



Innovate Rhode Island Small Business Fund

Draft Program Guidelines

RI Science & Technology Advisory Council

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INTRODUCTION

About the Rhode Island Science and Technology Advisory Council (STAC)

The Rhode Island Science and Technology Advisory Council (STAC) is a coalition of business, academic, medical and government leaders with the mission to recommend to state leadership strategic investments that drive economic development and job creation by maximizing the economic impact of research, technology and innovation. STAC initiatives support the state's research and development activities by promoting collaboration across institutions and encouraging entrepreneurship and new company creation through the transfer of new technologies and discoveries into the marketplace.

About the Innovate Rhode Island Small Business Fund (IRSBF)

In 2013, to foster job creation, facilitate small business development and enhance the workforce pipeline, the Rhode Island General Assembly created the Innovate Rhode Island Small Business Fund (IRISBF). Through the Fund, eligible Rhode Island small businesses may apply for grants and loans to defray the cost of applying for SBIR/STTR awards, to match SBIR/STTR Phase I and Phase II awards and to hire interns. The goals of the program are to leverage state funds to encourage and support Rhode Island entrepreneurial participation in the federal SBIR/STTR programs, increase the amount of federal research dollars received by Rhode Island firms, sustain companies through the early stages of product development, encourage the establishment of high potential, high quality, high growth ventures in Rhode Island and enhance the talent pipeline in the life sciences and engineering fields.

Availability of Funds

Article 23 of the FY14 RI State Budget establishes the Innovate Rhode Island Small Business Account as a special revenue fund to be administered by the Rhode Island Science & Technology Advisory Council in the amount of \$500,000 for FY 14.

Release of Information

Information submitted to STAC on applications for public funds are a matter of public record and subject to release under the Rhode Island Access to Public Records Act (R.I. Gen. Laws §38-2-1 et seq.). STAC does however have the right to redact any information which is exempt under the statute before releasing the documents. The exemptions that would most pertain to applications include but are not limited to reports and statements of strategy or negotiation, trade secrets and commercial and financial information which is privileged or confidential pursuant to R.I. Gen. Laws §38-2-2.

MATCHING GRANTS FOR SBIR/STTR PHASE I

Overview

The federal Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Programs represent the largest source of early-stage, high-risk technology financing in the United States. Eleven federal agencies participate in this program which provides over \$2 billion for early stage research and development projects leading to commercialization of resulting products or services. The programs are designed to benefit entrepreneurs and small businesses -- while increasing the competitiveness of the U.S. economy -- by funding the development of innovative products and services.

Phase I awards assist entrepreneurs to determine feasibility of products and services. Agencies award grants up to \$150,000 for a six month SBIR project and one-year STTR project to explore the technical merit of an idea or technology in response to a specific agency topical need. The IRISBF provides matching grants to encourage recipients of SBIR/STTR Phase I awards to pursue the more substantial Phase II awards.

Who May Apply

Recipients of a SBIR/STTR Phase I federal award who satisfy all the following conditions may apply for funding:

- Is a for-profit Rhode Island based-business with fifty (50) or fewer employees. For purposes of this program, a Rhode Island-based business is one that has its principal place of business and at least fifty-one percent (51%) of its employees residing in this state;
- Has received an SBIR/STTR Phase I award credited to Rhode Island from a participating federal agency in response to a specific solicitation in calendar years 2013 or 2014.

Funding is distributed in two stages. Applicants meeting the above eligibility criteria may apply for Stage One grant funding. Applicants may apply for Stage Two funding upon meeting the following additional conditions:

- Submitted an accepted final Phase I report;
- Demonstrated that the sponsoring agency has interest in the Phase II proposal;
- Submitted a Phase II proposal to the agency;
- Satisfy all federal SBIR/STTR requirements;
- Certified that at least fifty-one percent of the research described in the SBIR/STTR Phase II proposal will be conducted in Rhode Island and that the business will remain a Rhode Island based business for the duration of the SBIR/STTR Phase II project;
- Demonstrated Freedom to Operate.
- Pledges it has not received and will not seek concurrent funding support from other sources that duplicate the purpose of the matching grant;

Amount of Award and Restrictions

Applicants may receive a matching grant of 30% of the amount of the recipient's federal award with a maximum matching grant not to exceed \$45,000. Stage One funding is equal to 75% of the total amount of state funding the company is eligible to receive. Stage Two funding is equal to 25% of the total amount of state funding the company is eligible to receive.

Example: ABC Company receives a \$150,000 SBIR/STTR Phase I award. The total amount of Phase I match the company is eligible to receive is \$45,000. Upon successful application to the Innovate Rhode Island Small Business Program, ABC Company receives a \$33,750 Stage One matching grant. Upon completing the conditions required for Stage Two funding, the company

receives a second matching grant of \$11,250 bringing the total state matching funds received to \$45,000.

A business may receive only one Phase I Matching Grant per year and may receive only one grant with respect to each federal proposal submission. Over its lifetime, a business may receive a maximum of six (6) awards.

Intellectual Property

The Principal Investigator representing the applicant business must have demonstrated the Freedom to Operate and perform research and commercialization activities related to the proposed activity funded by the SBIR/STTR award. Acceptance of this grant does not transfer any intellectual property rights. All information and findings derived from activities funded by the Rhode Island Science & Technology Council and the Innovate Rhode Island Small Business Program remain the property of the grantee.

Reporting Requirements

Businesses receiving matching funds must submit Progress and Final Reports to STAC. Progress reports shall include a summary of the research progress, verification whether the business is still prepared to accept a Phase II contract if awarded and if the business is not prepared to accept a Phase II award an explanation why. A Final Report is due within 30 days of notification that a Phase II award will or will not be granted. If the Phase II is granted, the Final Report should include the amount of the award, a description of how the matching funds contributed to the business receiving the award and any plans for expansion or investment due to the receipt of the award. If the Phase II is not granted, the Final Report should describe whether the company will continue the proposed R&D using its own resources.

Businesses receiving matching funds must agree to provide STAC with information on an annual SBIR/STTR Matching Funds Program survey for five (5) years. Failure to file reports as required or participate in the survey may cause the recipient to be barred from receiving future IRISBP funding.

Businesses must also agree to maintain records and accounts that properly document and account for the use of STAC funds for a period of five (5) years and agree to comply with any audit requests. Any funds unused before notification or denial of a Phase II award must be returned to STAC. Businesses may request to keep the funds by submitting a budget justification outlining how the unused funds will be used to continue the goals of the research project. STAC may approve or deny the request based on its sole determination whether the continuation of funding supports the original goals of the Matching Funds program.

Application Instructions

Businesses seeking to apply for Phase I Matching funds should submit an electronic application to STAC following the directions on the STAC website. In addition to the electronic application, businesses must submit to STAC hard copies of the following required documents:

Stage One

Notarized Certification of Application

A copy of the Phase I contract

Stage Two

A copy of the Phase I final report

Verification of the final payment to the applicant under the Phase I contract or the final invoice

A copy of the Phase II application and proof that it has been submitted

STAC will review applications to confirm compliance with the requirements stated in these Guidelines and has the discretion to request supplemental materials from applicants as part of its review. Applications will be reviewed on a rolling basis until available funding is exhausted. Applicants will be notified if their

application meets compliance with all requirements and is approved or if the application does not meet compliance and is denied.

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GRANTS TO SUPPORT INTERNSHIPS

Overview

Experiential learning opportunities, including internships, are a key method for students to explore career possibilities, gain hands-on experience and meet people in industry in their field of study. For the company, it is a critical workforce development tool. The Innovate Small Business Rhode Island Fund Internship Grant Program provides grants to assist companies in the life sciences and engineering sectors defray the costs of providing internships and mentoring to eligible Rhode Island residents attending a college or university in Rhode Island.

Who May Apply

Companies who satisfy all of the following conditions may apply:

- Is a for-profit Rhode Island based-business with fifty (50) or fewer employees. For purposes of this program, a Rhode Island-based business is one that has its principal place of business and at least fifty-one percent (51%) of its employees residing in this state;
- Is primarily engaged in a biosciences or engineering field and can demonstrate its ability to conduct research in these fields. For purposes of this program, biosciences means *“advanced and applied sciences that expand the understanding of human physiology and have the potential to lead to medical advances or therapeutic applications.”* For purposes of this program, engineering means *“the creative application of advanced mathematics and natural sciences to design or develop complex structures, machines, processes or systems.”*

Amount of Reimbursement and Restrictions

Eligible companies may receive reimbursement for pay rates of up to twelve dollars (\$12) per hour for a total reimbursement of not more than three thousand dollars (\$3000) per eligible intern.

To be eligible, interns must be:

- A Rhode Island resident attending a Rhode Island college or university;
- Enrolled in a community college, and enrolled in an Associate’s degree or Certificate program or completed one within the past year;
- Enrolled in a four year college or university, and completed at least sophomore year the semester before the internship, completed or be in their sophomore year of a biotechnology program, or have graduated;
- A graduate student enrolled in a graduate program or completed one within the last year.

Businesses may seek reimbursement for up to two (2) interns per calendar year. Any two or more related businesses that are commonly controlled by any person or entity, directly or indirectly, are limited to reimbursement for one business only.

Interns cannot be the spouse, child, grandchild, sibling, niece, nephew or spouse of a child, grandchild, sibling, niece, nephew of any employee of the business.

Interns cannot participate in more than one internship in the same calendar year and interns cannot participate in more than two internships over two calendar years with the same business.

Reporting Requirements

Businesses receiving reimbursement for the hiring of interns must submit a Final Report to STAC within 45 days of completion of the internship that shall include a description of how the funds contributed to the business’s ability to provide an internship opportunity, general duties performed by the intern, benefits of the internship to the company and whether the company will consider future participation in the program.

Businesses receiving funds must agree to provide STAC with information requested through surveys for five (5) years. Failure to file reports as required or participate in surveys may cause the recipient to be barred from receiving future IRISBP funding.

Businesses must also agree to maintain records and accounts that properly document and account for the use of STAC funds for a period of five (5) years and agree to comply with any audit requests.

Application Instructions

Businesses seeking to apply for Internship Reimbursement funds should submit an electronic application to STAC following the directions on the STAC website. In addition to the electronic application, businesses must submit to STAC a Notarized Certification of Application.

STAC will review applications to confirm compliance with the requirements stated in these Guidelines and has the discretion to request supplemental materials from applicants as part of its review. Applications will be reviewed on a rolling basis until available funding is exhausted. Applicants will be notified if their application meets compliance with all requirements and is approved or if the application does not meet compliance and is denied.

GUIDELINES FOR THE FOLLOWING PROGRAMS WILL BE POSTED AT A LATER DATE

Grants to Assist with an SBIR Submission

To encourage entrepreneurs and small business to participate in the federal SBIR/STTR Program, the Innovate Small Business Rhode Island Fund provides grants of up to \$3,000 to reimburse eligible businesses for the costs of preparing and submitting a proposal.

Loans for SBIR Phase II

Phase II funding supports development of a prototype. Agencies award grants up to \$1,000,000 for a two-year project that builds on the results of Phase I. The project features research and development and an evaluation of commercialization potential. Only Phase I awardees are considered for Phase II. The Innovate Small Business Rhode Island Fund provides loans for eligible Phase II recipients to encourage them to apply for Phase III funding.