SBIR/STTR Funding
What is it and how do I apply?
Congressionally Mandated Programs

- Federal grant and contract programs: >$2B annually
- Small Business Innovation Research (2.7%)
- Small Business Technology Transfer Research (0.35%)
- Current funding for 2013, expected to increase over next few years
- www sbir.gov
Reasons to Seek SBIR/STTR Funding

• Provides seed funding for innovative technology development
• Not a loan - No repayment required
• Non-Dilutive - Does not impact stock or shares
• Intellectual property rights maintained by small business
• Provides recognition, verification, and visibility
• Helps to attract additional funding
All Agencies Participate
SBIR/STTR *not* R01

- Solve a problem, an unmet need
- Commercializable idea
- Grant periods are shorter
- Ad hoc, not standing, review committees – *not* specialists
- Compelling/Interesting proposal
Company Eligibility

• For-profit company located in US
• Company >50% owned/controlled by: US citizens, permanent resident aliens or domestic business concerns, OR
• Multiple domestic VCs, hedge funds or private equity firms
• Legal form of an individual proprietorship, partnership, limited liability company, corporation, joint venture, association, trust or cooperative,
• <500 employees (including affiliates)
• Small business is ALWAYS the applicant/awardee
Mandatory Eligibility Requirement

• New Requirement: Registration at www.sbir.gov, effective 28 January 2013

• Small business provides eligibility statement (either option):

Option 1: “My firm is a: for-profit business,
• with place of business located US,
• and which operates primarily within the US or which makes a significant contribution to the US economy through payment of taxes or use of American products, materials or labor.”

Option 2: “My firm's ownership and control structure is:
–more than 50% owned and controlled by individuals who are citizens of or permanent resident aliens in the US, or
–more than 50% owned and controlled by one or more other small businesses each of which is more than 50% owned and controlled by individuals who are citizens of or permanent resident aliens in the US, or
–a combination of the above two choices; or
–more than 50% owned by more than one Venture capital operating company (VCOC), hedge fund, or private equity firm (with no one such firm owning more than 50%), and I am applying to an SBIR agency that is using Section 5107 authority to use a percentage of its SBIR funds for awards to such firms
# Requirements

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<thead>
<tr>
<th>SBIR</th>
<th>STTR</th>
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<td><strong>Research partner permitted</strong> (Ph. I 33%; Ph. II 50%)</td>
<td><strong>Research partner required</strong> (40% small biz; 30% non-profit res. Partner; ~30% other subcontractors)</td>
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<td><strong>PI from small biz (&gt;50% employment)</strong></td>
<td><strong>PI from small biz <strong>or</strong> research partner/University</strong></td>
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<td><strong>IP agreement</strong></td>
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SBIR/STTR: Three phases

Phase I (~$150k)
- Proof of principle or feasibility study
- 6–12 months

Phase II ($750k – $1M+)
- Validation study
- 2–3 years

Phase III
- Commercialization
- No SBIR/STTR funds may be used
Registrations

• Long 4-6 week mandatory process
• DUNS (Data Universal Numbering System) number: Universal identifier for applicants for Federal grants or cooperative agreements
• System for Awards Management (SAM)
• Central Contractor Registry (CCR)
• Grants.gov
• FastLane
• eRA Commons
• DoD
Go/No-Go Criteria (T.E.S.T)

• **T – Topic**: Does technology and idea fit within interests of one or more federal agencies?

• **E – Eligibility**: Eligible small business with qualified staff and facilities to conduct quality research and development work?

• **S – Story**: What is your SBIR/STTR "story?" Starting with a need/problem, innovative idea, 2-3 research questions to answer to show feasibility, development path to and culminating with a high impact commercial product?

• **T – Team**: World class team covering all elements of a quality research and development effort? (research, commercial/business and customer/market players)
Other Key Questions

• Do you have access to your own research space not paid for by indirect support for academic research?
  – Lock your own door? Control key?
• Are you able to carry out innovative research?
  – Team expertise, equipment, etc.
• Do you address a significant need/problem?
• Do you have an innovative solution?
• Does the development path end with a high-impact commercial product?
A Winning Team

Principal Investigator
• Key individual designated to direct the project
• Qualifications are extremely important
• SBIR - must be an employee of the small business
• STTR - could be employed by small business or research institution

Scientific/Technical Team
• Strategic partners (private and public)
• Academic (Facilities, equipment and expertise)

Strategic Advisors and Partners
• Consultants (private and public)
• Collaborators (private and public)
SBIR Principal Investigator

• Primary employment of the principal investigator/project director must be with the small business firm at the time of the award and during the conduct of the proposed effort.

• Primary employment means that more than one-half of the principal investigator's time is spent with the small business. (Based on a 40-hour work week.)

• Primary employment with a small business concern precludes full-time employment at another organization.

• For both Phase I and Phase II, all research or research and development work must be performed by the small business concern and its Subcontractors in the United States.
Pre-Proposal Process

• Phase I proposals: 250–450 hours
• Registrations
• Find and read solicitation
• Contact program officer
• Learn mission of agency & identify end-user(s)
Timing of Funding

• Idea → submission
  – Funding gap (≥ 6 months)

• Phase I: 6 – 12 months
  – Funding gap (≥ 6 months)

• Phase II: 2 to 3 years
  – Funding gap

• Phase III: commercialization
  – If FDA approval needed: years
General Proposal Outline - Phase I

Phase I proposals consist of a technical proposal and a budget along with various supplementary documents. Length, format and specific guidelines vary by agency:

- Identification and Significance of the Problem or Opportunity
- Phase I Technical Objectives/Specific Aims
- Phase I Work Plan/Research Strategy
- Related Work (include Preliminary Data)
- Relationship with Future Research or R&D
- Commercialization Strategy
- Key Personnel
- Subcontractors/Consultants
- Facilities/Equipment
- Prior, Current, or Pending Support of Similar Proposals or Awards
- Cost Proposal (Budget)
Proposal Outline – Phase II

- Phase I Report
- Identification and Significance of the Problem or Opportunity
- Phase II Technical Objectives/Specific Aims
- Phase II Work Plan/Research Strategy
- Related Work (updated)
- Relationship with Future Research or R&D
- Commercialization Plan - ever increasing weight in scoring
- Key Personnel
- Subcontractors/Consultants
- Facilities/Equipment
- Prior, Current, or Pending Support of Similar Proposals or Awards
- Cost Proposal (Budget)
Phase III

• Scaling from prototype to manufacturing or production
• Licensing/Strategic Partnerships
• Teaming
• Updated Commercialization Strategy (Government and Non-Government)
• Investments
• Sole Source Contracting
• New IP
Budgeting - Overview

Three components:

- **Direct costs** (salaries, benefits, supplies, consultants, subcontractors, etc.)
- **Indirect costs** (G&A also known as overhead)
- **Profit/Fee** (usually 7% although DOD allows a higher profit/fee if justified)

Resources:

Federal Acquisition Regulations: [http://www.acquisition.gov/far/](http://www.acquisition.gov/far/)


After You Submit

• Track progress (if possible)
  – Supplemental materials
• Be prepared: ≤20% funded
• Read debriefing/summary statement carefully
• Contact program officer
• Substantially revise and resubmit
Summary

- >$2B/year for SBIR/STTR
- Unmet need fits your technology
- IP covered
- Business started
- Strong team
- Funding source – Network
- Registered
- Excellent proposal
- Follow post-award rules