

**MINUTES OF A MEETING OF THE INVESTMENT COMMITTEE,
A SUBCOMMITTEE OF THE BOARD OF DIRECTORS OF THE
MASSACHUSETTS LIFE SCIENCES CENTER**

DATE: February 11, 2021
TIME: 1:00 p.m. EST
PLACE: Massachusetts Life Sciences Center
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Meeting number: 132 142 7146 Password: Eg3Sp9m3eCP (34377963
from phones and video systems)
Join via conference call:
+1-408-418-9388 USA Toll Access code: 132 142 7146

COMMITTEE MEMBERS PRESENT: Stuart Abelson
Julie Chen (designee for University of Massachusetts President Martin
Meehan)
Gary Kearney

OTHER DIRECTORS PRESENT: Catharine Hornby
Mark Fuller

I. Welcome

Kenneth Turner, President and CEO, welcomed all to the meeting of the Investment Committee (the “Committee”) of the Board of Directors (“the Board”) of the Massachusetts Life Sciences Center (the “MLSC” or “Center”) at approximately 1:00 p.m. He stated that since joining the MLSC, he has been impressed with the MLSC staff, and that he will share his thoughts on how MLSC staff will interact with the Board at a later date.

II. Seed Fund Investment Proposal Presentation

Dr. Jennifer Griffin, Ph.D., Vice President, provided a brief overview of the Seed Fund Investment Program. It was created by a federal grant to MLSC, and is a rolling program, in which MLSC invites companies for interviews and performs full diligence, and provides potential investment companies with feedback. To date, MLSC has approved Seed Fund investments in 5 companies.

Dr. Griffin stated that she recommends a proposed Seed Fund investment in Decoy Therapeutics Inc. (“Decoy Therapeutics”), as Decoy Therapeutics meets eligibility requirements for a Seed Fund investment, such as having early stage teams and targeting specific Seed Fund geographies.

Dr. Griffin stated that Decoy Therapeutics has developed SARS-guard, a nasally-administered novel peptide lipid conjugant that prevents viral fusion to the epithelial cell and entry, which can reduce the transmission of COVID-19. Cold storage is not required, and it does not require compromise of the immune system, so it is available to the entire population. Dr. Griffin also stated this product addresses COVID-19 challenges that may exist even with vaccines, and that there may be follow up opportunities for other viruses. Also, data shows that the product prevented COVID-19 in ferrets.

Dr. Griffin stated that MLSC would contribute \$250,000, and a manufacturing partner CS Bio Co. would contribute \$750,000, in the Decoy Therapeutics Seed I round. Once the Investigational New Drug Application (“IND”) is filed, it is estimated that there will be another year until manufacturing of the product begins.

Dr. Julie Chen inquired how the post-exposure prophylactic works. Ms. Hibner explained that it stops exponential growth, and Mr. Pierce explained that with better testing, people who have been exposed in an early window can knock down the virus.

Catharine Hornby inquired why, with so much federal funding, the Center should fund the Decoy Therapeutics product. Mr. Pierce explained that Johnson & Johnson (“J&J”) may be interested in sponsorship in a future round; if Decoy Therapeutics got Phase I funding, it would get funding in future phases. Ms. Hibner explained that Decoy Therapeutics applied for federal funding, but because the product is not an antibody and not a vaccine, it did not meet the criteria at that time. We subsequently applied through BARDA (Biomedical Advanced Research and Development Authority), but were too early – they wanted to see more clinical data. Mr. Pierce further stated that there may be an application to the flu, and that the product fits into a stockpiling capability, therefore lending itself to military use.

Ms. Hornby stated that hiring 2-3 people in Lowell does not seem to be too much. Dr. Griffin stated that the investment instrument is convertible notes with standard terms, which we negotiate after Board approval; typically, the terms we agree on are an interest rate of 6-8 percent, maturity 2-3 years, a series A raise in a year or two, a Board observer, and a Most Favored Nation provision (i.e., we get the same deal/terms that others get). Also, the Center can call the loan if Decoy Therapeutics leaves the Lowell area.

Dr. Chen inquired where CS Bio is located. Mr. Pierce stated that CS Bio, which manufactures peptide synthesizers, is located in Menlo Park, California. Mr. Pierce also stated that Decoy Therapeutics believes that there are manufacturers in Massachusetts who could make this product. Dr. Chen then stated that the company should think more about manufacturing plants in the state, rather than relying on the company in California.

Deleted: (e.g., University of Massachusetts at Lowell)

Mr. Abelson stated that the product only blocks 1 orifice, and inquired how long the product should be taken prophylactically, as well as its efficacy if you miss one day. Mr. Abelson also stated that the reason there is no box to check on the federal application is because there is no regulatory path, and that he does not support this right now. Dr. Griffin stated that she would be happy to further discuss Mr. Abelson’s concerns with him. Vinit Nijhawan, a Center consultant, stated that this

investment has significant risk, but we are betting on the Decoy Therapeutics business team, which is really good, and stated that the Center will provide to Mr. Abelson the investment memo. Finally, Mr. Nijhawan stated that of the 5 investments the Center has made, each company is on the road to a Series A, or does not need a Series A, which shows that we have a good record of picking the right opportunity. Mr. Turner stated that the Center will set up a separate meeting with Mr. Abelson.

Mr. Fuller then inquired if members of the Decoy Therapeutics team are all Massachusetts based. Mr. Pierce stated that 3 of the 4 are Massachusetts based, and that the fourth is in California. Mr. Pierce also stated that Decoy Therapeutics plans on using proceeds to quickly hire and scale up the lab at M2D2 in Lowell, with one caveat: a JLABS-BARDA lab does not yet exist in Massachusetts; therefore, if Decoy Therapeutics uses BARDA money, it would have to use a lab that it is located outside of Massachusetts.

Mr. Abelson then asked the team to discuss the ferret study. Ms. Hibner stated that they infected 3 ferrets directly, waited 2 days (max viral shedding period), and then put the infected ferrets in a cage with ferrets that had received the Decoy Therapeutics treatment. All ferrets were in the container for twenty-four hours, and then removed to separate cages and monitored for virus. All of the ferrets that had received the treatment were not infected. Ms. Hibner stated that a total of thirty hours elapsed from the time the ferrets were dosed until the time they were separated.

Mr. Abelson requested as much early stage research as possible. Dr. Griffin replied that the Center has reviewed such data, and will share it with Mr. Abelson.

III. 2021 M2D2 \$200K Challenge Presentation

Dr. Jennifer Griffin, Ph.D., Vice President, Industry Strategy & Investments, presented an overview of the M2D2 (Massachusetts Medical Device Development Center at University of Massachusetts at Lowell and the University of Massachusetts Medical Center) \$200K Challenge. It is an annual pitch competition to early stage companies run by M2D2, in which the Center is able to participate in every stage of the Challenge. There is a high rate of failure in the life sciences industry at the early stage, so Center funding of industry companies attracts companies to Massachusetts. Also, the Challenges look to fill industry gaps.

Further, Dr. Griffin stated that the Center's dollars to the Challenges are very impactful. Previous Challenge awards have resulted in winners hiring additional employees, the creation of a pipeline for our own programs, national and global visibility for the Center, and access to a broader list of companies, which allows for outreach. Further, Dr. Griffin stated that over the last 4 years, the Center deployed \$275,000, which supported eleven early stage companies. Last year's winner was CxTherapeutics, which aligns with the Center's mission to support women's health. The Center is the only sponsor that provides dollars; other sponsors provide business development guidance.

Dr. Griffin said that this is the 10 year anniversary of the M2D2 Challenge, and that this year the Center is recommending \$50,000 to a Massachusetts company.

Mr. Fuller asked if anyone else is being asked to contribute money, and Dr. Griffin responded in the negative, explaining that the other participants provide in-kind services. Mr. Fuller asked if the

Center can provide technical advice too, and Dr. Griffin replied in the affirmative, but explained that regulatory consulting agencies can do a bit more of this than the Center. Mr. Fuller asked if companies could also provide funding, due to budget constraints. Ms. Sadeli then stated that traditionally, the Center offered \$150,000 to support our partners and early stage companies to feed into the pipeline, so this is a comparatively low amount of money. Ms. Sadeli also stated that a Center employee at the table provides branding recognition.

Dr. Griffin, Dr. Chen, Mr. Fuller and Mr. Turner then discussed the FY22 budget, and the need to consider how to right size Center programs this year and next.

IV. Research Infrastructure Program Presentation

Carla Reimold, Ph.D., Director, Industry Strategy & Investments, presented an overview of the Research Infrastructure Program. It is a competitive and open capital funding program, under which each applicant can request an amount between \$1.5 million and \$5 million, and applications are reviewed by the Center, as well as a panel of external reviewers.

Dr. Reimold made Zoom presentations on the Program, as well as another capital program, in September, 2020, and the application submission deadline was November 20, 2020.

Dr. Reimold recommended Program funds in the total amount of \$11,477,399.00, to be matched by about \$10 million from project partners, to the following 5 entities: Beth Israel Deaconess Medical Center (“BIDMC”), Dana Farber, the Boston Museum of Science, Tufts University and the University of Massachusetts Medical School.

Regarding the Museum of Science project, the Race to the Vaccine Exhibition, Dr. Reimold stated that it includes traveling exhibits to be brought to the western part of the state, as well as online modules, which Johnson & Johnson will fund in part. Dr. Griffin stated that the Museum continues to request funding from industry partners, and Mr. Fuller suggested to the team that it encourage the Museum to continue making such requests.

Regarding the University of Massachusetts Medical School project, the purchase of an instrument, Dr. Reimold stated that the Center has already funded this instrument, but that there is need for another due to demand. Also, Investment Committee members asked if the School had a plan on how the equipment would be accessed, and Dr. Reimold stated that the Center has requested its business model on how to make the instrument available to academics and industry partners outside of their group.

Meeting attendees then spoke of the many attributes of the Museum project. Mr. Abelson stated it that fulfills a core Center mission to invite people into the life sciences, and asked if we could bring in other entities, e.g., the Massachusetts movie industry, to use the story of “Race to the Vaccine” to help us engage young people in this world, as well as teach teachers; Dr. Chen and Mr. Turner both stated that they particularly like the Museum project because it includes a mobile exhibit; and Mr. Fuller stated that it complements the public messaging work that we do around COVID-19.

V. Angel Investor Tax Credit Program: 2020 Round Presentation

Ms. Cheryl Sadeli, Vice President, Finance, provided an overview of the Angel Investor Tax Credit Program, which was created by legislation, with regulations promulgated in 2020. A taxpayer investor who makes a qualifying investment in a qualifying business is eligible for a non-refundable credit. The taxpayer investor and the qualifying business each submit a Company application. The applications are conditionally approved on a rolling basis, and then presented to the Board for formal approval. Awarded tax credits must be claimed on income tax returns. The Center provides to DOR the list of tax credit recipients, and DOR administers the credits, and will work with the Center if recapture is needed.

Ms. Sadeli stated that the administrative burden on businesses to show eligibility is heavier than on taxpayer investors, as businesses must submit a detailed business plan; some businesses said that this may be unnecessary, as only the investor gets the credit. Also, the burden of reporting is heavier on businesses.

The application submission deadline was January 22, 2021. After performing outreach, including conducting 6 virtual sessions, of the \$500,000 budget, the Center conditionally approved approximately \$473,000 out of a \$500,000 budget to 45 applicants, of which 39 are unique angel investors, who invested in 19 different companies. Ms. Sadeli stated that the Center's contribution is about 11% of the total investment, and that the Program may be too much work for so little in return. Ms. Sadeli recommended that the Program regulation be changed.

Investment Committee members then discussed changing the tax credit to a tax deduction, eliminating the rolling system to enable the Center discretion to select an investor in a gateway city over an investor outside of a gateway city, and requiring an angel investor to invest the credit in another life sciences company. Ms. Sadeli asked if the FY21 investments would have been made if such changes had been in place, and if models adopted by other states would work for Massachusetts.

VI. Adjourn

Mr. Turner adjourned the meeting at approximately 3:00 p.m.

List of Materials and Exhibits Used During the Meeting:

- Board Agenda
- Deck Presentation titled "Seed Fund Investment Opportunity: Decoy Therapeutics, Presented to the MLSC's Investment Committee, February 11, 2021"
- Deck Presentation titled "Opportunity: 2021 M2D2 \$200,000 Challenge, Presented to the MLSC's Investment Committee, February 11, 2021"
- Deck Presentation titled "Research Infrastructure Program, Investment Committee Meeting, February 2021"
- Deck Presentation titled "Angel Investor Tax Credit – 2020 Round, Investment Committee Meeting, February 11, 2021"