



National Science Foundation
4201 Wilson Boulevard
Arlington, Virginia 22230

Small Business Innovation Research and Small Business Technology Transfer (SBIR/STTR) – Phase IB Option.

Dear Colleague Letter –

The Directorate for Engineering's Office of Industrial Innovation (OII) Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs invites all active SBIR/STTR Phase I grantees to participate in the Phase IB option, a new supplemental funding opportunity. Phase IB supplements to Phase I grantees are intended to foster partnerships between strategic partners and investors and the SBIR/STTR companies. NSF is offering a mechanism to advance Phase I research, bridge the gap between Phase I and Phase II funding while encouraging partnering as a means to increase the potential for SBIR/STTR grantees to successfully commercialize their technology.

Through this supplemental program, small businesses will be able to effectively leverage funding and investment from interested outside parties - that could lead to successful commercial products and processes and at the same time provide some of the gap funding required to carry the grantees' effort from Phase I to Phase II. It is anticipated that this research collaboration will not only benefit the small business enterprise but also provide a cost-effective, timely, and risk-reduced approach for large corporations and investors to develop new technology, products and services.

OVERVIEW OF WORK TO BE ACCOMPLISHED. The Small Business Phase I Supplement (henceforth referred to as SBIR/STTR Phase IB) will award research supplements to active SBIR/STTR Phase I grantees that are currently conducting Phase I SBIR/STTR research projects. This supplement opportunity is intended to further SBIR/STTR Phase I research and attract third party funding from industrial partners, venture capitalists, angel investors, and State and Federal governments.

Deadline Dates. Supplemental requests must be received by the mid-point of the award execution (Three months from the start date for SBIR Phase I and six months for STTR Phase I). SBIR/STTR grants must be active at the time of the supplement award and the deadlines must be adhered to in order to assure eligibility for the Phase IB option.

ELIGIBILITY INFORMATION

Organization Limit: Only currently active SBIR/STTR Phase I grantees are eligible to submit proposals for supplemental funding under this Phase IB option.

PI Eligibility Limit: The Principal Investigator must be the PI of an active SBIR/STTR Phase I award.

Funds Eligibility: The eligible outside funding consists of investment from industrial partners, venture capitalists, angel investors, and non-SBIR/STTR grants and contracts from State and Federal Governments.

Limit on Number of Proposals: One per active Phase I grant.

AWARD INFORMATION

- Awards will be made as supplements to active SBIR/STTR Phase I awards;
- The maximum supplemental award is \$50,000 of NSF funding based on \$100,000 of outside funding;
- For outside funding less than \$100,000, the supplemental amount of NSF funding is determined on the basis of 50% of funding provided by the outside party;
- A minimum of \$40,000 of outside funding is required to be eligible for the supplemental grant;
- When the supplemental grant is awarded, the period of performance of the original grant is extended by up to six months; and
- One hundred awards are anticipated in Fiscal Year 2007 and it is expected that \$5,000,000 will be available in Fiscal Year 2007 for this supplemental funding, pending availability of funds.

PROPOSAL PREPARATION AND SUBMISSION INSTRUCTIONS

Proposal Preparation Instructions. Proposals must be submitted according to the instructions for submitting supplemental funding requests found on the SBIR/STTR home page <http://www.nsf.gov/eng/sbir> under *Supplemental Requests*.

Proposals must address two issues: the research activities that will be funded by the NSF to strengthen scientific and engineering feasibility; the business development and marketing activities which will be supported by the outside funds.

PROPOSAL REVIEW INFORMATION

Proposals for supplemental funding submitted in response to this Dear Colleague Letter will be jointly reviewed by National Science Foundation program officers in the Office of Industrial Innovation, Directorate for Engineering, and a panel of outside experts.

The reviewers will evaluate both the technical and the commercial plans in the proposal. In particular the reviewers will determine if they are realistic and if the company has the resources to execute those plans.

CONTACT PERSONNEL

Questions about this letter should be directed to T. James Rudd (703-292-4759, tjrudd@nsf.gov) or Muralidharan S. Nair (703-292-7059, mnair@nsf.gov), Office of Industrial Innovation, Directorate for Engineering.

OTHER SUPPLEMENTAL OPPORTUNITIES OF INTEREST

All active SBIR/STTR Phase II grantees are invited to participate in another supplement opportunity related to strategic partners and outside investors through the Phase IIB program. Phase IB option is structured similar to the current Phase IIB option.

Supplemental Requests. Through these supplements, NSF seeks to broaden participation of strategic partners and outside investors working with grantees to successfully commercialize new products.

Kesh Narayanan
Director Industrial Innovation
OII/ENG