

SBIR/STTR and other Public Funding Options

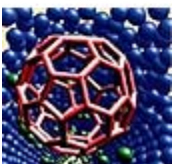
Presented to The Capital Network
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Robert G. Kispert
Director of Cluster Development



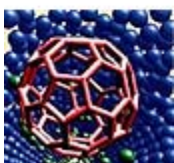
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Can the public sector help me:

- Develop and commercialize my products?
- Finance my facilities and working capital?
- Help me get the people I need to grow my business?
- Grow my business by purchasing my products and services?

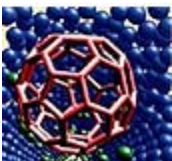


Maybe!



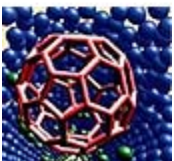
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It depends...

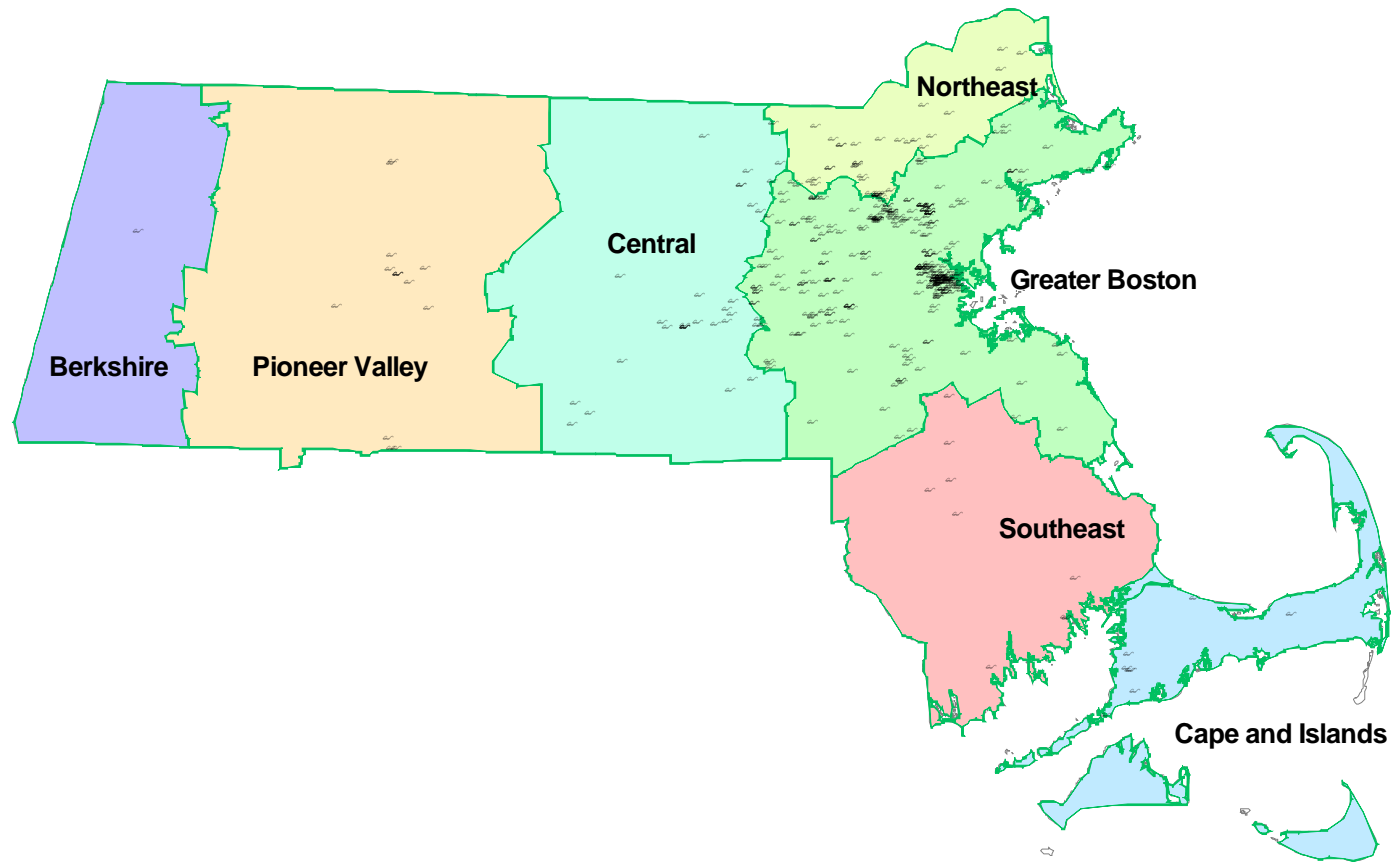
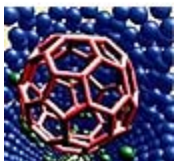
- **Product Development & Commercialization**— does your proposed product fit some need or program where the public sector has decided to invest money in R&D or to promote new product/business formation?
- **Facilities, Seed & Working Capital** – does your business fit a profile/program where the public sector has decided to invest money to buy down risk?
- **Talent** – do your needs align with public sector training programs? With grants to universities for academic or research programs?
- **Growth** – does the public sector buy what you want to sell?



Federal Funding for Product Development & Commercialization

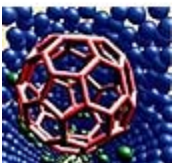
- *SBIR = Small Business Innovation Research*
STTR = Small Business Technology Transfer
 - The world's biggest seed capital funds
 - Invest over \$2 billion annually
 - Best terms in town
 - Proven track record
 - Even start-ups should apply

Massachusetts SBIR Recipients



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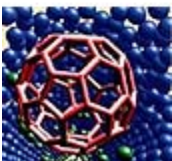
A term sheet not even your mother can match!

- Federal government will pay you to develop the technology
- They may even be your first customer
- You own the Intellectual Property
- Repayment terms = taxes on future profits
- No debt - no equity
- You can come back for more – even if you fail



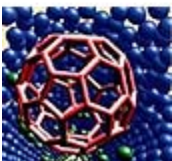
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What are SBIR/STTR?

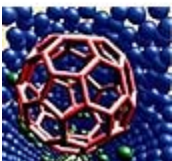
- ***Programs to fund Innovation***
- **Phased Development:**
 - Phase 1 – Proof of Concept
 - Phase 2 – Prototype Development
 - Phase 3 – Commercialization (w/o SBIR \$)
- **Agencies only fund what meets their objectives/needs**



Investment Criteria

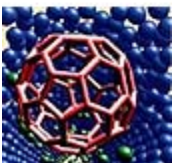
Investment based on evaluation of technical & cost proposal (includes commercialization strategy), not a business plan

- **Team** – Strong technical team lead by Principal Investigator with R&D experience and/or credibility
- **Development stage** – start-up & beyond
- **Customer/revenue** – Must support mission of funding agency
- **Vertical** – typically aligns with agency, but may align with other commercial applications as well
- **Market size** – Generally N/A but “significance of the problem” is a factor in award selection
- **Return range** – N/A
- **Total capital needed until exit** – N/A, - but agency will look at commercialization strategy to raise needed capital to get to market
- **Historical Financials/Projections** – Pro formas not required, but must be able to justify direct & indirect costs



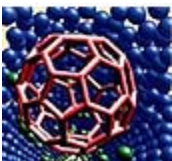
Investment Profile

- **Time to closing** – 6-9 months (from close of solicitation)
- **Investment dollar range:**
 - Phase 1 - \$60-100k (More at NIH)
 - Phase 2 - \$250-750k (More at NIH)
 - Phase 3 - \$0 (from SBIR/STTR programs, but some agencies fund Phase 3)
- **Success rate** – 10-40% (Phase 1); 30-50% (Phase 2)
- **Control features** – must be “small business” as defined by law – majority owned by US individuals
- **Compliance features** – must comply with federal procurement regulations
- **Cost of Capital** – cost reimbursement funding model – there are some unallowable costs (patents, some legal, entertainment, etc – varies by agency)



Reauthorization

- SBIR sunsets on Sept 30, unless reauthorized or another Continuing Resolution to extend
- Strong support for program, but controversy over:
 - VC ownership
 - Requirement for Phase 1
 - Size of awards
 - Length of reauthorization
 - Preferential treatment of disadvantaged populations
- **Stay tuned!**



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