

**The North Carolina Small Business Innovation Research (SBIR) and Small Business  
Technology Transfer (STTR) Phase I Incentive Funding Program Guidelines  
("the Guidelines")**

**(As amended on ~~December 16, 2021~~ TBD)**

A. **PROGRAM SUMMARY.** The North Carolina SBIR/STTR Phase I Incentive Program (the "Incentive Program") reimburses qualified North Carolina firms for a portion of the costs incurred in preparing and submitting Phase I proposals for the U.S. Government's Small Business Innovation Research Program and Small Business Technology Transfer Program (the "Federal SBIR/STTR Program").

The Federal SBIR/STTR Program is administered by eleven (11) Federal agencies for the purpose of providing research and development funding to small companies. Companies compete for funding by submitting proposals in response to solicitations issued by participating Federal agencies.

The Federal SBIR/STTR Program provides for funding competitions in two (2) phases that are relevant to the North Carolina program: **Phase I** - to conduct feasibility research; and **Phase II** - to expand and develop Phase I results and develop commercially viable innovations. The Federal Program also includes a **Phase III** provision that provides commercialization support for the product or process developed in Phase II. More information about the Federal SBIR/STTR Program may be found at [www.sbir.gov](http://www.sbir.gov).

The North Carolina Board of Science and Technology (the "Board"), a division of the North Carolina Department of Commerce, through its Executive Director, administers the Incentive Program in the manner set forth in these Guidelines for the One North Carolina Small Business Innovation Research (SBIR) & Small Business Technology Transfer (STTR) Phase I Incentive Funding Program (the "Guidelines").

Under the Incentive Program, the Board will reimburse qualified applicants for a portion of the costs incurred in preparing and submitting a Federal SBIR/STTR Program Phase I proposal, using the selection criteria specified in Section I, up to a maximum of \$12,000, subject to the availability of funds. The maximum percentage for reimbursement is seventy-five percent (75%) for an eligible business located in a Development Tier One or Two area, as defined in N.C. Gen.Stat. § 143B-437.08, and is fifty percent (50%) for any other eligible business.

Companies apply for funding under the Incentive Program by submitting an Application in response to an Incentive Solicitation (a "Solicitation") developed and issued by the Board. Under the Incentive

Program, a qualified business may receive two (2) SBIR/STTR Phase I Incentive Awards (either an SBIR or an STTR Phase I award, an “Incentive Award”) during an Incentive Solicitation period. A grant to a business partnered with a public institution of higher education in this State does not count toward the maximum grant limitation provided in this section. The Board, based upon the availability of funds, sets the available Incentive Award amounts and the dates during which proposals may be submitted.

- B. STATUTORY AUTHORITY AND AMENDMENT.** These Guidelines apply to funds appropriated or otherwise deposited, granted, or allocated to the One North Carolina Small Business Account to be used for the SBIR/STTR Incentive and Matching Funds Programs, established pursuant to § 143B-437.71(c) of the North Carolina General Statutes. The Incentive Program is established pursuant to N.C. Gen. Stat. § 143B-437.80. These Guidelines may be amended from time to time, using the same procedures set forth in N.C. Gen. Stat. § 143B-437.82.
- C. PROGRAM PURPOSE.** The purpose of the Incentive Program is to foster job creation and economic development throughout 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.
- D. DEFINITIONS.**
1. *Applicant* - a Small Business that submits an application for an Incentive Award.
  2. *Application* - the required form(s) to be completed and any supporting materials submitted by an Applicant in response to an Incentive Solicitation.
  3. *Board* – Defined in Section A.
  4. *DoD* – Department of Defense.
  5. *Federal SBIR/STTR Program* – Defined in Section A.
  6. *Guidelines* – Defined in Section A.
  7. *Incentive Award* - Defined in Section A.
  8. *Incentive Program* – Defined in Section A.
  9. *Incentive Solicitation* – Defined in Section A.
  10. *Incentive Solicitation Period* – Defined in Section G.
  11. *NSF* – National Science Foundation.
  12. *Principal Place of Business* – typically, the state in which an Applicant maintains its headquarters, where its books and records are kept, and where senior management is located, as reported to that state’s Secretary of State. In cases where an Applicant’s Principal Place of Business is not obvious, a variety of factors may be considered when determining the Applicant’s Principal Place of Business. Such factors include, but are not limited to, the following: the current location of the Applicant’s

headquarters; the current location of the Applicant’s senior management; the current total revenue in each location; the current capital investment in each location; the current total number of employees in each location; the current total payroll in each location; the historical growth trend of the preceding listed factors; the location of the grant-funded project’s activities; the location of the grant’s expenditures; and other factors as are relevant and for which information is available. The importance of each factor is conditional on the respective values of all other relevant factors. Accordingly, when considering all relevant criteria for which information is available, the Board’s Executive Director shall use a “weight of the evidence” process to determine the Applicant’s Principal Place of Business.

13. *Recipient* - an Applicant who has been approved to receive an Incentive Award.

14. *Small Business* - a small business concern, as defined under the Federal SBIR/STTR Program guidelines that govern the proposal for which the Applicant is applying.

E. **ELIGIBILITY.** An Applicant must satisfy the following conditions in order to be eligible to submit an Application:

1. Applicant must be a for-profit Small Business with its principal place of business in North Carolina;
2. Applicant must have submitted a qualified SBIR or STTR Phase I proposal to a participating Federal agency in response to a specific Federal solicitation;
3. Applicant must meet all Federal SBIR/STTR Program eligibility requirements that are applicable to the relevant Federal solicitation;
4. Applicant may not receive concurrent funding support from other sources that duplicates the purpose of the Incentive Award;
5. Applicant must conduct at least fifty-one percent (51%) of the activities described in the Federal SBIR or STTR proposal in North Carolina, and must maintain significant North Carolina operations during the entire corresponding Federal SBIR or STTR Phase I project, if awarded Federal funding;
6. Proposals resubmitted to a Federal agency, for which the Applicant has already received an Incentive Award, are not eligible for an additional Incentive Award;
7. Any Applicant that, in the judgment of the Board, has failed to correct a material breach of a grant agreement or award under any program administered by the Board is ineligible to submit an Application; and
8. Applicant must satisfy any other eligibility requirements established by the Board and published in the Incentive Solicitation.

9. For STTR Incentive Awards, substantial cooperative research collaboration between the Small Business and a single research institution must be proposed. For SBIR Incentive Awards, collaboration between the Small Business and other organizations, including research institutions, may be proposed.

F. **LIMITATIONS ON INCENTIVE AWARDS.** An Applicant may receive no more than two (2) Incentive Awards during the period covered by an Incentive Solicitation, and no more than a total of ten (10) Incentive Awards over its lifetime.

**Specific Limitations on STTR Incentive Awards.** Federal STTR awards are granted to a cooperative research collaboration between a Small Business and a single research institution. *The Board will consider for reimbursement under the Incentive Program only the expenses directly incurred by the Small Business Applicant in the collaboration, up to the limits established in the Incentive Solicitation. The research institution component of the collaboration is ineligible for funds under the Incentive Program, and the expenses incurred by it are specifically excluded from consideration in establishing the amount of any Incentive Award made to a Small Business.*

G. **INCENTIVE SOLICITATION, PERIOD, AND SUBMISSION.** For each funding cycle of the Incentive Program, the Board will issue a request for funding proposals in the form of an Incentive Solicitation. These Guidelines are incorporated into all Incentive Solicitations, which shall also include but not be limited to opening and closing dates for the solicitation (the “Incentive Solicitation Period”); the award amount available; reporting and proposal preparation guidance; and any required Application forms.

No Applications or supplemental materials submitted in response to an Incentive Solicitation will be accepted after its closing date or after funds available for Incentive Awards have been exhausted.

H. **APPLICATION REQUIREMENTS.** Applicants must use the required forms provided in the Incentive Solicitation and must fully comply with all requirements of these Guidelines and the Incentive Solicitation within the time period specified in order to be eligible for an Incentive Award. Applications that do not include ALL of the documents specified in the Incentive Solicitation, or that contain documents that have not been fully completed, will be considered incomplete and will be returned to the Applicant without further review. In its discretion, the Board may request supplemental materials from the Applicant. Such materials must be received within fifteen (15) days of the date of the request, or the Application may be returned to the Applicant without further review.

Proprietary or classified material included in a proposal for Federal funding, but not directly related to the Applicant’s eligibility under the Incentive Program, may be excluded from the Application. If

excluded, the Applicant must submit a notarized statement, signed by an authorized official of the Applicant, attesting that the excluded material is proprietary or classified and that economic harm or violation of Federal rules pertaining to classified materials will result if such materials are submitted.

Reimbursable costs under the Incentive Program are:

- a. Proposal preparation consulting fees paid to others;
- b. Typing/word processing services;
- c. Project-related supplies and postage;
- d. Database search fees for project-related literature searches;
- e. Rental of space and/or equipment directly related to the preparation of the Federal proposal;
- f. Salaries of individuals who were directly involved in preparation of the Phase I proposal; ~~and~~
- g. Educational program fees directly related to the preparation of the Federal proposal; ~~and~~
- ~~f.~~ Fees<sup>1</sup> paid to the United States Patent and Trademark Office (USPTO) for patents directly related to the Phase I proposal.

Non-reimbursable costs under the Incentive Program include but are not limited to:

- a. Travel;
- b. Equipment purchases over \$300;
- c. Facility improvement; and
- d. Legal fees, including those associated with the preparation of a patent. ~~Legal fees or patent preparation costs.~~

I. **APPLICATION REVIEW AND APPROVAL.** Applications will be reviewed to ascertain compliance with the requirements in an Incentive Solicitation through the end of the Incentive Solicitation Period or until the funds available for the Incentive Program have been exhausted. For Incentive Solicitations supported by funding levels large enough to enable awards to all or most of the expected Applicants in the Incentive Solicitation Period at or close to the maximum amount allowable under these Guidelines,

---

<sup>1</sup> For a complete list of fees, see: [https://www.uspto.gov/sites/default/files/documents/Table\\_of\\_Patent\\_Fees\\_-\\_Current\\_Final\\_Rule\\_and\\_Unit%20Cost.pdf](https://www.uspto.gov/sites/default/files/documents/Table_of_Patent_Fees_-_Current_Final_Rule_and_Unit%20Cost.pdf).

this review will occur on a first-come, first-served basis. Date and time of receipt of the complete Application (including all required documents) will be used to establish the order for consideration of Applications. However, for Incentive Solicitations supported by significantly lower funding levels, the Board's Executive Director may, with approval by a majority of a quorum of the Board, employ other bases that the Board deems appropriate for a given Incentive Solicitation. Such bases must be consistent with the overall objectives of the Incentive Program, must be specified in the applicable Incentive Solicitation, and may include, but are not limited to, factors such as the economic distress level of the county of the Applicant's Principal Place of Business, the Applicant's size, the number of previous Match Awards received by the Applicant, the potential of the Applicant to acquire Phase II or other funding, the commercial potential of the Applicant's innovation, the Applicant's primary business activity, an assessment of the Applicant's team, and the distribution of federal funding agency awards within the State. Applications will be approved on the basis of satisfactory compliance with all requirements, as stated in these Guidelines and in the Incentive Solicitation.

- J. **APPEAL.** If the Executive Director denies an Application, the Applicant may appeal this decision to the full Board, by written notice within thirty (30) days of the date of the denial notification or return of the Application, requesting reconsideration of the Application. Any reconsideration will be subject to availability of funds.
- K. **GRANT AGREEMENT.** The terms under which an Incentive Award is made will be reflected in a grant agreement between the State of North Carolina and the Recipient. Terms of performance in the grant agreement will include but will not be limited to the following:
1. The Recipient shall comply with all requirements described in these Guidelines and the Incentive Solicitation;
  2. The Recipient shall respond to the Board's annual Incentive Program survey for a period of up to five (5) years following receipt of the Incentive Award;
  3. The Recipient shall maintain records and accounts verifying the application of all Incentive Award funds received for a minimum of three (3) years and shall make such records available to the Board upon request;
  4. The Recipient shall prepare and submit to the Board a final report as outlined in the Incentive Solicitation within thirty (30) days of notification of the Federal Phase I contract award or denial;
  5. The Recipient shall affirm that Recipient has not and will not solicit funds from other sources that duplicate the purpose of the Incentive Award; and

6. The Recipient or designated agent shall comply with the audit policy of the State of North Carolina with respect to the disposition of Incentive Award funds and shall comply with the certifications made by the Recipient as a condition of its Incentive Award. The Recipient shall also provide the Board with timely copies of reports on any audits that review use of Incentive Award funds.

L. **EDUCATION AND OUTREACH.** The Board may use up to ten percent (10%) of funds appropriated for grants to provide education and outreach, including training, materials, location, and other associated costs, to aid in the awareness and successful completion of SBIR/STTR Phase I proposals.

M. **GENERAL TERMS.**

1. No oral statement of any person shall modify or otherwise affect the terms and conditions of these Guidelines or of an Incentive Solicitation.
2. The Board may reject any Application that does not comply with the requirements of these Guidelines or of an Incentive Solicitation.
3. The Board may refuse to approve an Application if it is not in keeping with the purpose of the Incentive Program.
4. The Board may withdraw an Incentive Solicitation at any time.
5. The Incentive Program is funded by State appropriations, and Incentive Awards are contingent upon the availability of State funds for these purposes.

N. **RELEASE OF INFORMATION.** All documents submitted to the Board, including Applications, are public records governed by Chapter 132 of the North Carolina General Statutes and applicable provisions of the General Statutes protecting confidential information. When specific information in an Application is regarded by the Applicant and by law as confidential and not subject to disclosure under the North Carolina Public Records Act, the Applicant should specifically and clearly designate it as such in writing on that portion of the Application in which the information appears. An Applicant should provide an explanation for why particular information is regarded as confidential. Applications should not be indiscriminately marked as confidential.

O. **PUBLICATION OF INCENTIVE SOLICITATIONS AND GUIDELINES.** The Board will publish the Guidelines and all Incentive Solicitations on the Board website at <http://www.nccommerce.com/sti>, accessible from a direct link on the North Carolina Department of Commerce website at <http://www.nccommerce.com>.