



Evaluation and Investment Approval

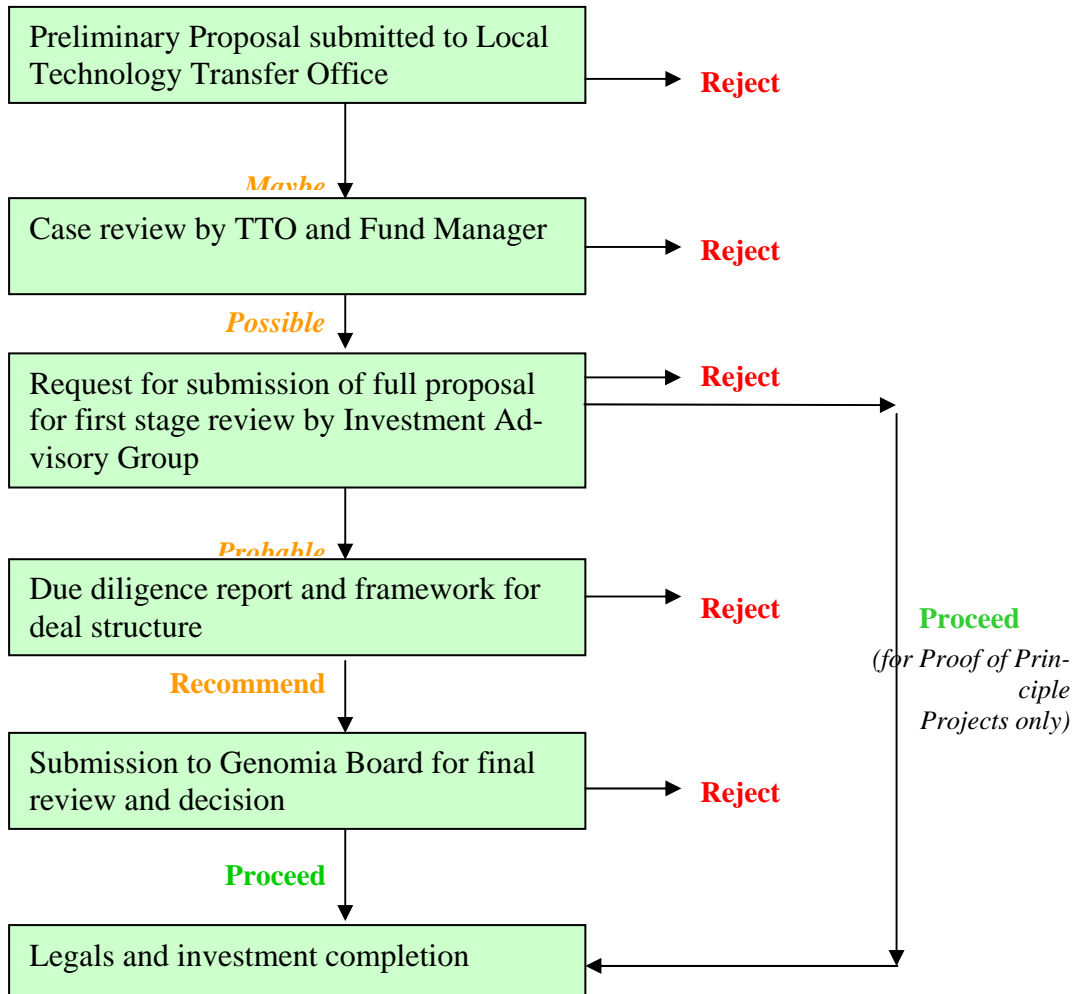
The Project Review Process

The process of reviewing proposals is summarised in the diagram set out below. In the first instance, proposals in outline form are received by the Fund's contact at the local Technology Transfer Office of the relevant research establishment. He/she will discuss the project with the proposer(s) with a view to filtering out those proposals for which, despite their scientific merit, there may be an insufficiently strong commercial case to make them valid for consideration for support through the Genomia Fund programme. Proposals passing this stage of the process will then be submitted to GML by the TTO using the appropriate *pro forma*. At this stage, the project enters a more formal review process which will lead to a recommendation on whether to reject a proposal, or request that it be modified and resubmitted or to commit to preparation of a technical due diligence report preparatory to a case being presented to the Board. For Proof of Principle investments, the Fund manager has the authority to make decision on support, without the need to refer to the Genomia Board. All other proposals are referred to the Fund's Investment Advisory Group to formulate a recommendation to the Board.

The review process may involve preparation of due diligence reports (to varying degrees of rigour or formality). If such a report on a proposal comes out positively, then the Genomia Fund manager will be deemed to have the authority to seek to establish with the proposers a framework for an investment offer as part of the case ultimately to be presented to the Genomia Board for final approval. If a report proves to be negative, then the proposer, and his/her local TTO will be given sight of the report and offered the opportunity to respond, and to modify the proposal.

At each meeting of the Genomia Board, a full list of all proposals received during the previous quarter will be presented. Reports will be made on Proof of Principle investments approved and on those proposals for which the outcome of the due diligence process militated against making an investment offer. All other proposals will be considered in fuller detail, and for those recommended for support by the Investment Advisory Group, proposers may be asked to make presentations if it is considered that this would aid the decision-making process. Final decision on whether to support, and the parameters within which a formal investment offer can be made, lies with the Genomia Board.





Depending upon the nature of an application, an evaluation review up to the point where a case is in order for placing before the Board, will normally be completed within 4 to 6 weeks from the receipt of a formal application. Cases rejected at any point up that stage, will have earlier indication of the outcome of the review process. Times may vary depending upon the volumes of applications received at any one time, or the complexity of an application.

Within the limits imposed by the state of development of a concept or proposal, the evaluation process is intended to highlight whether applications can show a realistic assessment of the opportunities for technology development, market, commercialisation and protection of





intellectual property. The following criteria will be used to evaluate and recommend proposals for funding:

- scientific and technical merit of the technology (and comparisons with existing technologies)
- potential economic and commercial benefits of the technologies being promoted
- ability of the team to manage the downstream development programme and its commitment to the commercialisation of the technology
- motivations and credibility of the project's principal investigator or director
- scope for, extent of, adequate and sustainable IPR protection
- the technical feasibility and design of the research and/or development plans
- the additional resources required for, and likely time to achieving, commercialisation of the technology after completion of work under an award
- robustness of the proposed commercialisation plans
- potential for creation of a new company or of signing up significant licensing deals
- potential for local job creation
- level, and sources of, additional support funds secured to meet matching requirements.

Different weighting may be given to each of these criteria, depending upon the state of development of the technology and the particular type of investment being sought.

Project proposals are reviewed on their own merits and not competitively against other project proposals received at the same time or already supported by the Genomia Fund. The Fund manager may request that collaborative proposals be prepared and resubmitted for a single investment where projects with similar, or overlapping, technologies or objectives are proposed.

Project proposals which do not conform with the appropriate proposal format, or are considered to be inappropriate, or are incomplete, may be rejected, without review by the Investment Advisory Group. However, Genomia will normally try to assist those submitting such proposals to amend them so that they do conform and can be resubmitted.

With the exception of the non-confidential summary to be included with all proposals, GML will maintain as confidential any proposals submitted to the Genomia Fund and will ensure that all staff and reviewers acknowledge, and agree to, the requirements of non-disclosure and requirements to declare any conflicts of interest.





Investment Decisions

The legal framework used for Fund and its management is one which means that decisions on investments are formally made by the Board of Genomia Management Ltd which is making investments off its own balance sheet. This approach obviates the need to engage FSA-authorised fund managers, which would bring with it a significantly higher overhead which in turn would reduce the funds available to support projects. Genomia's Board holds its meetings on a quarterly basis when, amongst other items of business, it will receive, and make decisions upon, proposals received and reviewed since the last Board Meeting.

The Fund Manager, who will typically take a view from at least one member of the Board before doing so, has the authority to approve investments at the Proof of Principle level. Such decisions are reported at the next occurring Board meeting for homologation. The choice of which Board member(s) to be consulted in this process is determined by the nature and subject matter of the proposal and how it best fits with the expertise of the individual Board members. It is always open to the manager to consult more widely if relevant expertise does not reside in the Board. For all other investment proposals, review will be carried out by the Investment Advisory Group which makes recommendations to the Board. Decisions on investments are made by a consensus of the full Board.

Proposals, along with all supporting documents (including any due diligence reports) are included in the agenda and papers for the next available Board meeting. In addition, the Board may request that proposers give a brief presentation and thereafter be open to receiving questions from Board members. While the Board can waive the requirement, it would be the norm for presentations to be expected for any proposal for higher sums of money (above £100K).

Where it is desirable for a decision to be made before the next quarterly meeting of the Board, the Fund Manager will circulate the relevant papers (which may be done electronically) to each Board member. He will then seek to obtain views in favour, or otherwise, from each member. If there are objections, or a member cannot be contacted, the Chairman of the Board will be approached for approval to proceed on a majority basis. The Chairman may then decide whether to reject a proposal, to defer the decision to the next quarterly meeting to allow further discussion or to approve the proposal recognising that positive confirmation may not have been obtained from all members. Decisions made through this interim procedure will be homologated at the next





statutory meeting of the Board. It will always be in order for meetings of the Board to be convened between its quarterly statutory meetings to consider proposals, if this is deemed to be desirable.

The Board will not be constrained to accept any recommendations made to it by the Investment Advisory Board. It may award sums different from those sought in an Application and also may vary conditions attaching to any particular Investment. Investment decisions will be promptly notified to Applicants who, where appropriate, will subsequently receive formal Contracts or Investment Agreements for acceptance by their relevant Consortium Member or company.

Funding Approvals

Normally, funding is confirmed for successful project applications for programmes of work lasting no more than one year. So, rather than submitting multiple year proposals, Applicants will be expected to break down their work programmes into work packages (or series of linked work packages) each lasting for a period of no more than one year. Proposals should clearly indicate the individual discrete tasks within each work package and the milestones associated with successful completion. However, if the whole work programme is projected to take longer than one year, Applicants are required to give some indication, even in broad terms, of the likely work packages to be conducted in future periods.

Projects with longer time scales can be submitted on the understanding that the second (or subsequent year) funding will not be confirmed without a continuation application being made. Applications for second (and later) year funding will still be required to go through the normal evaluation and approvals procedures, though further due diligence reviews may be waived. To avoid the need for reviewers to refer back to earlier documentation, continuation applications must be capable of standing alone on their own merits, giving detail of earlier investment proposals, and of the results achieved to date, within the continuation application as part of its case for support.

While second and third year proposals will be accepted for review, and some indication given in principle that funding is likely to be confirmed, no formal offer of investment funding will be made until all reports on the previous year have been satisfactorily completed and submitted to Genomia Fund. In addition, any formal offer of funding for a second (or later) year will be dependent on the outcomes of earlier work.





Appeals and Complaints Mechanisms

The Genomia Fund may decline to support a proposal for any of a number of reasons. It seeks to support propositions with reasonable prospect of a commercially viable outcome, albeit that it is recognised that the early stage targeted by the Genomia Fund carries significant risk. Consequently, if it declines to support any proposal it is less likely to be due to any perceived inadequacies of the science but due to concerns about the commercial potential and the routes to realising that potential. So, most commonly, projects would be rejected on the basis that they are too far away from market, or that the market has not been demonstrated or is not big enough, or that there is little in the way of intellectual property cover or barriers to entry for others, or, in the case of proposed spin-outs, lack of adequate management to drive the company forward.

The Genomia Fund will give reasons for its decisions and it is open to applicants to question these, or to appeal against them if they can demonstrate that there is error in the facts used in arriving at a decision. However, it must always be recognised that making investment decisions is not an exact science but may be based on opinions or perceptions, or lack of fit with an investment portfolio. Appeals against decisions made by the Genomia Fund, or complaints regarding any other aspect of the Fund's activities, should be filed, in the first instance, in writing, with the Fund Manager. If he cannot resolve the issues, then dissatisfied applicants or complainants can approach the Chairman of the Board of Directors to have a case, or matter, reviewed or reconsidered by the Board. If this does not prove satisfactory, the case or matter of the complaint can be ultimately referred to the Director for the time being of the Moredun Research Institute (under its role as lead partner). He/she will take evidence from all interested parties, and will be permitted to establish an appeals panel comprising appropriately qualified members drawn from his/her own Board of Directors or Advisory Groups. Decisions taken after that review will be final and binding on all parties.

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