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# Innovate in PA Life Sciences Greenhouse

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Program Guidelines

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Commonwealth of Pennsylvania  
Tom Wolf, Governor

Department of Community & Economic Development



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## Section I – Overview

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Section 1703 of the Tobacco Settlement Act (Act 77 of 2001) authorized the Department of Community and Economic Development (DCED) to establish three regional biotechnology research centers (the “Life Sciences Greenhouses”) to facilitate biomedical, clinical, collaborative and health services research through the sharing of funds and infrastructure.

Innovate in PA is a new initiative whereby the three regional Life Sciences Greenhouses (LSGs) will receive new capital as a result of the sale of \$100mm in insurance premium tax credits. Revenue generated through the sale of the tax credits will be deployed to the three LSGs through the Ben Franklin Technology Development Authority (BFTDA). The Innovate in PA enabling legislation allows for up to 5% of the net proceeds received to be deployed to the three LSGs which will share the proceeds equally.

### A. Mission and Focus

The mission of the LSGs is to build upon the existing strengths in the life sciences within their regions, to develop additional strengths, and to establish and nurture links and networks between universities, research institutions, commercial concerns, industry organizations, and other entities to promote economic growth. The LSGs shall develop and implement biotechnology research projects which promote and coordinate research in the commonwealth in order to:

1. Create or enhance research and related industries in Pennsylvania;
2. Develop high quality and commercially useful products or intellectual property;
3. Attract venture capital investments;
4. Attract and retain prominent scientists;
5. Encourage training and educational programs;
6. Develop regional research specialties; and
7. Implement the commercial development of new research discoveries.

### B. Relation to other Pennsylvania Technology Programs

Positive relationships with other technology programs in Pennsylvania will enhance the ability of the LSGs to accomplish their mission of promoting economic growth. The LSGs should develop positive relationships with key industry associations, regional technology councils, regional economic development organizations, investment capital sources, and similar entities that may or may not be directly funded by the commonwealth, but which may be in a position to have an impact on the ability of a LSG to accomplish its mission.

### C. Program Activities

BFTDA anticipates that the LSG program will be primarily a program to provide funding resources and services unique to the life sciences/ biotechnology industries. The LSGs should not dilute their efforts by trying to duplicate the full range of services already being provided by other entities, whether or not those entities are being financially supported by the commonwealth. The charter of the LSGs requires that they concentrate on the field of life sciences related to health, including biotechnology and medical devices. Typical activities of the LSGs may include, but not be limited to the following:

- Direct financial investments in start-up companies,
- Support of applied research and development projects,

- Support for the development or enhancement of information infrastructure key to the implementation or introduction of life sciences,
- Support for the development or enhancement of physical infrastructure key to the implementation or infrastructure of life sciences,
- Support for networks and linkages that will promote economic development resulting from advances in life sciences both within the region and statewide,
- Support for clinical trials,
- Networking with other entities on the state, national, and international scale to maintain the LSG program at the cutting edge of technology-based economic development programs,
- Activities to enhance the level of capital investment in Pennsylvania's life sciences (including biotechnology and medical devices) sector,
- Support for programs to provide a workforce suitable to support the growth of a strong life sciences industry,
- Support of incubators with lab facilities to support startup biopharm and medical device companies,
- Programs to enhance intellectual property protection for start-up companies,
- Activities designed to market and enhance the desirability of the region and the state for the relocation of biopharmaceutical and medical device companies to Pennsylvania, and
- Programs that provide management assistance to startup companies.

## **Section II – Roles and Authority Designations**

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### **A. Executive Director**

The Executive Director of the Office of Technology & Innovation will function as Executive Director of the Life Sciences Greenhouse Program, and as such will be the liaison between the individual LSGs and BFTDA. All required reports, invoices, inquiries on department policies and procedures, and contract questions should be submitted or directed to DCED's Office of Technology & Innovation. The Executive Director will be responsible for securing or giving approvals on contract or operational questions.

### **B. Life Sciences Greenhouses**

The individual Life Sciences Greenhouses themselves play the key role in carrying out the intended mission and achieving the goals of the program in their respective regions. The activities of the LSG's should be in accordance with the work plans submitted to BFTDA and attached to the contracts. Each LSG is a separate 501 (c) (3) corporation and has a duly-elected board of directors and officers. Each nonprofit LSG has a board of directors consisting of seven to 15 members. The Secretary of DCED and the Secretary of Health or their designees are ex officio members of each board of directors. The board shall include representatives of the for-profit and nonprofit institutions and organizations participating in the research center as well as other representatives of local, civic or community groups. Each LSG will evolve operational models and funding streams appropriate to their respective markets and regional partners.

Revenue generated from the sale of the Innovate in PA insurance premium tax credits will be wired to a special account of the BFTDA known as Innovate in PA. It will be from this account that funds are then deployed to the three LSGs. The LSGs will present to the BFTDA Board how the Innovate in PA funds will be allocated (i.e. company investments, new programs).

### **C. Application Process**

To apply for funding, the applicant must submit the electronic on-line DCED Single Application for Assistance located at [www.esa.dced.state.pa.us](http://www.esa.dced.state.pa.us). Once submitted, please send via US Mail along with the signature page to:

Department of Community & Economic Development  
Customer Service Center  
400 North Street, 4th Floor  
Commonwealth Keystone Building  
Harrisburg, PA 17120-0225

1-800-379-7488

## **Section III – Specific Guidelines and Conditions**

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### **A. Direct Funding or Investment in Companies**

The LSGs may have some portion of their portfolios dedicated to the direct funding of projects at private sector firms. The LSGs are encouraged to structure these as either loans or some form of investment vehicle, including but not limited to convertible debt, royalty-bearing projects, and/or equity-based funding.

### **B. Activities other than Projects with Direct Company Involvement**

Other portfolio items (other than projects with direct company involvement) may or may not be suitable to be structured as loans or investment vehicles. The LSG should structure these activities as its board of directors (or governance mechanism) deems appropriate, but should always consider the need for support for the ongoing operations of the LSG.

## **Section IV – Project Review and Approval**

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The individual LSGs should establish procedures to generate or respond to proposals for appropriate projects and activities for the LSGs. Methods to competitively review and evaluate proposals must also be developed. These procedures and methods may vary by the type of activity or project being considered, but should be reasonably uniform within any specific category of activity. The overall portfolio components (activities, projects, and investments) should support the regional strategy or work plans for the specific LSG.

The review processes should be time-sensitive to market demands and windows of opportunity. The mechanism should be established to work as quickly and efficiently as possible, while still retaining sufficient documentation that all proposals or proposed activities involving the expenditure of LSG funds were reviewed fairly, evenly, and competitively. The review processes and considerations relating to approval or rejection of specific activities or proposals should be well documented. Files should be maintained on rejected proposals or activities as well as for those activities and proposals that are supported. The files for proposals and activities that are turned down should contain documentation reflecting the reasons for funding being declined.

Review mechanisms for proposals or other LSG activities should always take into consideration the need to follow the contract provisions concerning avoidance of conflict of interest situations (see contract and attachments). This applies to board members or any other persons involved in the review and selection process, particularly those involved at decision-making positions.

## **Section V – Use of Life Sciences Greenhouse Funds**

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Funds allocated by BFTDA to the LSGs generally will provide support for three purposes:

1. Funds may support activities and projects that support the accomplishment of the mission of the Life Sciences Greenhouse program. This support may be in the form of grants, loans, equity investments, royalty/payback agreements, or other forms of financial support.
2. Funds may support the administration expenses of the LSGs themselves in providing the support for the activities and projects in part (1). The Executive Director of the program must be notified when a specific administrative budget line item is increased by more than 10% from the budget for the same period previously submitted to BFTDA.
3. LSG's expenses associated with direct services in the areas of business and technical assistance to clients and support to regional or statewide communities for technology and entrepreneurial infrastructure.

Equipment purchases in funded projects are restricted to scientific and laboratory items or other equipment that may be required to complete a project successfully. The final decision concerning individual equipment purchases rests with the LSGs project approval authority.

Title to equipment purchased with BFTDA funding may be transferred to an academic institution, company, or other entity by the LSG at the discretion of its board of directors or governance body. The LSG should notify the program Executive Director of any such transfer, and the cost of the equipment should be shown as part of the project budget. Any equipment that will ultimately remain the property of the LSG should not be budgeted as a project expense. Such equipment items should be budgeted as part of the LSG's administration expenses.

Funds provided by DCED to the LSGs may be used to support indirect costs associated with specific projects at universities or non-profit research foundations at a rate of up to 20%.

The LSGs must provide documentation of at least a minimum 1:1 ratio of matching funds to the overall BFTDA funds, in accordance with the guidelines attached as Appendix A. In kind contributions cannot exceed 50 percent of match. Any funds not matched must be returned to BFTDA.

## **Section VI – Miscellaneous Provisions**

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### **A. Conflict of Interest and Disclosure of Financial Interests**

LSG's staff, contractors, and members of their regional Boards will be required to complete annually a: 1) Conflict of Interest Policy and 2) Financial Interest Disclosure Statement form. When completed, all forms must be reviewed by the LSG's CEO, CFO (or LSG equivalent), and the regional Board Chair or legal counsel to the regional Board, and must be maintained on file at the LSG's office. In addition, the Conflict of Interest policy form should be included as a part of all award agreements and contracts for projects sponsored by the LSG. Failure to complete the Conflict of Interest Policy and Financial Interest Disclosure Statement forms by members of the LSG's regional Board, staff, or contractors may cause the LSG Innovate in PA funding to be withheld. Copies of the Conflict of Interest Policy and Financial Interest Disclosure forms are included as Appendix D to these program guidelines.

All members of the LSG's regional Board must be provided in advance of each vote at the board meeting, or of any committee or other entity empowered to act for the regional Board, with any information the LSGs have relating to a board member's, employee's, or contractor's interest in any applicant seeking technical, business, or financial assistance, or contractor for goods, equipment, or services.

## **B. Intellectual Property**

Patent policies established by each LSG Board of Directors shall follow U.S. patent laws and shall be submitted to BFTDA in the annual report of each LSG.

## **C. Royalty, Payback, Equity Ownership Policies**

The LSGs may enter into various types of agreements to provide funding. These may be grants, loans, royalty or payback agreements, or equity ownership agreements. The willingness of a company to enter into such an arrangement may be considered in selecting participating companies.

Such policies for arrangements other than grants should be developed by the respective LSGs, be reviewed with the program Executive Director and approved by the LSG boards of directors before being implemented or written into any project contracts.

The provisions of these policies should not be a burden to a participating company to a point that they hinder the company's growth, development, or continued viability. This will be a major consideration by the Executive Director in determining whether or not to approve a submitted policy.

The proceeds from any royalty, payback, or equity ownership agreements may only be used for activities that are consistent with the accomplishment of the mission of the LSG.

The proceeds from royalty, payback, equity ownership, or other such agreements should be kept in separate accounts (or ledger accounts) so they are not commingled with any funds that are not subject to similar restrictions on their use. The LSG should inform the Executive Director of the status of these accounts and when these funds are utilized as a part of the regular reporting schedule (please see section VII of these guidelines on reporting).

## **D. Financial Accountability**

Each LSG is required to submit a final audit within 120 days after the termination of project activities undertaken pursuant to the LSG's grant agreement but no later than 120 days after the LSG's grant agreement termination date. The audit is the responsibility of the LSG. The audit must be performed by a certified public accountant. The audit must be a financial audit conducted in accordance with the provisions of the U.S. General Accounting Office's Government Auditing Standards, current revision, and contain any additional requirements specified in the LSGs grant agreement. Unless otherwise authorized by the Executive Director, the audit must include those funds received under the LSG's grant agreement, as well as any required private match funds and encompass the entire term of the grant agreement.

## **E. Employment Policies**

Each of the LSGs should develop and maintain, in their files, a policy dealing with the hiring and firing of employees. This may be a part of an overall employee policy manual. If it is maintained as a part of a larger policy manual, the portions of that manual dealing with hiring and firing must be clearly identified to BFTDA. LSGs may be required to justify their employment actions based on programmatic needs and the available pool of candidates for employment. The policy dealing with hiring and firing of employees should also be in compliance with the provisions of the contract concerning nondiscrimination and sexual harassment.



## F. Program Measures

Each LSG should collect and document specific core performance data that will be reported on an individual and on a consistent, net aggregated basis to BFTDA yearly in the Annual Report. These performance data items are:

1. Number of jobs created as a result of LSG supported projects or activities.
2. Number of jobs retained as a result of LSG supported projects or activities.
3. Commercialization/product pipeline of LSG-supported companies.
4. Number of new companies (within their first 3 years) supported as project participants.
5. Dollars of federal funding attracted to LSG projects or as follow-on to project participants.
6. Additional funding received by companies after LSG investment, which may include dollars of venture capital attracted to LSG projects/entities or follow-on investments to projects/entities, dollars of other private capital leveraged to LSG projects/entities and industry funding attracted to LSG projects/entities.
7. Funds raised outside of PA/state dollars.
8. Number of applications received for funding.
9. Total dollar amount of all LSG applications.
10. LSG investments to date
  - a. Investments made using BFTDA-Innovate in PA funds from the initial Greenhouse funding agreement from Act 77, 2001
  - b. Investments made using other funds raised by the Greenhouses
11. Total projects funded
  - a. Total companies funded
  - b. Total university technology projects funded
12. Program impacts
  - a. Training
  - b. Conferences
  - c. Support (mentoring/temporary staffing)
  - d. Other
13. Other specific measures that the respective LSGs may choose to implement.

Additional measures may be added by BTDA in cooperation with the LSGs. The LSGs are encouraged to collect additional measures that gauge the impact of the LSGs regional strategies. Such measures may be of more use to the LSG itself in gauging its effectiveness and are not required to be included in the annual report to DCED.

## G. Modification of Program Guidelines

BFTDA, through the program Executive Director, or a LSG may propose changes to the guidelines. Proposed changes will be discussed and negotiated, if necessary.

## **Section VII – Submission and Reporting Requirements**

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The reporting schedule listed below is designed to provide the information needed by BFTDA while keeping the burden of reporting placed on the LSGs reasonable.

### **A. Required on a regular schedule**

1. Annual Report to BFTDA. The submission must include items required in the LSG contracts and in the Innovate in PA legislation. The report is due in sufficient time to permit BFTDA to submit their report to the General Assembly due January 1st, which date will be mutually agreed upon by the LSGs and the Executive Director.
2. Annual Operating Budget for the LSG as approved by each LSG board of directors, which shall be included in the Annual Report. (See Section B below for adjustments to this annual administrative budget.)
3. Portfolio updates. This requirement may be satisfied by periodic reports satisfactory to the Executive Director.
4. Jobs created, jobs retained, cash leveraged, new company formation (within their first 3 years) and businesses assisted on a semi annual basis.
5. Annual Impact Report. See Appendix C. This report will be due by October 31st each year, and should at a minimum include information on the measures listed in section VI (F.) of these guidelines. Additional information such as appropriate press clippings, program success stories, and other highlights may also be included in this report.
6. Schedules of LSG boards of directors meetings. The Secretary of DCED is an ex officio member of the board. The LSG's should submit a yearly schedule for the board of directors meetings to the Executive Director.
7. Minutes of board of directors meetings shall be sent to the Executive Director after they are approved by the board of directors.
8. A case study of a successful company on a semi annual basis.
9. Closeout Audit as specified in Article XIV of the LSG Contracts.

### **B. Submissions Required on an as-needed basis**

1. Annual Administrative Budget Changes when a change of 10% or more is made to a budget line item.
2. Royalty, Payback, and Equity Position Policy for the LSG - Initial policy or changes to the policy - for review by the program Executive Director.
3. Report of any financial interaction between the LSG and any of its corporate members or members of the LSG board of directors.
4. Report of any additional activities by the LSG beyond its normal projects and activities. This may include new or novel types of projects or funding support by the LSG, or contracts for additional funding support for the LSG from other sources such as federal agencies, other state agencies, foundations, or any other entities.
5. Proposed changes or modifications to these program guidelines.

## Appendix A – Guide for Calculating Match

MATCH CATEGORY	DESCRIPTION	TIMING OF MATCH RECOGNITION	DOCUMENTATION
<b>From Donation and Contributions into LSG</b>			
Cash	Sponsorships, etc.	Upon receipt of funds	Acknowledgement (e.g., letter, agreement, notification.) + receipt (e.g., deposit slip, copy of check)
In-kind	Professional services including BOD project consulting time	Upon receipt of services	Acknowledgement + receipt
Other services	Subsidized rent, facilities, equipment, etc.	Upon receipt of services or equipment	Acknowledgement + receipt
<b>From Earmarks, Appropriations, or Grants into LSG<sup>1</sup></b>			
Federal		Commitment of funds by agency <sup>1</sup>	Acknowledgment/notice of award
State		Not recognized as match <sup>2</sup>	Acknowledgment/notice of award
Other		Upon receipt of funds	Acknowledgment + receipt
<b>From Investees of LSG</b>			
Contribution of indirect costs	Difference between actual indirects and that funded by LSG	As incurred by investee	Funding Agreement/Quarterly reports <sup>4</sup>
Grants	SBIR, NIH, etc.	Commitment of funds by agency	Periodic reports by investee or copy of notice of award or confirmation in public database
Corporate deals	License fees, upfront payments from corporate partner	Commitment of funds by corporate partner	Periodic reports by investee or copy of signed agreement
	Milestone payments, R&D payments, royalties from corporate partner	Receipt by investee	Periodic reports by investee or financial statements of investee
In-kind	Goods and services to investee	Upon receipt of services by investee	Funding Agreement/periodic reports by investee
Convertible notes	Loans convertible to equity <sup>5</sup>	Commitment of funds to investee	Funding Agreement/periodic reports or copy of convertible note
Equity investments	Paid in capital	Commitment of funds to investee	Funding Agreement/periodic reports or copy of equity purchase agreement

MATCH CATEGORY	DESCRIPTION	TIMING OF MATCH RECOGNITION	DOCUMENTATION
<b>From Non-Investees Supported by LSG</b>			
Grants	Companies supported by LSG for grants (e.g., SBIR)	Commitment of funds	Acknowledgement/notice of award or confirmation in public database
<b>From Affiliated Venture Funds</b>			
Capital	Commitment of capital contributions by LPs <sup>6</sup>	Upon closing of fund	Reporting by Venture Fund
<b>From Bioinformatics Alliance (BioAdvance only)</b>			
Grants, Earmarks, Appropriations		Upon receipt of funds	Sponsored Agreement/Reports <sup>3</sup>
Cash Contributions	Sponsorships, etc.	Upon receipt of funds	Sponsored Agreement/Reports
In-kind	Professional services including faculty time, salary of employees attending courses	Upon receipt of services	Sponsored Agreement/Reports
Other services	Facilities, equipment, software, etc.	Upon receipt of services or equipment	Sponsored Agreement/Reports
Fees	Tuition, registration fees	Upon receipt of funds	Sponsored Agreement/Reports
<b>Bank Financing</b>			
Loan/Lease		Upon receipt of funds	Acknowledgement + receipt
<b>Equity Financing</b>			
Private or public		Upon receipt of funds	Acknowledgement + receipt

## Notes

<sup>1</sup> This includes grants, earmarks, or appropriations directly to a LSG or for programs supported by the LSG.

<sup>2</sup> Funds from commonwealth will be tracked but not recognized as a match.

<sup>3</sup> Sponsored research agreements call for regular reports including project status.

<sup>4</sup> Funding agreements call for periodic reports including project status, corporate update and financial statements.

<sup>5</sup> Loans to investees from Ben Franklin Technology Partners will be tracked but excluded from match since these funds come from commonwealth.

<sup>6</sup> Capital coming from commonwealth funds will be tracked but not recognized as a match.

## Appendix B – Method for Calculating Income-Sharing

SOURCE	EXAMPLE	WHEN REALIZED OR RECOGNIZED	QUALIFIES FOR SHARED INCOME
Interest and dividend income on funds invested with financial institutions	Money market interest, bond coupons, mutual fund investments	Realized when earned, recognized when received	No
Reimbursement income	Monies received as a result of advances made by LSG	Realized when pledged/recognized when received	No
Donated services	Legal discounts, rent subsidies	Realized and recognized upon receipt of invoice	No
Sponsorship revenue	Monies received in connection with an event	Realized when pledged/recognized when received	No
Tuition revenue	Payment for Bioinformatics classes	Realized and recognized upon receipt of check	No
Grants	DCED grants and federal appropriations	Realized when grant is drawn down or awarded/recognized when funds are received	No
Royalties	Value above initial investment resulting from licensing and sales	Realized and recognized upon receipt of check	Yes
Interest on portfolio company notes	Interest on outstanding portfolio debt	Realized and recognized upon repayment. Calculation occurs when liquid.	Yes
Gains from receipt and/or sale of portfolio company stock in connection with a financing event and early cancellation of a note	Excess value of proceeds from stock sale or receipt of stock converted from note and warrants over and above original value of note (income over cost of investment plus all related expenses of that investment)	Realized and recognized upon note conversion and/or receipt of stock. Calculation occurs when liquid.	Yes

### Notes

Revenue is typically realized when the expected asset (cash or equity) is identifiable and probable. In most cases, there is some doubt attached to ultimate collection of the cash, and therefore revenue is not recorded until such date when the cash or equity is actually received. If the receipt of cash is probable and the amount is known, a receivable and associated revenue will be recorded on the books even though the cash has not yet been received. Revenue sharing with DCED should be based on net recognized revenue only (when cash is actually received), and calculated and remitted once each year. Net recognized revenue should include income sources listed in the table above, reduced by project costs on a project by project basis.

## Appendix C – Annual Impact Report

1. Number of jobs created as a result of LSG supported projects or activities	
2. Number of jobs retained as a result of LSG supported projects or activities	
3. Commercialization/product pipeline of LSG-supported companies (attach as supplement to this Appendix)	
4. Number of new companies (within their first 3 years) supported as project participants	
5. Dollars of federal funding attracted to LSG projects or as follow-on to project participants	
6. Additional funding received by companies after LSG investment, which may include dollars of venture capital attracted to LSG projects/entities or follow-on investments to projects/entities, dollars of other private capital leveraged to LSG projects/entities and industry funding attracted to LSG projects/entities	
7. Funds raised outside of PA/state dollars	
8. Number of applications received for funding	
9. Total dollar amount of all LSG applications	
10. LSG investments to date	
a. investments made using BFTDA-Innovate in PA funds	
b. investments made using other funds raised by the Greenhouses	
11. Total projects funded	
a. total companies funded	
b. total university technology projects funded	
12. Program impacts (attach as supplement to this Appendix)	
a. training	
b. conferences	
c. support (mentoring/temporary staffing)	
d. other	



## CONFLICT OF INTEREST

## APPENDIX D

### CONFLICT OF INTEREST POLICY (EFFECTIVE JULY 1, 2004)

The \_\_\_\_\_ ("Greenhouse") is a not-for-profit corporation. As a recipient of public funding and support from foundations, businesses and individuals, the Greenhouse must strive to ensure that its activities, as well as those of its directors, officers, employees, consultants and independent contractors, are conducted in compliance with appropriate standards of ethics, loyalty, honesty, integrity and fair dealing. To this end, the Board of Directors of the Greenhouse (the "Board"), for themselves and for the Greenhouse's officers, employees, consultants and independent contractors, has adopted a formal Conflict of Interest Policy designed to preclude any material conflict of interest or impropriety with respect to the duties and activities of such persons or entities relating to the Greenhouse. The Greenhouse's current Conflict of Interest Policy is set forth below.

#### Statement of Policy

1. **Definitions.** For the purposes of this Conflict of Interest Policy only, the following words and phrases shall have the meanings given to them in this section.
  - (a) "Affiliate" is any entity with which a Covered Person has an Affiliation.
  - (b) "Affiliation" means any of the following: (i) actual or beneficial ownership (other than a Permitted Interest) of equity, debt or other financial interest in an entity by a Covered Person or an Immediate Family Member of a Covered Person; or (ii) a relationship as an officer, director, employee or partner (whether general or limited) by a Covered Person in an entity. *This definition is not intended to affect or modify Section 5(b) [Prohibited Activities] of the Policy.*
  - (c) "Board" means the Board of Directors of the Greenhouse.
  - (d) "Committee" means the Committee on Conflict of Interest established pursuant to *Paragraph 5 of the Protocol.*
  - (e) "Covered Person" means an Internal Covered Person or an Outside Covered Person.
  - (f) "Greenhouse" means the not-for-profit corporation which has entered into this Contract.
  - (g) "Greenhouse Transaction" means any transaction, business dealing or project between the Greenhouse and a third party, other than a University Earmarked Project.
  - (h) "Immediate Family Member" means a spouse, parent, child or sibling of a Covered Person.
  - (i) "Interested Director" means a member of the Board who (i) is a party to a Greenhouse Transaction, (ii) has an Immediate Family Member who is a party to a Greenhouse Transaction, (iii) has an Affiliation with a party to a Greenhouse Transaction, or (iv) has an Immediate Family Member who has an Affiliation with a party to a Greenhouse Transaction.
  - (j) "Internal Covered Person" means any officer, director or employee of the Greenhouse.
  - (k) "Outside Covered Person" means any consultant or independent contractor to the Greenhouse, including those who perform services in an advisory capacity and who receive no monetary compensation or a stipend of nominal monetary value for such services.
  - (l) "Permitted Interest" means the ownership of (i) securities listed on a recognized stock exchange or the Nasdaq National Market, so long as the amount of any such securities in any one issuer represents less than 5% of the outstanding securities of such issuer; (ii) shares of mutual funds; (iii) any interest in a blind trust; or (iv) any debt instruments in a company with publicly traded securities.
  - (m) "University Earmarked Project" means any project as to which a foundation or other source of funds for such project, other than the commonwealth or an authority or agency thereof, has specifically provided that such funds shall be allocated to one or both of the University of Pittsburgh or Carnegie Mellon University.
2. **Policy Statement.** The directors, officers, employees, consultants and independent contractors of the Greenhouse, in all transactions related to their duties on behalf of the Greenhouse, or on behalf of those entities served by the Greenhouse, shall adhere to the standards of ethics, loyalty, honesty, integrity and fair dealing described herein and shall at all times act in the best interests of the Greenhouse. For the purposes of this Conflict of Interest Policy, the terms "consultants" and "independent contractors" do not include individuals who perform services in an advisory capacity to the Life Sciences Greenhouse and who receive no compensation or a stipend of nominal monetary value for said services.

### 3. Disclosure of Conflict of Interest.

- (a) An officer, director or employee of the Greenhouse who is a party to or who is interested in a project must disclose the nature and extent of the interest to the Board, and must Abstain from the Board's deliberations concerning the project, all as more fully set forth in Section 3 below. Any member of an organization is a Party in Interest.
- (b) A consultant or independent contractor of the Greenhouse who is a party to or who is interested in a project, as more fully described in paragraph (c) below, shall immediately disclose the nature and extent of the interest to the Board.
- (c) An officer, director or employee of the Greenhouse or a consultant or independent contractor of the Greenhouse (any such person being a "Covered Person") shall be deemed to have an Adverse Interest and to be subject to the requirement for disclosures as described in paragraphs (a) and (b) above if any of the following conditions are met:
  - (i) The Covered Person has a financial interest in a project;
  - (ii) A member of the immediate family of the Covered Person has an interest in a project;
  - (iii) A Covered Person has an employer-employee, partnership, agency, lender or borrower, fiduciary or legal or beneficial ownership relationship with a party to or a person financially interested in a project; or
  - (iv) A matter which might reasonably be expected to influence a Covered Person in the discharge of the Covered Person's official duties concerning a project.
- (d) The Board shall take such action, which is necessary in light of the facts revealed by the disclosure, to avoid a conflict of interest or impropriety with regard to a project.
- (e) The disclosure statement of the Covered Person, and the action by the Board, shall be made a part of the minutes at its next regular or special meeting.
- (f) In the event any Covered Person, as to whether he, she, or it would be considered "interested in a project" under Section 2(a) above, such Covered Person shall make full disclosure concerning the potential conflict of interest to the Chairman of the Board and to the uninterested members of the Board. The uninterested members of the Board shall then determine by majority vote whether a conflict of interest exists and shall advise the inquiring Covered Person.

### 4. **Obligation to Abstain in the Event of an Adverse Interest.** In the event of any Adverse Interest requiring disclosure by a Covered Person under Section 2(a), such Covered Person, after first having disclosed the Adverse Interest as described above, shall:

- (a) Refrain from participating in the deliberations concerning the matter presenting the conflict;
- (b) Abstain, in the case of a director, from voting on the matter presenting the conflict; and
- (c) At the request of the Board member chairing the meeting, leave the meeting room during the deliberations and vote with respect to the matter presenting the conflict.

### 5. **Prohibited Activities.**

- (a) No Covered Person may solicit, accept or receive from a person, firm, corporation or other business or professional entity or organization a gift, loan, gratuity, favor or service that might influence his or her position in the discharge of his or her official duties concerning a project or any other activities of the Greenhouse. However, acceptance of food and refreshment of nominal value on infrequent occasions in the ordinary course of a luncheon or dinner meeting or other meeting shall not be deemed a "gift, loan, gratuity, favor or service" for purposes of this section.
- (b) No officer, director, employee, consultant or independent contractor of the Greenhouse may directly or indirectly use for personal gain any information not available to the public concerning a project which comes to him, her or it as a result of affiliation with the Greenhouse, nor may such person or entity provide that information to others not directly connected with the Greenhouse's investigation concerning the feasibility, development or establishment of a project.
- (c) No officer or employee shall engage in any employment, consulting, advisory or similar activity which is in material conflict with the interests of the Greenhouse.
- (d) Each Greenhouse and its officers, directors and employees shall avoid conflicts of interests in connection with the operations and affairs of the Greenhouse. Without limiting the generality of the foregoing, (i) a Greenhouse shall not hire, engage, employ or appoint an officer, director or employee of the Greenhouse (a "Covered Person"), or a spouse, parent, child or sibling of a Covered Person (an "Immediate Family Member"), or any for-profit entity in which a Covered Person or an Immediate Family Member of a Covered Person has an ownership or employment interest (a "Related For-Profit Entity") to provide services (other than services as may ordinarily be provided by a Covered Person in his or her capacity as an officer, director or employee of the Greenhouse) to the Greenhouse or to any person or entity applying for or receiving financial assistance from or through the Greenhouse (an "Applicant"); (ii) a Greenhouse shall not require, as a



condition of application, funding, or otherwise, any Applicant to hire, engage or employ a Covered Person, Immediate Family Member of a Covered Person or a Related For-Profit Entity to provide services to such Applicant; and (iii) a Greenhouse shall not require, as a condition of application, funding, or otherwise, an Applicant to accept services from a Covered Person, Immediate Family Member of a Covered Person or a Related For-Profit Entity. Subject to applicable disclosure and recusal requirements, the prohibitions described herein are not intended to restrict or preclude pre-existing relationships between Applicants and Covered Persons, Immediate Family Members of Covered Persons, or Related For-Profit Entities, or to restrict or preclude business or professional relationships initiated by an Applicant with a Covered Person, Immediate Family Member of a Covered Person, or Related For-Profit Entity.

**6. Communication and Affirmation of Policy.**

- (a) The Greenhouse shall deliver a copy of this policy to each of its officers, directors, employees, consultants and independent contractors. A copy of this policy, or a summary thereof, shall be included in the documentation of each proposed project which the Greenhouse funds.
- (b) All Covered Persons shall be given a copy of this policy and deliver to the Secretary of the Greenhouse positive written affirmation of adherence to the policy by executing the Acknowledgment and Acceptance of Conflict of Interest Policy attached hereto.
- (c) Each member of the Board shall provide the Greenhouse's Secretary with an annual Financial Interest Disclosure Statement in the form from time to time required by the Greenhouse. Although such information will be made available to the members of the Board, it will otherwise be treated as confidential.
- (d) Any candidate for election to the Board shall be given a copy of this policy in advance of election and shall affirm his or her support of it prior to election; and any newly elected officers, newly hired employees or newly retained consultants or independent contractors shall be advised, prior to election, hiring or retention, of this policy and each shall affirm his or her or its support thereof prior to election, hiring or retention.

**7. Remedies.** The failure to make any required disclosure under this policy or any other breach of this policy is grounds for disciplinary action by the Greenhouse against the Covered Person, which disciplinary action may include removal from the Board or termination of the individual's employment, consulting or other contract or arrangement, and is grounds for disapproval of an application or rescission of a project by the Greenhouse. The remedies provided herein shall be in addition to any other legal remedies available to the Greenhouse.

**Acknowledgment and Acceptance of Conflict of Interest Policy**

I have read and understand the Statement of Policy regarding conflicts of interest. I acknowledge that there are no current transactions or activities which may represent a potential competing or conflicting interest as defined in the Statement of Policy. Further, I acknowledge that I must disclose to the Secretary of the Greenhouse any transaction or activities of the Greenhouse or me which might be covered by the Statement of Policy regarding Ethical Conduct and Conflicts of Interest. Finally, I understand that failure to comply with the Statement of Policy will damage the Greenhouse and its activities, and the remedies set forth in the Statement of Policy are appropriate.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name



# FINANCIAL INTEREST DISCLOSURE STATEMENT

APPENDIX D

20 \_\_\_\_\_

**PARTNER**

(All information concerns the period 1/1/20\_\_ through 12/31/20\_\_)

I, the undersigned member of the Board of Directors of the \_\_\_\_\_ (the "Greenhouse"),  
in compliance with the Greenhouse Conflict of Interest Policy, hereby report the following:  
(If there are no Ownership Interests, please indicate so with NONE).

**1. Ownership Interests.**

At any time during the past calendar year, I or my spouse had an Ownership Interest\* in the following for profit businesses:

\*Ownership Interest means an equity interest in any business in which the person reporting or his or her spouse actively works or an investment interest in a business which is equal to at least 10% of the total equity interest in the business.

**2. Offices and Positions.**

At any time during the past calendar year, I or my spouse was a director, officer, partner, employee of the following for profit businesses: (If there are no Offices and Positions involved, please indicate so with NONE).

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name