

NEWS

These make \$ense: Why startups should seek federal grants as a source of capital

EVA GARLAND CONSULTING

FIRST FLIGHT VENTURE CENTER

SBIR/STTR



Editor's note: Jim R. Roberts is a professional connector who has started or worked within FIVE entrepreneur support organizations in North Carolina. He is currently the founder of the Network for Entrepreneurs in Wilmington (NEW) and the Wilmington Angels for Local Entrepreneurs (WALE) in Wilmington, NC.

WILMINGTON – We have all heard the common complaint about the lack of early stage capital especially in regions outside of Raleigh and Durham. Even in the Triangle, the perceived lack of early stage capital is a



Jim Roberts

challenge mentioned by entrepreneurs as the angel networks are moving to later stages. This is especially difficult in the “Hard Science” innovations like Life Sciences (biotech, medical devices, nanotech) as described by the First Flight Venture Center leader Andrew Schwab.

There is a solution that takes a little more sweat equity and time that could lead to from \$150,000 to \$300,000 in the first round and serve as validation of the product innovation to attract large investors. This solution does not take any equity from the founders or innovators and reduces dilution when future funding is needed to add executive staff to really achieve growth for the company. There are additional phases of these grants that can be \$1.5 million and the government becomes a client of your business for more purchases.

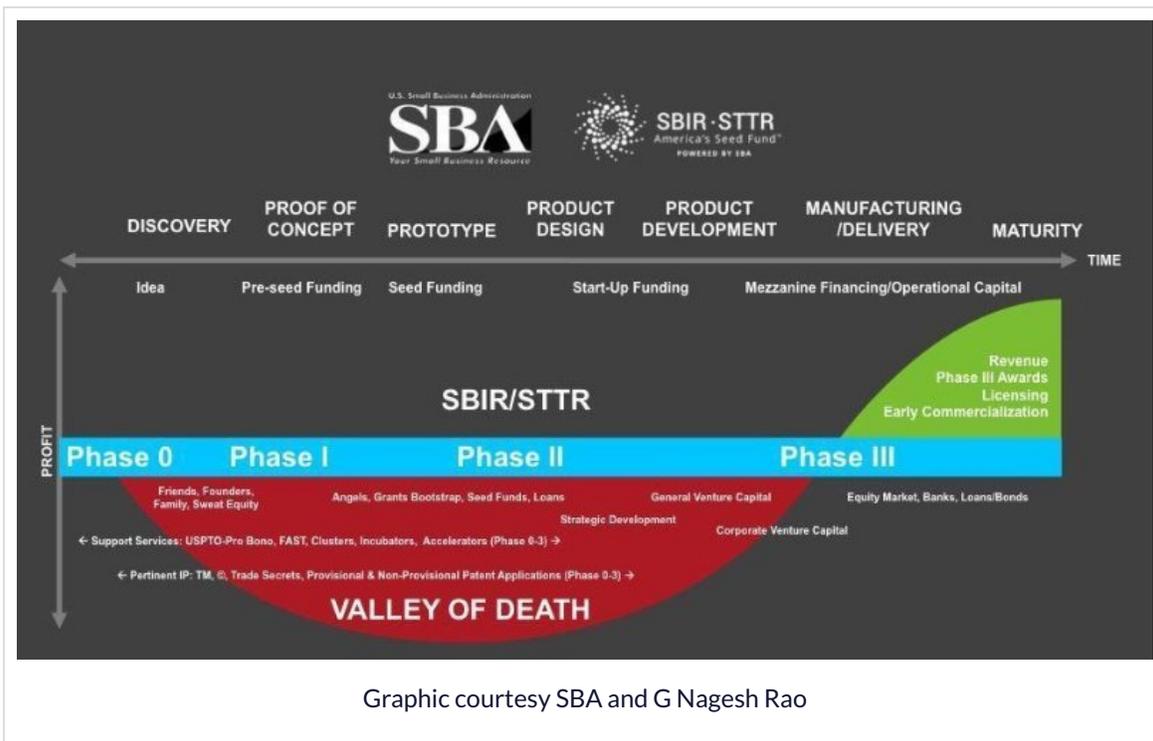
The potential solutions include the rarely used and little known Small Business Innovation and Research Grant (SBIR) and the Small Business Tech Transfer (STTR) grants that larger research regions use to fuel growth and attract capital. STTR grants are in partnership with a non-profit research institution like a university.

A workshop event last week in Wilmington was an education on the process of writing SBIR and STTR grants. This was the last stop on a statewide tour by several organizing partners including the speakers from Eva Garland Consulting staff who is a widely known consulting group for helping innovators successfully pursue these grants.

Organizers, Speakers and Partners in this Wilmington event included the First Flight Venture Center, Small Business Administration, UNCW Crest Research Park / MarBIONC, Network for Entrepreneurs in Wilmington, NK Law and Hutchison Law.

NORTH CAROLINA COMPETES FOR THESE FEDERAL GRANTS

Within North Carolina, 80% of these federal grants are received by innovators in the Triangle of Raleigh/Durham and Chapel Hill, which of course makes sense with the strength of the massive multi-billion dollars research budgets of the public and private universities. The Triangle also receives 80% of the angel investor and venture capital investments in North Carolina and probably much higher in the life sciences and nanotechnology sectors.



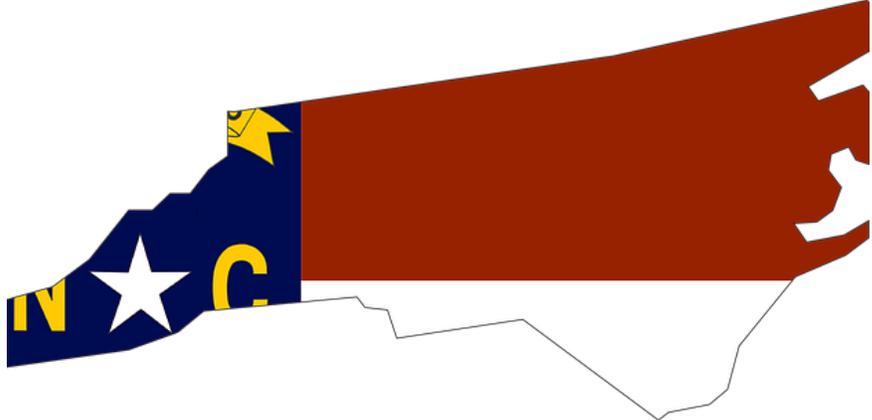
According to the program, these grants mostly come after founder investment, family / friends investment, angel investors and before the venture capital investors. The early stage venture capital investors really do not want to pay for the R&D of the development of new products. The new Life Sciences products can be very expensive to develop and can be more than 12 years to get to an exit event like an acquisition or an IPO.

This program from the First Flight Venture Center was meant to create additional geographic diversity within North Carolina with events in Asheville, Wilmington, Greenville in addition to Durham and Charlotte.

The First Flight Venture Center is currently working on the Liftoff program which has had 100% success rate with companies that are applying for these grants. Since this program started in 2014- 2015, the state of North Carolina has increased their national ratings from 18th in the country to the 10th most successful state in receiving these large grants in 2018. The Liftoff program has led to \$12.6 million for North Carolina companies.

WILMINGTON TRAILED ASHEVILLE AND OTHER SMALLER CITIES WITHIN NORTH CAROLINA

With the work of John Hardin and his staff at NC Department of Commerce, you can read the Innovation Index on how each city in North Carolina competes and compares and you can also see how North Carolina competes nationwide with states like California, Massachusetts and Texas. In 2018, North Carolina companies received \$90 million of federal grant funding.



24 emerging startups land \$1.1M in NC grants to match federal awards

Operating under new criteria that means more funds in North Carolina's 80 most distressed counties, the One NC Small Business Program is awarding 24 emerging startups with \$1.1 million in grants.

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While working with innovators and entrepreneurs in Wilmington since 2013, we have been raising the profile of SBIR and STTR grants such as having expert John Ujvari of the SBTDC as the 2nd event ever held at the UNCW Center for Innovation and Entrepreneurship. The SBTDC has 13 offices across North Carolina mostly near the state's public universities and Wake Forest University.

Since 2013, we have had experts speak in Wilmington such as John Hardin of NC Department of Commerce and Science and Tech Board, Eva Garland, Karen LeVert of Southeast Tech Inventures in 2017, G. Nagesh Rao, SBIR expert from the Small Business Administration (2014) and Susan Bales, a Wilmington resident who was the Director of Innovation of the US Navy. I also worked with the NC Biotech Center, NC Commerce and RTI to attract and host the annual NCI SBIR event at the NC Biotech Center in Durham in 2012 that had only been held at Harvard and Stanford.

TADPOLES TO FROGS AND OTHER MEMORABLE PARTS OF WORKSHOP

One of the most memorable parts of this workshop was the need for the innovator applicant to have a realistic timeline and budget awareness of how long the grant process takes, how much time it will take to develop the innovative product and what budget will be required to take the idea they have all the way to market.

Of course to even apply or receive a grant, these government departments such as the Department of Defense, Environmental Protection Agency, NASA, National Science Foundation or the National Cancer Institute and others have to have a need for what you are developing. A few times each year, they will publish a list of

problems they need solutions for.

A North Carolina based company that the organizers kept pointing to was Agile Biosciences that has received these grants such as a \$225,000 from the NSF and a total of \$12 million of non- dilutive grant funding since 2009. In Wilmington, we are aware of two companies that have received these grants, Seatox Research (\$1.47 million) and Treadwell Corporation that was funded by DHHS and NIH and received the matching grant from the state of North Carolina for an additional \$43,000.



National Cancer Institute to work with Triangle consulting firm for grant applications

The National Cancer Institute (NCI) and Eva Garland Consulting have teamed up to help small businesses successfully submit applications for Phase I of the federally funded Small Business Innovation Research and the Small Business Technology Transfer programs.

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North Carolina does have a matching grant program up to \$50,000 of a Phase I SBIR or STTR grant. The North Carolina program has a little more than \$1 million total budget so all applicants and winners may not receive the full \$50,000. [You can learn more about applying for these matching grants online.](#)

The organizers and speakers also made it clear that there may be available budget in departments that may not be obvious to the applicant. While your innovative product may be around renewable energy, there could be budget within the Department of Defense in addition to the Department of Energy.

About the author: Jim R. Roberts is a professional connector who has started or worked within FIVE entrepreneur support organizations in North Carolina. He is currently the founder of the Network for Entrepreneurs in Wilmington (NEW) and the Wilmington Angels for Local Entrepreneurs (WALE) in Wilmington, NC. Jim tweets at @RedSpireUSNC