



ONE NORTH CAROLINA SMALL BUSINESS FUND

**REPORT TO THE JOINT LEGISLATIVE
COMMISSION ON GOVERNMENTAL OPERATIONS**

FY 2009, Quarter 1

As Required by §143B-437.83 of the
North Carolina General Statutes

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BACKGROUND

The federal Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Programs grant competitive awards to small businesses for both Phase I proof-of-principle research and development and Phase II early-stage product development. The SBIR/STTR Programs were first enacted in 1982 as a part of the Small Business Innovation Development Act; under the programs, federal agencies with extramural R&D budgets in excess of \$100 million are required to allocate a 2.5 percent set-aside for small business. Last year the programs awarded ~\$1.8 Billion (compared to ~ \$750MM in venture capital over the same period) to small business across the United States.

The One North Carolina Small Business Program entails two programs. The **SBIR/STTR Phase I Matching Funds Program** and the **SBIR/STTR Phase I Incentive Funds Program**. This report provides information for both programs.

MATCHING FUNDS PROGRAM

Overall Summary

The North Carolina SBIR/STTR Phase I Matching Funds Program awards matching funds to North Carolina based small businesses that have received an SBIR or STTR Program Phase I award.

The North Carolina Board of Science and Technology, a division of the North Carolina Department of Commerce, administers the Program. Under the Program's guidelines, awards can be made to eligible companies for up to 100percent of a firm's federal Phase I SBIR/STTR Program award, up to the maximum amount of \$100,000, until funds available for the Program have been exhausted. Applicants who receive Matching Awards receive 75 percent of the award amount upon receipt of an SBIR/STTR Phase I award, and receive the remaining 25 percent of the award if their Phase I report is accepted by the funding agency and they submit a related Phase II application to the funding agency. Phase II SBIR/STTR awards can exceed \$1million.

Purpose

The purpose of the Matching Program is to foster job creation and economic development in North Carolina by increasing the competitive position of North Carolina small businesses in attracting SBIR and STTR grant funding, and to provide an incentive for Phase I award-winning firms to participate in the more substantial Phase II program. The goals of the Matching Program are to:

1. Increase the amount of federal research dollars received by North Carolina small businesses;
2. Help North Carolina companies bridge the funding gap period between the final Phase I payment and the first Phase II payment in the federal SBIR/STTR Program;
3. Increase the intensity of the research conducted under Phase I, making North Carolina small businesses more competitive in the competition for Phase II funds; and
4. Encourage the establishment and growth of high-quality, advanced technology firms in the State.

FY 2009 Summary

- \$3,500,000 appropriated to the One NC Small Business Fund in 2009 Budget Act. A residual \$300,000 carried forward from the previous three fiscal years, for a total of \$3,800,000 allocated to the Matching Funds Program.
- Annual Program Solicitation released in early September 2008.
- Grants totaling \$1,344,999.04 have been made thus far (as of October 30, 2008) under the FY 2009 program to a total of 18 North Carolina Small Businesses across the state.
- In FY 2009, award levels were set at 100 percent of a firm's federal SBIR/STTR Program award, up to a maximum amount of \$75,000.
- It is anticipated that all program funds in the FY 2009 program will be exhausted before June 30, 2009.

FY 2009 QUARTER 1 SBIR/STTR MATCHING FUNDS GRANTEES

Company	Federal SBIR/STTR Amount	State Match Amount
3-C Institute for Social Development, Inc.	\$199,968	\$75,000
4pi Analysis, Inc.	\$90,000	\$75,000
Affinergy, Inc.	\$299,957	\$75,000
Asklepios BioPharmaceutical, Inc.	\$282,210	\$75,000
Brighton Development, LLC	\$99,999	\$75,000
Clinical Tools, Inc	\$98,688	\$75,000
Cognosci, Inc.	\$257,133	\$75,000
LaamScience, Inc	\$100,000	\$75,000
Novan, Inc.	\$199,992	\$75,000
Optosonics, INC.	\$193,879	\$75,000
Polyglot Systems, Inc	\$100,000	\$75,000
Prevention Strategies, LLC	\$187,260	\$75,000
Proventys, Inc.	\$100,000	\$75,000
Sirga Advanced Biopharma, Inc.	\$299,814	\$75,000
Southeast TechInventures, Inc.	\$96,950	\$75,000
Triangle Polymer Technologies, Inc	\$69,999	\$69,999
TriboFilm Research, Inc.	\$99,998	\$75,000
Zen-Bio, Inc	\$206,649	\$75,000
FY 2009 Quarter 1 Total	\$2,982,496	\$1,344,999

INCENTIVE FUNDS PROGRAM

Overall Summary

The North Carolina SBIR/STTR Phase I Incentive Funds Program reimburses qualified North Carolina businesses for a portion of the costs incurred in preparing and submitting Phase I proposals for the U.S. Government's SBIR and STTR Programs. This reimbursement provides an incentive for companies to apply for the SBIR and STTR programs.

Under the Incentive Funds Program, the State issues qualified applicants a grant in the amount equal to 50 percent of their approved Phase I Proposal preparation costs, up to \$3,000. These grants are awarded to qualified applicants on a first-come, first-served basis, up to the limits of available funding. The North Carolina Board of Science and Technology, a division of the North Carolina Department of Commerce, administers the Program.

Purpose

The purpose of the Incentive Program, as with the Matching Program, is to foster job creation and economic development in North Carolina by increasing the competitive position of North Carolina small businesses in attracting SBIR and STTR grant funding, and to provide an incentive for Phase I award-winning firms to participate in the more substantial Phase II program. The goals of the Matching Program are to:

1. Increase the amount of federal research dollars received by North Carolina small businesses;
2. Help North Carolina companies bridge the funding gap period between the final Phase I payment and the first Phase II payment in the federal SBIR/STTR Program;
3. Increase the intensity of the research conducted under Phase I, making North Carolina small businesses more competitive in the competition for Phase II funds; and
4. Encourage the establishment and growth of high-quality, advanced technology firms in the State of North Carolina.

FY 2009 Summary

- A total of \$200,000, residual from the previous three fiscal years, allocated to Incentive Program in FY 2009.
- Annual Program Solicitation released in early September 2007.
- Grants totaling \$49,246.53 have been made thus far (as of September, 1, 2008) under the FY 2007-2008 program to a total of 17 North Carolina Small Businesses across the state.
- In 2007-2008, award levels were set at 50 percent of a firm's approved Phase I Proposal preparation costs, up to \$3,000.
- It is anticipated that all program funds in the FY 2009 program will be exhausted before June 30, 2009.

FY 2009 QUARTER 1 SBIR/STTR INCENTIVE FUNDS GRANTEES

Company	State Reimbursement Amount
3-C Institute for Social Development, Inc.	\$3,000.00
ADMET Technologies	\$3,000.00
Alditri Technologies, Inc.	\$2,050.50
Appealing Products Inc.	\$3,000.00
Bennett Aerospace LLC	\$3,000.00
Carolina Unmanned Vehicles, Inc.	\$2,826.72
Independent Living Resources, Inc.	\$2,960.46
InnerOptic Technology, Inc	\$3,000.00
InnovaTech, Inc.	\$3,000.00
Insect Diet and Rearing Research, LLC	\$3,000.00
Jenken Biosciences, Inc.	\$3,000.00
Novan, Inc.	\$2,408.85
SunCastle Microwave, LLC	\$3,000.00
Technical Designs Inc.	\$3,000.00
Triangle Polymer Technologies, Inc	\$3,000.00
TriboFilm Research, Inc.	\$3,000.00
Vesta Therapeutics	\$3,000.00
FY 2009 Quarter 1 Total	\$49,246.53

CONCLUSION AND IMPACT

A handful of innovative states, including North Carolina, have seen the value of leveraging federal SBIR/STTR funds with State support. North Carolina's entrepreneurial community has enthusiastically heralded the One North Carolina Small Business Program's creation for its impact on growing the state's entrepreneurial economy, and for the fact that it reflects a substantial recognition by lawmakers of the importance of innovation and entrepreneurship to the economic health of the state. The program enables North Carolina's small businesses to generate the kinds of innovation critical for making the state a leader in the global economy.

The program's impacts to date are substantial. In the program's first three years, more than 160 grants have been issued to North Carolina small businesses, totaling in excess nearly \$11,000,000. The grants have created more than 100 new private sector jobs, have led other organizations to invest more than \$29 million in the small businesses that received the grants, and are projected to yield hundreds of patents, technology licenses, and products and services. These impacts will multiply as the grants become fully utilized to grow new companies and enhance existing companies.