



**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 firms.

The Fund initially invests up to \$500,000, and can provide up to \$1 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 through 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 in these 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 firms 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.

Firms 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 firms 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 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. A copy of our form of term sheet can be found on our website.

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:

- Online Application
- 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.

There are three components to completing a BioAdvance application. They include:

- Completing the Online Registration Form, which can be found at http://www.bioadvance.com/registration/ghfund_registration.asp
- Uploading an Executive Summary
- Uploading a Proposal. Proposals could be in form of a business plan, a recent (within 6 months) Ben Franklin application or a proposal using our defined format (See Appendix B)

The first page of the registration form will ask you to answer some basic questions regarding your company/institution and what you want to accomplish with BioAdvance funding. Appendix A of this document explains each of the questions that can be found on the registration form. The second page of the registration provides a place for you to upload both the executive summary and your proposal/business plan.

We recognize that many early-stage companies/individuals have not yet written a formal business plan. With this in mind, BioAdvance has provided you with a list of questions (see Appendix B) for you to answer in putting together a proposal. This will meet the requirements of BioAdvance in lieu of a business plan. We ask those that are submitting a business plan to be sure that your plan addresses these questions as well.

Academic researchers applying for funding should upload a description of the technology and potential products, a description of the use of funds, and an overview of the underlying intellectual property.

Once you complete the online application, you will receive an email containing a User ID and a temporary password. These will give you access to our private messaging system. The system allows the posting of questions and responses, as well as the ability to upload supporting documentation. We require you to use the messaging system for all ongoing correspondence with BioAdvance.

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 queries 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 via the messaging system. 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 forward appropriate applications to a multi-disciplinary advisory panel for further consideration. The panel helps BioAdvance to determine whether the requested funding is likely to enable the applicant to reach the next stage of funding. Depending upon the number of applications reviewed, applicants generally are asked to make a brief presentation to the advisory panel.

Once the advisory panel completes its work, BioAdvance will make a final selection of applications for funding. We then notify applicants of our decision via the messaging system.

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: REGISTRATION FORM

1. Title of Proposal (Limit to 80 characters.)

Enter a name for your proposal that describes your effort as clearly and concisely as possible. Choose a title that specifically describes the proposed effort rather than a generality.

2. Name of Organization or Individual Making Application

Enter the name of the organization making the request, or if the applicant is an individual, enter the name of the individual applying.

3. Applicant Contact Information

Enter the contact information for the project manager or key contact for this application. Even in cases where the individual named in Question 2 above and in this Question 3 are the same person, please complete both questions. The applicant contact will receive all status notifications and any emails from the messaging system.

If you would like to designate the Principal Scientist as the applicant contact, please click on the corresponding box. If you would like both the Applicant and Principal Scientist to receive correspondence, please click on both boxes.

4. Principal Scientist (if any) (OPTIONAL)

If there is a principal scientist responsible for this project, identify that person here. If not, or if the principal scientist is the same as the contact person, skip and go to the next question.

5. Proposal Type

First, select the primary category that describes your project. See Eligibility Criteria for definitions of proposal categories. You must select only one primary category. Choose the most appropriate primary proposal category based on the definitions provided. If the categories do not apply, check "other" and explain your research and how it fits with the BioAdvance mission.

Next, you may choose as many secondary categories as you wish (or none at all). If you choose a category as either a primary or secondary project area, you are required to complete the additional information requested for that category.

6. Proposal Summary (Limit to 250 words or 2000 characters.)

Summarize the use of funds and the technical or commercial objective of the funding requested.

7. BLANK

8. Total amount of funding requested this cycle (\$500,000 maximum)

What is the total amount you are requesting for this funding round?

9. Total Project Cost

What is the projected total cost to achieve your proof-of-concept? If this amount exceeds \$500,000, we will ask you to identify the additional sources of funding that will bring the project to completion.

10. BLANK

11. Location of Work

Identify the physical location of the facilities where you will conduct your project.

12. Number of Current Employees

For corporate applicants, please list the number of current employees in Southeastern Pennsylvania.

13. Suggested Technical Reviewers (OPTIONAL)

Applicants have the opportunity to suggest up to three experts from the academic community or industry to serve as technical reviewers.

These should not be individuals who currently or in the past have had a relationship (e.g., collaborator, co-author, advisor, etc.) with the applicant. Technical reviewers are compensated for their time and are asked to certify that there are no conflicts before reviewing an application. The goal is to obtain the highest quality technical review for each application. BioAdvance is not obligated to use any of the reviewers suggested.

If there are particular technical reviewers you would like to exclude from reviewing your application, please send an email to application@BioAdvance.com including the project title and the name and affiliation of the reviewer to be excluded.

14. Executive Summary

In the space provided, please upload your company's most recent non-confidential executive summary (Required).

We recognize that summaries from academic and commercial sources will have a different emphasis. If this is the case, please include a summary of your technology and your R&D milestones to date.

15. Proposal

In this section, please upload your detailed proposal, which should describe your business and/or technology and how you will use our investment.

We do not have a specific format for proposals, since our applicants are diverse. Proposals from academicians tend to resemble research grants, while experienced entrepreneurs and business students tend to submit complete business plans. We also accept applications that follow the

format of Ben Franklin Technology Partners. **Any submission, however, should attempt to answer the questions that we pose in Appendix B, “Proposal Basics.”**

Once you complete the online application, you will receive an email containing a User ID and a temporary password. These will give you access to our private messaging system. The system allows the posting of questions and responses, as well as the ability to upload supporting documentation. We encourage you to use the messaging system for all ongoing correspondence with BioAdvance.

APPENDIX B: PROPOSAL BASICS

By addressing the questions in the following sections, you will allow us to understand your business and/or technology and the potential impact of our investment.

Confidential information may be submitted in the business plan or proposal, but all information that you wish to remain confidential must be clearly marked as such in the text using brackets and the caption CONFIDENTIAL around the specified sentence or section.

SECTION 1: TECHNOLOGY

In this section, describe the technology that is the foundation of your company and its commercial application. Specifically:

- What is your technology?
- What product or products will flow from your technology?
- Which product will be the first to market? Why?

SECTION 2: MARKET

In this section, to the best of your ability, describe your customers and competition. Specifically:

- Who will use the product? What problem or unmet medical need will it solve for them?
- What products are your customers currently buying to meet their need? Who sells them?
- Are you aware of other products under development that could compete with your new product?

We recognize that, for very early stage technology, a complete market assessment might not be possible.

SECTION 3: USE OF FUNDS

In this section, tell us how you will spend our investment and describe the impact on the business. Specifically:

- What activities and personnel will the funds support?
- How will you measure progress? What are your milestones?
- Will you be seeking additional concurrent funding to support this project?
- How will our investment support additional / future fundraising?

SECTION 4: INTELLECTUAL PROPERTY

- Provide a summary of the intellectual property (IP) relevant to the project: patents, patent applications, copyrights, and/or trade secrets

- For each patent or patent application, list the patent or application number, title, jurisdiction filed, filing date or, if applicable, issue date. Provide the details of any patent office milestones
- Describe ownership of the IP. If the IP is not owned by the applicant, identify the owner and how the rights have been obtained. Summarize the scope and key financial terms of any licenses.
- Describe any additional third party IP rights that you believe will be necessary to commercialize your product or service as planned.

Section 5: Financial Projections

Pro forma financial projections are welcome, but not required in the initial application.

Section 6: Exhibits

Exhibit A – Resumes of Key Personnel

Please include the resumes of all principal managers and scientists funded by our investment. (For principal scientists, the standard NIH format is acceptable.) Also include resumes of key employees if you feel they are relevant.

Exhibit B – Bibliography

Include a bibliography of the literature cited in your proposal. You may also include an annotated bibliography of any additional literature that you feel would be relevant for our evaluation or evaluations by outside reviewers.

Exhibit C – Organization

If relevant, please list the following:

- Identify the type of entity (e.g., corporation, LLC, etc.) and where and when incorporated.
- 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.
- For firms relocating to Southeastern Pennsylvania, you must demonstrate sufficient financial resources to relocate excluding funding requested from BioAdvance.