



**BIOADVANCE GREENHOUSE FUND
Request for Proposals**

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OVERVIEW

BioAdvance's mission is to facilitate the transformation of commercially promising technologies into successful businesses in Southeastern Pennsylvania. To accomplish this we established the Greenhouse Fund in late 2002, dedicated to supporting proof-of-concept projects that are pivotal to the success of early-stage companies.

To date, the fund has invested in the commercialization of diagnostic tests, medical devices, platform technologies, and therapeutics. The majority of our portfolio companies have attracted follow-on investment from angels, economic development agencies, and venture capitalists. Several companies have been acquired by established Companies.

The Fund initially invests up to \$500,000, and can provide up to \$1.2 million in aggregate capital to a single enterprise. In addition, BioAdvance provides its portfolio companies with advisory services and business support to facilitate the growth of each new venture.

We encourage academic researchers to submit proposals in coordination with their technology transfer offices. Universities and research institutions have produced some of our best investments, and to facilitate these opportunities we have reduced the submission requirements, as detailed later, for instructions. We also work closely with both investigators and their technology transfer offices to identify appropriate terms and vehicles for commercialization.

We employ experienced technical and business consultants in conducting evaluations. We review every proposal carefully, and seek to provide constructive feedback to all applicants. We hope that even applicants who do not receive funding can benefit from comments generated during our review.

ELIGIBILITY

We screen proposals for eligibility based on geographic location, research area, and project activities.

Location

We provide funding to companies that are located in Southeastern Pennsylvania (defined by the counties of Bucks, Chester, Delaware, Montgomery, and Philadelphia). In addition, unless there is a satisfactory reason otherwise, we require that work performed by a third party as part of a funded project performed in Southeastern Pennsylvania.

Companies outside the region may apply, but they must relocate to Southeastern Pennsylvania prior to funding.

Technology Focus

The Greenhouse Fund supports activities within the general field of human health with an emphasis on:

- Devices -
Mechanical or chemical systems used to diagnose, prevent, or treat disease
- Diagnostics -
Instruments, reagents, and processes used in the diagnosis of disease or the identification of risk factors
- Therapeutics -
Agents for the prevention, mediation, or treatment of illness
- Tools and platforms -
Technologies that facilitate the discovery or design of therapeutic agents or diagnostics

BioAdvance will also support service businesses that focus on the areas mentioned above. To date BioAdvance has not funded any IT companies.

Project Activities

Typically, we support activities that define the commercial potential of scientifically-sound technology. Such "proof-of-concept" work ideally will provide strong evidence for a "go / no go" decision that, if positive, will position the recipient for its next-stage of funding. We also support the prosecution of patents, the hiring of personnel, initial market research, and business development activities. The maximum funding period is 24 months.

A recipient of funding may use the services of a third party to perform funded work, although only actual out-of-pocket contract costs are eligible for reimbursement. Capital expenditures and leasehold improvements are not eligible.

Given the scarcity of seed stage-capital, *we do not sponsor basic research that is more appropriate for NIH funding or companies that have already raised significant venture capital.*

Our prior investments illustrate our approach. Please visit <http://www.bioadvance.com/portfolio-companies.asp> for descriptions of our portfolio companies.

INVESTMENT TERMS

Initial Investment

We make initial investments of up to \$500,000. There is no minimum project size. We will cover the indirect costs of the recipient, up to 20% of direct project costs.

Follow-On

Applicants may apply for additional funding to support the same project in subsequent funding requests, but the aggregate investment in any company from the Greenhouse Fund is \$1.2 million.

Convertible Note

In exchange for funding, BioAdvance holds a convertible note. The note accrues interest, and both interest and principal are due at the end of a pre-specified term. In the event of a significant financing by an institutional investor or syndicate, BioAdvance will convert the note into preferred stock, typically at a discount to the institutional round.

We negotiate exact terms at the time of funding.

Milestones

We disburse funds based on milestones. In general, we match each milestone to an operational or scientific goal.

Governance

We generally require a board seat and/or observer position.

SUBMITTING AN APPLICATION

We make our investments using a three-stage process:

- Submission of Executive Summary, Business Plan, BFTP Application and/or an Investor Presentation
- Technical and Commercial Review
- Funding

We generally require four months to evaluate an application and obtain outside business and technical reviews. Once companies are selected for funding we conduct additional due diligence prior to finalizing the budget, funding milestones and our investment documents. This phase varies in duration, depending upon the nature of the underlying issues and the stage of the company.

Companies and investigators may submit materials for funding consideration at any time by emailing an executive summary, investor presentation, BFTP application (submitted within the last six months) or business plan to Marnie McCoy the BioAdvance Program Director at (mmccoy@bioadvance.com).

If you are an investigator from an academic institution please email a summary of the technology, a list of the intellectual property and an outline of intended use of funds. We ask that you notify your technology transfer office that you are submitting materials to BioAdvance.

For those interested in applying for the *Entrepreneur Start-up Kit* please contact Marnie McCoy the BioAdvance Program Director at (mmccoy@bioadvance.com) for further information.

Please note that whether submitting an executive summary, investor presentation, BFTP application or business plan there is information that BioAdvance will want to assess during its review of the opportunity. This information includes:

- Technical Background and Plan
- Commercial Opportunity
- Intellectual Property
- Management Team
- Budget and Use of Funds

For further detail regarding the types of information BioAdvance looks for under each of these topics, please see the Appendix A.

If content addressing these topics are not adequately covered in the initial materials, BioAdvance will request additional documentation to address these issues during the review process. We will work with each applicant on a case-by-case basis if there is missing information. The better the information you submit the sooner we can make a preliminary determination.

In addition, we encourage all applicants to review the "BioAdvance Funding Workshop Presentation" which is particularly useful in understanding how BioAdvance thinks and the typical pitfalls that we encountered in our review of investment opportunities.

REVIEW PROCESS

We use our internal resources to evaluate applications, and typically also engage subject matter experts and an advisory panel. We have two goals. First, we want to identify the most promising projects for funding. Second, we want to provide applicants with high-quality feedback about the proposal.

Our internal resources include our senior management and experienced consultants.

Our subject matter experts are matched to each proposal. They validate the technology, and often provide new and useful ideas about markets, methodologies, and milestones.

Our advisory panel is an interdisciplinary group with substantial experience in venture capital, business development or management of life sciences companies.

We review applications each week, and issue questions if there are gaps in the submission or we need clarification. Based on our initial review, we will screen out applications that are ineligible, or incomplete. If we decline your application, we will provide a notification and a rationale for our decision. If we are interested in further evaluating your application, we will provide instructions and may ask additional questions.

Once we have completed our initial internal review, we will identify at least one subject matter expert to review the application. The subject matter expert(s) assigned to the application will provide an assessment of its merit.

Specifically:

- Does the prior research support the proposed work?
- Are the milestones feasible and well-staged?
- Are the facilities and personnel adequate to complete the proposed project?
- Does the proposed work meet an unmet need or an important clinical benefit?

Once the subject matter expert(s) complete their assessment, we will complete a commercial review either by talking with potential pharma partners/industry experts and/or by including as part of an advisory panel for further consideration. The commercial review helps BioAdvance to determine whether the requested funding is likely to enable the applicant to reach the next stage of funding.

Following commercial review BioAdvance will make a final selection of applications for funding. We then notify applicants of our decision.

FUNDING

To move from decision to final funding requires the negotiation of a term sheet, a final budget and funding milestones, due diligence, and execution of a final funding agreement and convertible note.

Terms Sheet

Once we make our decision to move forward, we will negotiate a term sheet with successful applicants, to ensure agreement on key points. This is necessary given the time and effort required to complete due diligence.

Due Diligence

Prior to disbursement of funds, BioAdvance will conduct a due diligence review of key documents, financial information, and intellectual property. We also require background checks of key managers and contractors.

Funding Agreement

If the due diligence is satisfactory, we execute a funding agreement with the applicant. This agreement contains the term structure that we described earlier and also specifies a funding schedule, budget, project milestones, and reporting obligations.

APPENDIX A: Critical Questions

By addressing the questions in the following sections, applicants allow BioAdvance to understand the business and/or technology and the potential impact of our investment.

TECHNICAL PLAN

- Please outline the technical objectives to achieve proof-of-concept.
- Describe the technical background information leading to the proposed work. Describe the importance or relevance of the problem to human health. What are the gaps the proposed work will fill?
- Detail the progress to date. How long have the principals been involved in this work? How has this work been funded? What has been accomplished in the past 12 months?
- Describe your technical plan. Will the work involve any tools, techniques or methodologies that need to be developed or validated? Describe how the data will be collected, analyzed and interpreted. Describe the timeline and the benchmarks that will be used to measure progress. Indicate any technical hurdles that you must overcome and any potential alternative approaches you could pursue should the initial approach prove unsuccessful. If the proposal involves human subjects, describe the proposed clinical study and study design. Indicate where the proposed study will be conducted and institutional (IRB) and regulatory (e.g., FDA) reviews completed or pending. If the proposal involves vertebrate animals, describe the proposed study and study design. Indicate the location where the proposed study will be conducted including the qualifications of the organization conducting the work.
- Indicate who will carry out the proposed work. Include a brief description of the backgrounds of the principals involved in this work. Indicate the types of ancillary technical or professional staff that will be required to conduct the work.
- Indicate where the proposed work will be conducted. Describe the facilities that are available or will be needed to carry out the work. What kind of equipment or other resources are available or will need to be obtained for the proposed work? If the work is not going to be conducted in Southeastern Pennsylvania, explain why it cannot be performed in the region. The activity may be ineligible for funding.
- Summarize the budget and justification for the proposed work. If you are only requesting a portion of the amount required to achieve proof-of-concept, describe any additional funding sources that will be available for this work or how you propose to obtain these funds. What milestones (technical or financial) will you need to achieve to maintain or obtain additional funds? Describe amounts that will be devoted to R&D (e.g., staff, reagents, contract studies), business development activities (e.g. intellectual property, marketing), and indirect costs (e.g., administration, rent).

COMMERCIAL OPPORTUNITY

- Describe the product or service to be funded (the “project”). Describe the problem that your project addresses, how it will be used and what unmet medical need it fills.
- Describe the market for your project. Specify the number of potential uses/users there are (1) in the United States and (2) outside the United States. Be as specific as possible about the potential market. For example, do not describe a general market, such as cancer when your product targets a more specific condition, such as prostate cancer.
- Describe existing or potential competition for your product or service. Identify the advantages of your project (e.g., cost, performance) compared to other approaches on the market or in development.
- Describe the key commercial milestones you expect to reach in the next 12 months and in the next 24 months.
- Describe your commercialization strategy. Who are your potential customers? Do you intend to partner with a third party for development, manufacturing, or marketing? If so, at what stage of your plan?

INTELLECTUAL PROPERTY

- Provide a summary of the intellectual property (e.g., patents, patent applications, copyrights, trade secrets) the applicant is contributing to this project. Describe ownership of the IP. If the IP is not owned by the applicant, identify the owner and how the rights have been obtained (e.g., license). Describe the status of the IP and the ownership rights or licenses granted (exclusively or nonexclusively) to the applicant.
- Summarize the scope and key financial terms of any licenses.
- Describe competing intellectual property of which you are aware. Have freedom-to-operate searches been performed? If so, when and by whom?
- Describe any additional third party IP rights that you believe will be necessary to commercialize your product or service as planned.
- Indicate how the work proposed will contribute to existing intellectual property or what new IP may be generated.

USE OF FUNDS, FINANCIALS & EXIT STRATEGY

- List funding to date including amounts and types of funding (e.g., grants, debt, equity). Provide capitalization tables and the most recent audited or unaudited financial statement.

- Provide a statement of the current capital requirements and how that capital will be spent.
- Will you be seeking additional concurrent funding to support this project?
- How will our investment specifically support additional fundraising? What milestones will it help you reach?
- What is the exit potential? Can you provide historical or applicable comparables?
- Describe any relationships you already have with potential acquirers.

MANAGEMENT

- List management, board of directors and key advisors. Provide a short biographical sketch on each.
- State the number of individuals you currently employ and estimate the number you plan to add in the next 12 months and the next 24 months. Please describe the types of positions you intend to fill.