



**ONE NORTH CAROLINA SMALL BUSINESS FUND
YEAR-END REPORT**

FISCAL YEAR 2009

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 Phase I proof-of-principle research and development (R&D) and Phase II early-stage product development. The SBIR/STTR Programs were enacted in 1982 as a part of the federal 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 more than \$1.8 billion (compared to ~ \$750 million in venture capital over the same period) to small businesses across the United States.

The One North Carolina Small Business Program—the subject of this report—entails two state-funded 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.

PROGRAM IMPACT

In the program's first four years, more than 260 grants, totaling in excess of \$14 million, have been issued to North Carolina small businesses. As of June 30, 2009, 78 Phase I projects, receiving nearly \$6 million in support from the program, have been completed. This support has enabled the recipient businesses to:

- Advance innovative commercial technologies in numerous sectors;
- Build company and university collaborations;
- Make an additional \$8.2 million in internal capital investments;
- Leverage more than \$29 million in external capital investments;
- Generate more than \$28 million in follow-on federal SBIR/STTR funding (37 of the 78 received Phase II awards)
- Create more than 88 additional jobs;
- Prepare to produce hundreds of patents, licenses, and products.

These impacts will multiply greatly as the grants become fully utilized over time to grow new businesses and enhance existing businesses.

MATCHING FUNDS PROGRAM

Overview

The North Carolina SBIR/STTR Phase I Matching Funds Program awards matching funds to North Carolina-based small businesses that have received a federal 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, awards can be made to eligible businesses for up to 100 percent of a firm's federal Phase I SBIR/STTR Program award, up to a 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. Increase the intensity of the research conducted under Phase I, making North Carolina small businesses more competitive for Phase II funds;
3. Help North Carolina businesses bridge the funding gap period between the final Phase I payment and the first Phase II payment in the federal SBIR/STTR Program; and
4. Encourage the establishment and growth of high-quality, advanced technology firms in the State of North Carolina.

FY 2009 Summary

- In the FY 2009 Budget Act, \$3.5 million was appropriated to One North Carolina Small Business Program, of which 100 percent was allocated to the Matching Funds Program.
- An additional \$468,588.69 was transferred to the Fund. This amount consisted of unencumbered funds carried forward from program's previous three years, as well as unencumbered funds transferred from the Incentive Fund Program at the conclusion of FY 2009 (see table below in "Incentive Funds" section).
- The FY 2009 Program Solicitation was released in late July 2008.
- Award levels were set at 100 percent of a firm's federal SBIR/STTR Program award, up to a maximum amount of \$75,000.
- In FY 2009, 54 NC small businesses received matching grants, as follows:

Grantee Organization	Encumbered	Paid
3-C INSTITUTE FOR SOCIAL DEVELOPMENT, INC.	\$75,000.00	\$56,250.00
3F, LLC	\$75,000.00	\$56,250.00
4PI ANALYSIS, INC.	\$75,000.00	\$75,000.00
ADVANCED LIQUID LOGIC, INC	\$75,000.00	\$56,250.00
AFFINERGY, INC.	\$75,000.00	\$75,000.00
ALDERON BIOSCIENCES, INC.	\$75,000.00	\$56,250.00
ALDITRI TECHNOLOGIES, INC.	\$75,000.00	\$56,250.00
ALGAEN CORPORATION	\$56,052.67	\$0.00
AP SOLUTIONS, INC.	\$69,906.00	\$0.00
APPLIED SCIENCE INTERNATIONAL, LLC	\$75,000.00	\$56,250.00
ASKLEPIOS BIOPHARMACEUTICAL, INC.	\$75,000.00	\$56,250.00
BENNETT AEROSPACE LLC	\$75,000.00	\$56,250.00
BIOMEDOMICS, INC.	\$69,996.25	\$52,497.19
BRIGHTON DEVELOPMENT, LLC	\$75,000.00	\$56,250.00
CIRQUE PRODUCTIONS LLC	\$75,000.00	\$56,250.00
CLINICAL TOOLS, INC	\$75,000.00	\$56,250.00
COGNOSCI, INC.	\$75,000.00	\$56,250.00
FIREBIRD ADVANCED MATERIALS, INC.	\$75,000.00	\$56,250.00
GRASSROOTS BIOTECHNOLOGY, INC.	\$75,000.00	\$0.00

HORIZON PERFORMANCE	\$75,000.00	\$56,250.00
INNEROPTIC TECHNOLOGY, INC	\$75,000.00	\$56,250.00
INNOVATECH, INC.	\$70,000.00	\$52,500.00
INNOVATION RESEARCH AND TRAINING, INC.	\$75,000.00	\$56,250.00
KYMA TECHNOLOGIES, INC.	\$75,000.00	\$56,250.00
LAAMSCIENCE, INC	\$75,000.00	\$56,250.00
LIFESCITECH, LLC	\$75,000.00	\$56,250.00
MYCOSYNTHETIX INC	\$75,000.00	\$56,250.00
NANOTECHLABS INC.	\$75,000.00	\$56,250.00
NANOVECTOR, INC	\$75,000.00	\$56,250.00
NITRONEX CORPORATION	\$70,000.00	\$52,500.00
NOVAN, INC.	\$75,000.00	\$56,250.00
ONCOSCOPE, INC.	\$75,000.00	\$56,250.00
OPTOSONICS, INC.	\$75,000.00	\$56,250.00
PHOTONTECH	\$75,000.00	\$56,250.00
PHYSICIENT, INC.	\$75,000.00	\$56,250.00
POLYGLOT SYSTEMS, INC	\$75,000.00	\$56,250.00
PRECISION BIOSCIENCES	\$75,000.00	\$56,250.00
PREVENTION STRATEGIES, LLC	\$75,000.00	\$56,250.00
PROVENTYS, INC.	\$75,000.00	\$56,250.00
RIVIS, INC.	\$53,849.33	\$0.00
SIGNAL INNOVATIONS GROUP, INC.	\$69,934.00	\$52,450.50
SIRGA ADVANCED BIOPHARMA, INC.	\$75,000.00	\$56,250.00
SOUTHEAST TECHINVENTURES, INC.	\$75,000.00	\$56,250.00
SOYMEDS, INC.	\$75,000.00	\$56,250.00
STRAD CORPORATION	\$75,000.00	\$56,250.00
SUREMILK, LLC	\$75,000.00	\$0.00
TECHNICAL DESIGNS INC.	\$75,000.00	\$56,250.00
TRIAD SEMICONDUCTOR, INC.	\$70,000.00	\$52,500.00
TRIANGLE POLYMER TECHNOLOGIES, INC	\$69,999.04	\$52,499.28
TRIBOFILM RESEARCH, INC.	\$75,000.00	\$56,250.00
VADUM INC	\$68,851.40	\$51,638.55
VIRTUAL REALITY AIDS, INC.	\$75,000.00	\$56,250.00
VORTANT TECHNOLOGIES, LLC	\$75,000.00	\$56,250.00
ZEN-BIO, INC	\$75,000.00	\$56,250.00
Budgeted	\$3,968,588.69	\$3,968,588.69
Total Encumbered / Paid	\$3,968,588.69	\$2,766,585.52
Balance	\$0	\$1,202,003.17

NOTE: Encumbered and Paid amounts in the table above differ for two reasons:

1. Payment for some grants is pending as of June 30, 2009.
2. Businesses receive 75 percent of the encumbered grant amount upon award, and the remaining 25 percent after certain program performance/completion criteria are met.

INCENTIVE FUNDS PROGRAM

Overview

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. 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 is to foster job creation and economic development in North Carolina by encouraging North Carolina small businesses to compete for Federal SBIR and STTR awards. The goal of the Incentive Program is to increase the number of North Carolina applications for Federal SBIR and STTR Phase I awards.

FY 2009 Summary

- \$200,000 was allocated to the Incentive Program in FY 2009. This amount consisted of unencumbered funds carried forward from program's previous three years.
- The FY 2009 Program Solicitation was released in late July 2008.
- In FY 2009, 53 North Carolina small business received incentive grants, as follows:

Grantee Organization	Encumbered	Paid
3-C INSTITUTE FOR SOCIAL DEVELOPMENT, INC.	\$3,000.00	\$3,000.00
3F, LLC	\$3,000.00	\$3,000.00
ADMET TECHNOLOGIES	\$3,000.00	\$3,000.00
ADVINTECHS	\$3,000.00	\$3,000.00
AFFINERGY, INC.	\$3,000.00	\$3,000.00
AGILE SCIENCES INC.	\$3,000.00	\$3,000.00
ALDITRI TECHNOLOGIES, INC.	\$2,050.50	\$2,050.50
AP SOLUTIONS, INC.	\$3,000.00	\$3,000.00
APPEALING PRODUCTS INC.	\$3,000.00	\$3,000.00
ASKEW ENERGY	\$3,000.00	\$0.00
B3 BIO, INC.	\$3,000.00	\$3,000.00
BENNETT AEROSPACE LLC	\$3,000.00	\$3,000.00
BIOMODAL LLC	\$3,000.00	\$0.00
BRIGHTON DEVELOPMENT, LLC	\$3,000.00	\$3,000.00
BROAD DIGITAL LLC	\$3,000.00	\$3,000.00
CAROLINA UNMANNED VEHICLES, INC.	\$2,826.72	\$2,826.72
CIVATECH ONCOLOGY INC.	\$3,000.00	\$3,000.00
CIVENTICHEM LLC	\$3,000.00	\$0.00
CRYOFACETS, INC.	\$3,000.00	\$3,000.00
CYCLE 9, LLC	\$3,000.00	\$3,000.00
EMPOWER HEALTHWARE INC.	\$3,000.00	\$3,000.00
ENSOLVE BIOSYSTEMS, INC.	\$3,000.00	\$0.00
FLEXCELL INTERNATIONAL CORPORATION	\$3,000.00	\$3,000.00
FRANKLIN SCIENTIFIC CORPORATION	\$3,000.00	\$0.00
FUTURENOW TECHNOLOGIES	\$3,000.00	\$3,000.00

GEM TOX CONSULTANTS AND LABS, INC.	\$3,000.00	\$0.00	
IMMUNOBIOSCIENCES, INC	\$3,000.00	\$0.00	
INDEPENDENT LIVING RESOURCES, INC.	\$2,960.46	\$2,960.46	
INNEROPTIC TECHNOLOGY, INC	\$3,000.00	\$3,000.00	
INNOVATECH, INC.	\$3,000.00	\$3,000.00	
INSECT DIET AND REARING RESEARCH, LLC	\$3,000.00	\$3,000.00	
INSITUTEC INC.	\$3,000.00	\$3,000.00	
JENKEN BIOSCIENCES, INC.	\$3,000.00	\$3,000.00	
LUBA CORPORATION	\$3,000.00	\$3,000.00	
MMC PRODUCTIONS INC	\$2,993.75	\$2,993.75	
MOVEABLECODE, INC.	\$3,000.00	\$0.00	
NANOMICS BIOSCIENCES, INC.	\$3,000.00	\$0.00	
NANOVECTOR, INC	\$3,000.00	\$3,000.00	
NEXTRAY, INC.	\$3,000.00	\$3,000.00	
NOVAN, INC.	\$2,408.85	\$2,408.85	
PATAGONIA HEALTH INC	\$3,000.00	\$0.00	
POLYGLOT SYSTEMS, INC	\$2,759.17	\$2,759.17	
SAHA PHARMACEUTICALS, INC	\$3,000.00	\$3,000.00	
SEVENTHDIGIT CORPORATION	\$3,000.00	\$3,000.00	
SUNCASTLE MICROWAVE, LLC	\$3,000.00	\$3,000.00	
TECHNICAL DESIGNS INC.	\$3,000.00	\$3,000.00	
THE MYVATAR COMPANY	\$3,000.00	\$3,000.00	
THERABRUX LLC	\$3,000.00	\$3,000.00	
TRIANGLE POLYMER TECHNOLOGIES, INC	\$3,000.00	\$3,000.00	
TRIBOFILM RESEARCH, INC.	\$3,000.00	\$3,000.00	
UNITED NANO WORKS	\$3,000.00	\$3,000.00	
US ENVIRONMENTAL PROTECTION SERVICE	\$2,041.30	\$0.00	
VESTA THERAPEUTICS	\$3,000.00	\$3,000.00	
	Budgeted	\$200,000	\$200,000
	Total Encumbered / Paid	\$156,040.75	\$123,999.45
	Balance	\$43,959.25	\$76,000.55

NOTE: Encumbered and Paid amounts in the table above differ because payment for some grants is pending as of June 30, 2009. The unencumbered balance of \$43,959.25 was transferred to the Matching Fund, as noted above on page 3.

CONCLUSION

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.