



Life Sciences Facilities Fund

The State of Georgia has made a commitment to expand its life-science industry by investing millions of dollars in research infrastructure, eminent scholars and commercialization assistance through the Georgia Research Alliance and the State's universities. Recently the State has made a new concrete financial commitment to support the facilities needs of life-science companies. After a \$2.5 million loan was made to Inhibitex, Inc. as a pilot project, the Georgia legislature appropriated \$2 million to DCA's FY 2005 budget for the creation of the Life Sciences Facilities Fund ("LSFF" or "Facilities Fund"); DCA's Board adopted regulations governing the program on August 3, 2005.

The purpose of the Life Sciences Facilities Fund is to serve as an incentive program to provide low-cost loan assistance for the purchase of fixed assets to assist with the relocation or expansion of life-science companies targeted by Georgia. The Facilities Fund is intended to be used as an incentive when needed to retain or recruit life-science companies in and to Georgia, or to fill a financing gap that is unmet by the private sector (including angel investors, venture capital, traditional commercial financing, developer financing, etc.) and when the health, welfare and economic security of the citizens of the state are promoted through the recruitment, development and retention of life-sciences companies that are creating higher quality jobs, making private investment in Georgia and creating marketable products.

Eligible applicants for the program are local government development authorities, joint or multi-county development authorities, and local governments, although program regulations allow funds to be loaned directly to eligible businesses. There is no maximum loan amount, although generally the loan amount will not be more than 25% of the fixed-asset needs of the company's Georgia location. Each project and company will be subject to a financial analysis, business-model review and scientific validation.

While DCA administers the LSFF, each project will likely involve the participation of several state-wide partners, including the Georgia Department of Economic Development (GDEcD), the State's research universities, and the Georgia Research Alliance (GRA). The partners participate in project development and provide support during the application-review process including scientific vetting, market analysis, and review of business plans. The LSFF regulations require that a recommendation letter in support of an application be provided by a state agency or organization whose powers and duties include economic development or the enhancement of Georgia's technology sectors, stating that the proposed project needs the loan fund's loan assistance; typically such a recommendation letter is issued by GDEcD.

Public benefits from the program will be the growth of Georgia's life-sciences industry through retention, growth and recruitment of life-science companies; the creation of jobs that will typically have higher wages and require a highly skilled workforce; leverage of private dollars for both facility construction as well as the companies' investment for research and

development activities in Georgia; and broader possible benefits such as an active partnership with a State research institution, success in a Georgia incubator or the potential for future investment in Georgia such as the location of a future manufacturing facility.

Projects Funded

On April 26, 2007 DCA made an LSFF award for a \$2 million loan to Altea Therapeutics Corporation for its new headquarters and research facility located in Technology Enterprise Park in Atlanta. Altea committed to retain 70 existing employees and create at least ten new jobs in Georgia by the end of 2008. The Company's products are both pharmaceuticals and a drug-delivery system that are based on a new class of transdermal patches that deliver sustained therapeutic levels of proteins and water-soluble drugs through the surface of the skin without the use of needles; current products in the Company's pipeline include insulin, pain-relief medications and vaccines. The LSFF loan to Altea leveraged over \$5.6 million of additional funding in the project. Altea's loan closed on August 13, 2007.

Another \$2 million LSFF award was made on June 11, 2007 for CardioMEMS, Inc., a medical-device company that is also locating in Technology Enterprise Park. CardioMEMS has developed and is commercializing a proprietary wireless sensing and communication device that is implanted in patients to monitor internal pressure in cardiovascular applications. The company has committed to create 50 new jobs and retain 85 existing employees. The project will also result in over \$22 million in additional leveraged funds including the Company's research and development costs directly associated with the new facility in the first two full years at TEP. LSFF funds will be used to finance equipment costs as well as a portion of the clean-room build out. The average annual salary for CardioMEMS employees is \$84,000.

The Georgia Department of Economic Development has made a recommendation for a \$3.5 million LSFF loan for the benefit of UCB, Inc. located in Smyrna, Georgia. An application is forthcoming.

Funding and Fund Balances

The General Assembly appropriated \$2,000,000 in the FY 2005 supplemental budget to capitalize the LSFF. Both the FY 2007 and 2008 budgets appropriated \$5,000,000 for DCA's LSFF. The current available LSFF fund balance as of November 2007 is approximately \$9.5 million, which includes repayments made to date on the Inhibitex loan as well as repayments on a \$250,000 loan award from another DCA program that was made to CS Family, LLC, a development-stage pharmaceutical company in DeKalb County.

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