

Public Funding – Non-dilutive Options for Start-up Companies (SBIR and beyond)

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Public Funding 1.0 I

- Public agencies provide grants, loans, contracts (and sometimes equity investments) to address unmet needs in support of their public mission
 - Technology Development – develop new technologies that meet identified agency needs (e.g. DoD, NASA)
 - Advance Underlying Knowledge Base – basic research that can be applied to meet societal needs (e.g., NSF, NIH)
 - Economic Development – support new job, business, cluster formation and growth – may be tied to specific locations, populations/ organizations or economic conditions
- ***Your business plan's funding requirements may not align with an agency mission!***

Small Business Innovation Research = SBIR

- The world's largest seed capital fund
 - Provides access to federal R&D funding
- Invests over \$2 Billion annually
 - 100's of MA companies, 1000's of projects
- Best terms in town
 - You own IP, awarded as a grant or R&D contract, no equity involved
- Proven track record (particularly in MA and CA)
 - Over 400 publicly traded companies trace roots to this program
- Even start-ups should apply
 - Nationally, 1/3 of awards go to companies with no prior federal R&D agreements, paper work is manageable

Small Business *Innovation Research*

- Supports:
 - R&D in support of agency needs or missions
 - Applied research to establish the technical feasibility of a novel concept
 - Development leading to prototype fabrication and test
- Does not support:
 - Market research/ marketing/ sales
 - Product development (can create starting point to non-SBIR follow-on product development)
 - Clinical Trials (emerging pathways to preclinical trials)
 - Commercialization of a previously developed product

Who funds SBIR projects?

- Dept of Agriculture
- Dept of Commerce
- Dept of Defense \$\$
- Dept of Education
- Dept of Energy
- Dept of Health & Human Services \$\$
- Dept of Homeland Security
- Dept of Transportation
- Environmental Protection Agency
- National Science Foundation
- NASA

Who is eligible?

- Small US owned companies (<500 employees) (Must be at least 51% owned by US individuals or subsidiary of an otherwise eligible small business) (**subject to change**)
- Principal Investigator
 - Bachelor's degree with an extensive research reputation
 - Master's degree with considerable experience
 - PhD with business sense

What is supported?

- ***Innovation***
- Phased Development:
 - Phase I – Proof of Concept (typically \$50 - \$150k, 6 months)
 - Phase II – Prototype Development (typically \$250 to \$1MM, 2 years)
 - Phase III – Commercialization (w/o SBIR \$, but commercialization assistance programs abound)
- Agencies only fund what meets their objectives/needs
- Each agency publishes specific requirements
- Proposals accepted 1-4 times per year

SBIR (and STTR) are in flux (or limbo)

- Operating under equivalent of a continuing resolution (since Oct. 2008 – current deadline: Sept 30, 2011)
- Key issues
 - Eligibility criteria – VC ownership
 - Size of awards
 - Size of program
 - Bypassing Phase I
- Current status – some awards are being held up pending status of overall FY 2011 Federal Budget
- Despite strong support, the inconceivable could happen – SBIR and STTR could cease to exist as we know them

Broad Agency Announcements

- **Purpose** – to announce agency R&D interests and provide a mechanism for research community to propose programs that address those interests
- **Who funds BAA's:** Typically mission oriented agencies, particularly DoD; other agencies publish similar documents that announce interests
- **Eligibility:** some may be restricted to non-profit research institutions or federal labs, but most are open to all comers – *generally not for start-ups, but...*
- **Structure:** Point of contact is often identified, requirements for concept paper or pre-proposal included
- ***If agency interested, scope & budget are negotiated***

Innovation Ecosystem

- MassChallenge – “world’s largest start-up competition”
- MedTech IGNITE – mentoring for medtech startups
- New England Clean Energy Council - Clean Energy Fellowship Program – Executive Certificate Program
- Mass Technology Leadership Council – Robotics Cluster
- Mass High Technology Council – Innovation Access Network (IAN) – link developers with primes, labs
- MIT Enterprise Forum – Start-up Clinics
- Cambridge Innovation Center – Venture Café, VC Office Hours
- UMass Boston – Venture Development Center

Links

- **SBIR Solicitations:**
 - http://archive.sba.gov/aboutsba/sbaprograms/sbir/announce/sbir_links.html
- **BAA's, Etc.:**
 - **SSC-Natick** - <https://www3.natick.army.mil/ssbaa.html>
 - **NUWC – Newport**
<http://www.navsea.navy.mil/nuwc/newport/contracts/pages/BAA%202004.aspx/>
 - **DARPA** -
http://www.darpa.mil/Opportunities/Solicitations/DARPA_Solicitations.aspx
 - **NIH Guide to Grants & Contracts**
<http://grants1.nih.gov/grants/guide/index.html>