from the Board. The Marine Biological Laboratories in Woods Hole (MBL) plans to renovate a building there and is set to start in March 2009, finishing in June 2010. The Life Sciences law calls for a \$ 10 million commitment for that project. Dr. Windham-Bannister asked Pamela Hinckle from MBL to join the podium to speak to the program.

VII. Infrastructure Investments for Marine Biological Laboratory (MBL)

Ms. Hinckle introduced herself as the Director of Development & External Relations for MBL. She said that yesterday was amazing and MBL was so glad to have the Governor, Secretary, Senate President and Representatives out to their site, along with leaders from the Massachusetts Life Sciences Center. She gave an overview of MBL, stating that it is an independent, non-profit institution founded in 1888 in the village of Woods Hole. The MBL is dedicated to discover and to improving the human condition through creative research and advanced training in the life sciences.

The proposed project calls for the renovation of the Loeb Laboratory, the project recently awarded \$15 million by the Howard Hughes Medical Institute. The renovation will be a top-to-bottom renovation of the facility, bringing the projected costs to just over \$25 million.

Renovation of the Loeb Laboratory will enable the MBL to provide the environment and infrastructure necessary for innovative and cutting edge discovery courses. It will expand research opportunities in regenerative biology and biomedicine by providing a facility for a national *xenopus* resource center. As a result, the states' life sciences training by improving its world-class educational training programs and preparing students and workers for jobs in these sectors. The project is a partnership and the MBL is seeking to raise \$150 million for capital projects and programmatic including by raising endowment funds.

Dr. Harvey Lodish stated that, as an alumni, he thinks that Ms. Hinckle is being modest. He described his own experiences with Loeb and stated that this is a wonderful institution with great potential from improving the quality of life for so many. He asked what the plans are for year round use of the facility.

Ms. Hinckle answered that the renovation will provide an opportunity to develop training programs in the building that can be used in the off-season.

Josh Boger stated that MBL is very well known for their good sciences and has hit many goals and provides a great education for scientists. Many companies have companies with MBL.

Secretary O'Connell stated that he is very impressed by how much MBL squeezes out of every dollar and is confident that Massachusetts will continue to capture talent with institutions like these. He asked if there was a motion to approve \$10 million to be spread across 2 fiscal years. Wilson excused himself due to connection with UMass.

Upon a motion offered by Marc Beer and seconded by Leslie Kirwan, members of the Board of Directors voted unanimously by roll call vote as follows:

WHEREAS, the Massachusetts Life Sciences Center is offering financial assistance in the form of grants to agencies, towns, local governments of the Commonwealth of Massachusetts and certain other qualified entities which have submitted a request for funding consistent with the statutory goals set forth in M.G.L. c. 23I;

WHEREAS, pursuant to Section 2B of Chapter 130 of the Acts of 2008, entitled "An Act Providing for the Investment in and Expansion of the Life Sciences Industry in the Commonwealth," ten million dollars (\$10,000,000) (the "Grant") shall be expended for construction, renovations and infrastructure improvements for the Marine Biological Laboratory located in Woods Hole, Massachusetts ("MBL"), provided that MBL shall collaborate with the Regional Development Corporation of Cape Cod and the University of Massachusetts at Dartmouth to create and support a Center for Regenerative Biology and Medicine located at MBL to develop commercial marine technology, provide research and development for the life sciences including but not limited to marine-based stem cell research, and expand life science and marine technology education (the "Project");

WHEREAS, MBL has submitted a proposal (the "Grant Proposal") setting forth the proposed schedule of the activities to be supported by the Grant and a budget for each phase of the Project; and

WHEREAS, the Board believes that the Center's mission of solidifying Massachusetts status as a worldwide leader in the life sciences, creating jobs and supporting innovative research that will save and improve lives is best served by pursuing and promoting the type of public-private partnerships described in the Grant Proposal;

NOW, THEREFORE, BE IT RESOLVED, that subject to compliance with all applicable laws and negotiation of terms and conditions mutually agreeable to the Center and MBL including, without limitation, timing and manner of Grant disbursements, the Grant be, and it hereby is, approved as presented at this meeting and as described in the Grant Proposal; and

RESOLVED FURTHER, that each officer of the Center be, and each such officer hereby is, authorized and directed to take all action and to prepare, execute and deliver all documents

or agreements which such officer deems necessary or advisable to carry out the intent of these resolutions in accordance with all applicable laws and the best interest of the Center and the Commonwealth of Massachusetts, and to evidence the issuance of the Grant, including without limitation a grant agreement and all related supporting documentation.

VIII. Adjournment

Secretary O'Connell asked if there was any other Board business that needed attention and heard none. He asked for a motion to adjourn. Secretary Kirwan moved to adjourn and Marc Beer seconded the motion, and the meeting adjourned at 3:55 pm.