



ONE NORTH CAROLINA SMALL BUSINESS PROGRAM

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

FY 2009, Quarter 3

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

Submitted April 10, 2009

Submitted by John Hardin
Acting Executive Director
North Carolina Board of Science and Technology
North Carolina Department of Commerce

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 100 percent 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 \$2,754,995.29 have been made thus far (as of March 31, 2009) under the FY 2009 program to a total of 37 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 funds in the FY 2009 program will be exhausted before June 30, 2009.

FY 2009 QUARTER 3 SBIR/STTR MATCHING FUNDS GRANTEES

Company	Federal SBIR/STTR Amount	State Match Amount
3-C Institute for Social Development, Inc.	\$199,968.00	\$75,000.00
3F, LLC	\$150,000.00	\$75,000.00
4pi Analysis, Inc.	\$90,000.00	\$75,000.00
Affinergy, Inc.	\$299,957.00	\$75,000.00
Alderon Biosciences, Inc.	\$141,240.00	\$75,000.00
Asklepios BioPharmaceutical, Inc.	\$282,210.00	\$75,000.00
Bennett Aerospace LLC	\$99,995.06	\$75,000.00
BioMedomics, Inc.	\$69,996.25	\$69,996.25
Brighton Development, LLC	\$99,999.00	\$75,000.00
Cirque Productions LLC	\$133,130.00	\$75,000.00
Clinical Tools, Inc	\$98,688.00	\$75,000.00
Cognosci, Inc.	\$257,133.00	\$75,000.00
Firebird Advanced Materials, Inc.	\$100,000.00	\$75,000.00
Horizon Performance	\$99,366.75	\$75,000.00
InnovaTech, Inc.	\$70,000.00	\$70,000.00
Innovation Research and Training, Inc.	\$171,464.00	\$75,000.00
Kyma Technologies, Inc.	\$99,937.00	\$75,000.00
LaamScience, Inc	\$100,000.00	\$75,000.00
LifeSciTech, LLC	\$165,736.00	\$75,000.00
Mycosynthetix Inc	\$135,992.00	\$75,000.00
NanoTechLabs Inc.	\$99,980.00	\$75,000.00
NanoVector, Inc	\$97,049.00	\$75,000.00
Nitronex Corporation	\$70,000.00	\$70,000.00
Novan, Inc.	\$199,992.00	\$75,000.00
Oncoscope, Inc.	\$99,839.00	\$75,000.00
OPTOSONICS, INC.	\$193,879.00	\$75,000.00
PhotonTech	\$99,646.00	\$75,000.00
Physcient, Inc.	\$99,571.00	\$75,000.00
Polyglot Systems, Inc	\$100,000.00	\$75,000.00
Precision BioSciences	\$141,260.00	\$75,000.00
Prevention Strategies, LLC	\$187,260.00	\$75,000.00

Proventys, Inc.	\$100,000.00	\$75,000.00
Sirga Advanced Biopharma, Inc.	\$299,814.00	\$75,000.00
Southeast TechInventures, Inc.	\$96,950.00	\$75,000.00
Triangle Polymer Technologies, Inc	\$69,999.04	\$69,999.04
TriboFilm Research, Inc.	\$99,998.00	\$75,000.00
Zen-Bio, Inc	\$206,649.00	\$75,000.00
FY 2009 Quarter 3 Total	\$5,126,698.10	\$2,754,995.29

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 to 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. The goals of the Incentive Program are to:

1. Increase the amount of federal research dollars received by North Carolina small businesses, by both increasing the number of SBIR/STTR proposals and improving the quality of those proposals.
2. Increase the intensity of the research conducted under Phase I activities, making North Carolina small businesses more competitive in the competition for Phase II funds; and
3. 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 2008.
- Grants totaling \$105,999.45 have been made thus far (as of March 31, 2009) under FY 2009 program to a total of 36 North Carolina Small Businesses across the state.
- In 2008-2009, 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 3 SBIR/STTR INCENTIVE FUNDS GRANTEES

Company	State Reimbursement Amount
3-C Institute for Social Development, Inc.	\$3,000.00
3F, LLC	\$3,000.00
ADMET Technologies	\$3,000.00
Agile Sciences Inc.	\$3,000.00
Alditri Technologies, Inc.	\$2,050.50
AP Solutions, Inc.	\$3,000.00
Appealing Products Inc.	\$3,000.00
b3 bio, inc.	\$3,000.00
Bennett Aerospace LLC	\$3,000.00
Broad Digital LLC	\$3,000.00
Carolina Unmanned Vehicles, Inc.	\$2,826.72
CryoFacets, Inc.	\$3,000.00
Cycle 9, LLC	\$3,000.00
Flexcell International Corporation	\$3,000.00
FutureNow Technologies	\$3,000.00
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
InsituTec Inc.	\$3,000.00
Jenken Biosciences, Inc.	\$3,000.00
LUBA CORPORATION	\$3,000.00
MMC Productions Inc	\$2,993.75
NanoVector, Inc	\$3,000.00
NextRay, Inc.	\$3,000.00
Novan, Inc.	\$2,408.85
Polyglot Systems, Inc	\$2,759.17
Saha Pharmaceuticals, Inc	\$3,000.00
SeventhDigit Corporation	\$3,000.00
SunCastle Microwave, LLC	\$3,000.00
Technical Designs Inc.	\$3,000.00
The Myvatar Company	\$3,000.00
Triangle Polymer Technologies, Inc	\$3,000.00
TriboFilm Research, Inc.	\$3,000.00
United Nano Works	\$3,000.00
Vesta Therapeutics	\$3,000.00
FY 2009 Quarter 3 Total	\$105,999.45

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 four years, 162 matching grants have been issued to North Carolina small businesses, totaling in excess nearly \$13,000,000. As of March 31, 2009, 69 projects (38% of the total) accounting for ~\$5 million have been completed, enabling the recipient companies to:

- Leverage more than \$28 million in external capital investments
- Generate more than \$24 million in follow-on federal SBIR/STTR funding
- Create more than 79 additional jobs
- Project to produce hundreds of patents, licenses, and products

These impacts will multiply greatly as the remaining companies complete their projects and the grants become fully utilized to grow new companies and enhance existing companies