

**OPERATING PROCEDURES**  
**FOR THE CONNECTICUT BIOSCIENCE COLLABORATION PROGRAM**  
**Approved by CI Board January 5, 2012**

**I. STATEMENT OF PURPOSE.**

To establish a process for the submission of proposals to, and guidelines and terms for grants and loans to be awarded by, Connecticut Innovations, Incorporated (“CI”) under the Connecticut Bioscience Collaboration Program (the “Program”) established by Public Act No. 11-2 of the October, 2011 Special Session (the “Act”).

**II. SOURCE OF FUNDS.**

Grants and loans under the Program will be made from monies available in the Connecticut Bioscience Collaboration Fund (the “Fund”) created by Section 1(c) of the Act. CI will receive, hold and disburse for the account of the Fund the proceeds of general obligation bonds of the State of Connecticut, in principal amounts not exceeding in the aggregate Two Hundred Ninety Million, Six Hundred Eighty-Five Thousand Dollars (\$290,685,000), authorized by Section 2(a) of the Act to be issued in specified capped amounts over the fiscal years 2012 through 2021 (the “Bonds”). The issuance of the Bonds is subject to the execution of a memorandum of understanding (the “Bond MOU”) between the Board of Directors of CI (the “CI Board”) and the State of Connecticut, acting by and through the Secretary of the Office of Policy and Management and the Treasurer, and the approval of the Bond MOU and the issuance of the Bonds by the State Bond Commission. The obligation of CI to make grants and loans under the Program is subject to such State Bond Commission approval and the availability of the proceeds of the Bonds (or amounts made available to the Fund by the Treasurer in anticipation of the issuance of Bonds). CI has no obligation to advance or use its own funds for deposit to the Fund or to make grants or loans under the Program.

**III. ELIGIBILITY FOR GRANTS AND LOANS.**

An applicant for grants and loans under the Program (an “Applicant”) must satisfy the following minimum criteria:

- a. the Applicant must be an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code;
- b. the principal business of the Applicant to be conducted with assistance under the Connecticut Bioscience Collaboration Program must be bioscience medical research, including research on stem cells, DNA (deoxyribonucleic acid), systems genomics and genome-based medicine;

- c. the University of Connecticut (“UConn”) shall have confirmed its intention, subject to necessary approvals and fully negotiated terms and conditions, to make a site available to Applicant on the campus of the UConn Health Center for the purpose of construction and operation of a research laboratory and office building that will act as the anchor of a Connecticut bioscience cluster.

#### **IV. APPLICATION.**

- a. An Applicant shall submit a written proposal (the “Application”) to CI including the following information to the extent reasonably available at the time:
  - i. the name, form of organization, and jurisdiction of organization of the Applicant;
  - ii. copies of the organizational documents of the Applicant;
  - iii. a copy of the IRS determination letter or comparable evidence of the status of the Applicant as a qualified 501(c)(3) organization;
  - iv. a narrative description of the principal business of the Applicant, and the principal business to be conducted at the facility to be constructed at the UConn Health Center, consistent with the requirements of the Act and these Procedures;
  - v. the names and principal business affiliations of each member of the board of trustees of the Applicant;
  - vi. the names and titles of the principal executive officers of the Applicant;
  - vii. copies of the audited annual financial statements and Form 990 of the Applicant for the last three (3) fiscal years;
  - viii. the amount of financial assistance applied for in the form of loans and grants;
  - ix. a description of the research and office building and other principal improvements planned for the campus of the UConn Health Center, as well as a list or general description of the furniture, fixtures and equipment (“FF&E”) necessary to properly equip the improvements for operation (together the “Project”);
  - x. a description of the proposed building site for the Project and of the arrangements made with UConn for the conveyance or lease of real property constituting the building site;

- xi. a description of any plans to seek LEED “green building” certification for the Project;
- xii. a narrative description of plans for physical and operational integration of the Project on the UConn campus and the ways in which the Project and the Applicant’s research programs are intended to provide an “anchor” for a Connecticut bioscience cluster;
- xiii. the budget, in reasonable detail, for pre-development and construction and FF&E acquisition costs of the Project;
- xiv. the proposed schedule for pre-development work, construction, equipping and completion of the Project;
- xv. a statement of proposed sources and uses of funds necessary to complete the Project;
- xvi. any proposed plans for set-asides for women and minority-owned business, small contractors, Connecticut-based businesses and similar contracting or jobs preferences;
- xvii. preliminary budgets for the operation of the Project over the first ten (10) years, including identification of sources of working capital;
- xviii. the number of proposed new jobs at the Project, both initially and over the first ten (10) years;
- xix. a description of the proposed use of the grants; and
- xx. a description of any material claims or litigation to which the Applicant is a party, any defaults, or alleged defaults, under material agreements (including grant agreements), and any governmental investigations of the Applicant or its business.

b. If any of the information specified in subsection (a) above is not available at the time the Application is first submitted, the Applicant shall note any such omission and the reasons therefore and shall undertake to provide such omitted information to CI as soon as it is reasonably available.

c. CI may request of the Applicant such supplemental or further information as CI may reasonably determine to be necessary in order to consider the Application, and the Application shall not be deemed to be complete until such supplemental or further information is provided to CI by the Applicant.

d. The Application and the information provided to or maintained by CI with respect to the Applicant or the Project will constitute public records for purposes of the Connecticut Freedom of Information Act; provided, however, that the submission of the Application and such information, and the records or files made by CI in connection therewith, are intended to be part of a request for proposals and contract award process for purposes of Section 1-210(b)(24) of the Connecticut General Statutes. If any information provided by Applicant in the Application or otherwise is considered by the Applicant to constitute trade secrets or commercial, financial or credit information exempt from public records disclosure by operation of Sections 32-40(c) or 1-210(b)(5) of the Connecticut General Statutes, or to be subject to other exemption from public records disclosure, the Applicant shall mark and identify the information as to which any such exemption is claimed, shall state the basis for the claimed exemption, and shall provide to CI a version of the same document from which the information claimed to be exempt has been redacted. The burden of establishing the availability of such an exemption for any information provided by the Applicant shall fall on the Applicant.

## **V. TERMS AND CONDITIONS OF FINANCIAL ASSISTANCE.**

a. Financial assistance under the Program may take the form of loans for the development, construction and equipping of the Project, including both construction and permanent loans, and grants for working capital purposes and bioscience medical research at and in connection with the operation of the Project.

b. The terms and conditions for any such financial assistance shall be in the discretion of and subject to the approval of the CI Board, and may, without limitation, include the following:

- i. minimum Project size and Project cost requirements, and minimum capital contributions for Project costs and for working capital;
- ii. reasonable and customary construction loan terms and conditions, including, without limitation, requirements for:
  - A. prior, matching or otherwise staged capital contributions toward Project costs;
  - B. an owner-controlled or similar comprehensive insurance program;
  - C. approval of requisitions by a consulting engineer;
  - D. architect's certificates regarding conformity of construction to designs;
  - E. performance bonding;

- F. approval by CI of designs, budgets, schedules and change orders; and
- G. Applicant responsibility for cost-overruns;
- iii. a ground lease and/or other conveyance of real estate interests by UConn to the Applicant sufficient to support development and operation of the Project;
- iv. enforceable mortgage and security interests on the Applicant's interest in the Project, including the FF&E and the leasehold estate;
- v. requirements regarding prevailing wages, set-asides, jobs preferences, etc. as may be applicable to project construction;
- vi. limitations on, and certifications of, use of proceeds consistent with the requirements and limitations of the Act, these Procedures and the Applicant's tax covenants;
- vii. establishment of interest rates, payment schedules and payment deferrals, and forgiveness of principal and interest upon achievement of specified milestones;
- viii. restrictions on sale, lease, and other liens on the Project;
- ix. approval of FF&E list and budget, FF&E requisition and disbursements procedures and controls, restrictions on sale, removal or other disposal of FF&E;
- x. tax covenants, including private use limitations, change in control and change in use provisions, and arbitrage and rebate requirements, to support issuance of the Bonds on a tax-exempt basis as qualified 501(c)(3) bonds;
- xi. non-relocation covenants and related claw-backs and penalties;
- xii. arrangements between CI and the Applicant relating to the proceeds of intellectual property developed with grant proceeds, and collaboration with respect to the further development of a bioscience cluster anchored by the Project;
- xiii. indemnification provisions from the Applicant in favor of CI;
- xiv. annual performance requirements;
- xv. capital replacement and maintenance reserves;

- xvi. annual financial reporting and auditing requirements;
- xvii. grant requirements, approval, certification and auditing process;
- xviii. any terms, conditions, limitations or requirements necessary to comply with the Bond MOU and any conditions or requirements of State Bond Commission approval of the issuance of the Bonds;
- xix. default and remedy provisions, including claw-back rights;
- xx. provisions regarding compliance with campaign finance and gift restrictions, and other applicable laws;
- xxi. other customary loan and grant representations, warranties and covenants.

## **VI. APPLICATION REVIEW AND APPROVAL PROCESS.**

- a. CI will notify the Applicant when the Application is deemed to be complete.
- b. The Application will be scheduled for initial consideration by the CI Board no later than the first regularly scheduled CI Board meeting that is at least thirty (30) days following the date on which the Application is deemed complete.
- c. The process of review of the Application, further due diligence, and negotiation of the proposed grant and loan terms and conditions will be conducted by the Executive Director of CI, in consultation with the Chairperson of the CI Board, with the assistance of such CI staff as the Executive Director may deem appropriate.
- d. At any time prior to closing, and notwithstanding the fact that the Application may previously have been deemed to be complete, the Executive Director may conduct such further due diligence, and request further information from the Applicant and UConn, as the Executive Director believes is necessary in connection with its review of the Application and the negotiation of terms and conditions with the Applicant.
- e. Upon completion by the Executive Director of the process of Application review, due diligence and negotiation of terms and conditions, the Executive Director shall prepare for submission to the CI Board a summary of the material information in the Application, accompanied by such supporting information as the Executive Director believes to be necessary or appropriate in order for the CI Board to be reasonably and adequately informed for purposes of consideration of, and action with respect to, the Application, and setting forth the principal terms and conditions negotiated between the

Executive Director, in consultation with the Chairperson of the CI Board, and the Applicant.

f. In acting on the Application, the CI Board may consider the Application, the other information provided by the Executive Director, the purposes, conditions and requirements of the Act, the objective of the Act to establish an anchor bioscience medical research laboratory at the UConn Health Center as part of a bioscience cluster, any presentation to the Board by UConn or the Applicant, any recommendation by UConn with respect to the compatibility of the Project with the interests of UConn and the objectives of the Act, the advice of counsel and any other outside advisors to CI, the creation of jobs and employment opportunities, both direct and indirect, the general economic base impact of the Project, and the statutory purposes of CI, including the support and expansion of technology-based and bioscience businesses in the state, and such other factors and information as the CI Board deems relevant to such consideration and action.

g. The Applicant will be notified promptly of any action of the CI Board with respect to the Application. If the Application is approved, such notification shall include the terms and conditions of such approval. The Applicant shall promptly indicate whether or not it accepts such terms and conditions. If required by CI, such acceptance shall be evidenced by a signed letter of intent or term sheet.

h. Upon acceptance by the Applicant of the terms and conditions of CI Board approval, CI will cause to be prepared all documents and instruments necessary to close the financial assistance as approved and accepted. Closing costs, including the fees and disbursements of counsel to CI in connection with the consideration, approval and closing of such financial assistance, shall be paid by the Applicant.

## **VII. EFFECTIVENESS.**

These Operating Procedures shall be published in the *Connecticut Law Journal* pursuant to Section 1-121 of the General Statutes, but such publication shall be without prejudice to the immediate effectiveness of these Operating Procedures as the application process and guidelines and terms for grants and loans awarded under the Program established by CI pursuant to the separate authority of Section 1(d)(1) of the Act. The Executive Director of CI may therefore immediately receive and accept applications in accordance with Section IV, and any such application may be reviewed and otherwise processed as provided in Section VI immediately following receipt; provided, however, that no such grant or loan shall be awarded until these Operating Procedures become effective as procedures of CI by adoption as such by the CI Board following the running of the thirty (30) day notice and comment period provided for in Section 1-121 of the General Statutes.