



U.S. NATIONAL SCIENCE FOUNDATION
2415 EISENHOWER AVENUE
ALEXANDRIA, VIRGINIA 22314

NSF 24-095

Dear Colleague Letter: SBIR/STTR Phase IIB Supplemental Funding Requests

June 04, 2024

Dear Colleagues:

The Small Business Innovation Research and Small Business Technology Transfer (SBIR/STTR) programs, America's Seed Fund, powered by the U.S. National Science Foundation (NSF), fund startups transforming **high-risk technologies** into products and services with commercial and positive societal impact. These programs support research and development (R&D) across nearly every technology and market sector, often representing a company's first external funding. Recipient small businesses generally have fewer than ten employees. Targeting firms at this stage maximizes the benefit that NSF funding can provide by bridging a critical funding gap.

Companies developing high-risk, high-impact technologies often require significant capital to develop, scale, and commercialize their products and services. During the SBIR/STTR Phase II award period, NSF's goal is to ready these high-potential companies to transition to non-governmental capital sources. The Phase IIB Supplement enables an awardee to build on Phase II development achievements and expedite the path from lab to market with funds from NSF's Phase IIB supplement and investors or customers.

Eligibility for NSF SBIR/STTR Phase IIB supplemental funding requires an active NSF SBIR/STTR Phase II recipient to demonstrate the availability of sufficient external funding from an acceptable source. Examples of acceptable capital types and sources include:

- Equity investment from institutional investors;
- Equity investment from Qualified Individual investors;
- Revenue from the sale of product(s) and services (some restrictions apply, refer to Section 1.1);
- Licensing revenue (some restrictions apply, refer to Section 1.1); and
- Awards received from Federal, state, and local agencies.

Phase IIB supplements range from \$50,000 to \$500,000 and carry the same restrictions and flexibility as the NSF SBIR/STTR Phase II base award. The maximum award amount is limited to one-half of the qualifying external funds and is based on an internal NSF review of the proposed funding documentation (see below). Proposing and receiving a Phase IIB award places no restrictions or limitations on the use of external funds.

A supplemental funding request for an NSF Phase IIB supplement requires the submission of a financial package. This submission will not be accepted without all the necessary financial package documentation (see Financial Package Criteria), including the financing documents from the external funds financing transaction(s). Given the documental required to complete the Financial Package, Phase IIB requests should be initiated at least one to two months before the deadline. These are hard deadlines.

GENERAL POLICIES REGARDING NSF PHASE IIB SUPPLEMENTAL FUNDING REQUESTS

- The NSF SBIR/STTR Phase IIB process must be initiated by the Principal Investigator of the base NSF SBIR/STTR Phase II award and an officer of the NSF SBIR/STTR Phase II recipient small business.
- The small business requesting a Phase IIB must continue to meet the SBIR/STTR eligibility requirements described in the solicitation governing their Phase II award. Re-certifying will be required at the time of financial package submission. SBIR/STTR eligibility can be found at SBIR.gov or by accessing this link: [Eligibility Requirements](#)
- The Phase IIB supplemental funding request review process may take up to six months. The small business must meet all the base award's solicitation eligibility requirements when the financial package is submitted.
- Regardless of whether an NSF Phase II SBIR/STTR recipient has a no-cost extension, the NSF Phase II SBIR/STTR recipient must submit a complete Phase IIB supplement financial package to the cognizant Program Officer (1) within 24 months of the Phase II start date, or (2) within 30 months of the Phase II start date if a Technology Enhancement for Commercial Partnerships (TECP) supplement was awarded
- A successful Phase IIB financial package review by the cognizant Program Officer will result in an invitation to continue through the proposal submission process. After the invitation is extended, the pitch deck (if applicable) and complete Phase IIB proposal are submitted. These documents and the final review process may extend beyond the 24-month (or 30-month) deadline.

HOW TO RESPOND TO THIS SUPPLEMENTAL FUNDING OPPORTUNITY

1. Financial package preparation, submission, and review
2. Pitch deck applicability, preparation, submission, and review.
3. Written proposal submission and review.

1. Financial Package Preparation and Submission

1.1. Financial Package Preparation

The Financial Package requires the following information:

- Confirmation that external funds come from acceptable sources: Equity investors, Qualified Individual investors, Customers, or Licensees.
 - If external funds represent government awards (including Federal, state, and local agencies), consideration is limited to \$500,000,
 - If external funds represent revenue generated by the sale of products or services, the products and services must have been developed by NSF-funded programs.
 - If external funds represent state SBIR/STTR programs, they are only eligible if it is demonstrated that the program is competitive, and awards are based on commercial diligence.
- Confirmation of the exact amount of the external funds.
- Confirmation that external funds are cash only (in-kind or “intangible assets” do not qualify as external funds).
- Confirmation that external funds come from either an award, sales or licensing revenue, or the sale of equity.
- Confirmation that external funds are not structured as debt obligations. Debentures of any type, including convertible debt, are not qualified as external funding.
- Confirmation that external funds are legally obligated to the small business without contingencies or conditions that may result in funds recovery.
- Confirmation that the external funds are not in any way contingent on a Phase IIB award.
- Confirmation that the legal documents for the external funds transaction(s) have been fully executed (signed by all parties) and the date(s) for funds transfer, if not already completed, are explicit in the executed document(s). These documents must be fully executed, meaning signed by both parties, before financial package submission, even if the funds have not been transferred.
- External funds may be structured as a single lump sum or multiple time- or milestone-based tranches to be made during the Phase IIB project period (not to exceed eighteen months). Proof that external funds were received must be provided to NSF before NSF will release Phase IIB supplemental funds.
- External funds from multiple, unrelated parties may be presented in a combined financial package submission. For example, if the external funds result from a combination of product sales, licensing, or a syndicated investment transaction, the total amount may be combined and submitted for consideration.

1.2. Financial Package Submission and Review Process

- The financial package must be emailed to the cognizant NSF SBIR/STTR Phase II

Program Officer before the deadline. The process should be started early as the financial submission package is only considered complete when all the transaction documents for the external funds have been submitted.

- The financial package is reviewed by at least three NSF SBIR/STTR Program Officers, which may take up to two months. This review may result in follow-up questions or requests to the small business of the Phase IIB supplemental funding request. Responses should be provided promptly.
- When the financial package review process is complete, the cognizant NSF SBIR/STTR Phase II Program Officer will email the company to invite it to the next step. The invitation email will contain the maximum amount of Phase IIB funding that may be requested.

2. Phase IIB Pitch Deck applicability, submission, and review

Small businesses invited to request an amount less than \$250,000 may skip Section 2.1 (Pitch Deck Preparation) and move directly to the Proposal Submission. No Pitch Deck is required for requests less than \$250,000.

Small businesses invited to request an amount equal to or greater than \$250,000 in NSF SBIR/STTR Phase IIB funding must prepare and submit a presentation (“Pitch Deck”) covering key aspects of the company’s team, technology, business model, and strategy as described below. This Pitch Deck must be sent to the cognizant NSF SBIR/STTR Phase II Program Officer within 30 days of receipt of the invitation. The Program Officer will review the presentation, request clarification or additional information, and determine whether to invite the proposer to move to the final stage in the Phase IIB review process.

2.1. Pitch Deck Preparation

i. External Funds:

- Slide 1: Describe succinctly the nature of the external funds, including specific information about the company’s relationship with the party or parties committing to the funding and key terms of the transaction(s) making the external funds available.
- Slide 2: Provide evidence that the external funds directly result from work completed during the NSF-funded Phase I or Phase II project but are not contingent on receipt of a Phase IIB award.

ii. The Company and Team:

- Slide 3: Provide company and founder information, vision, and corporate structure.
- Slide 4: Discuss other key personnel (technical and/or commercial), including critical advisors, consultants, board members, and partners.
- Slide 5: Briefly describe any facilities or assets that are key to the work.
- Slide 6: Describe the company’s intellectual property strategy, listing IP assets if

appropriate.

- Slide 7: Summarize the company's core competency and strengths.

iii. **Market Strategy and Business Model:**

- Slide 8: Describe the product or service. Why will/have customers adopt(ed) this solution?
- Slide 9: Describe the Go-to-Market strategy, including market size, the business model, pricing strategy, and methods used to validate the assumptions.
 - What growth rate is required to achieve the company's goals?
 - What are market penetration expectations (%) in the next five years?
- Slide 10: Describe the competitive landscape; how does the company fit within or disrupt this landscape?
- Slide 11: Describe the strategy for maintaining the company's competitive advantage.
- Slide 12: Describe the company's top three challenges and risk mitigation strategies.

iv. **Go to Market and Projections:**

- Slide 13: Create a timeline for the company's next 3 to 5 years: overlay technical/product development milestones, key hiring, business development (partnerships and alliances) milestones, revenue goals.
- Slide 14: Provide five-year financial projections, including revenues, expenses, fundraising requirements, and expected profitability. Breakdown personnel costs explicitly.

v. **Technology Status and Phase IIB Plans:**

- Slide 15: Discuss the status of the product/service, including key advancements achieved during NSF funding.

2.2 Phase IIB Supplemental Request Preparation

- When the NSF SBIR/STTR Phase IIB financial package and pitch deck (if applicable) are reviewed, and the Phase II small business has received an email invitation from their cognizant NSF SBIR/STTR Program Officer to proceed, a Phase IIB supplemental funding request must be submitted to the base NSF SBIR/STTR Phase II award in Research.gov.
- NSF SBIR/STTR Phase IIB proposals are internally reviewed by at least three NSF SBIR/STTR Program Officers; the cognizant Program Officer for the base NSF SBIR/STTR Phase II award makes the final funding recommendation based on these inputs.
- The NSF SBIR/STTR Phase IIB supplemental request review process may require up to 10 weeks and may result in requests for additional information and/or budget modifications following submission.
- Project Duration

- NSF Phase IIB awards of less than \$250,000 should have a one-year scope of work; for those equal to or greater than \$250,000, a two-year scope is expected. Exceptions can be addressed to the Program Officer.
 - Proof of receipt of external funds is required before an NSF Phase IIB supplement award (50% match) distribution.
- Phase IIB funds will typically be distributed as follows:
 - For Phase IIB supplements with a 12-month duration, 50% will be released as an advance payment and 50% with an approved 6-month interim report.
 - For Phase IIB supplements with a 24-month duration: 25% will be released upon Phase IIB award, 25% with an approved 6-month interim report, 25% with an approved 12-month interim report, and 25% with an approved 18-month interim report.
- A Justification for Supplemental Funding is required.
 - List new development and productization plans for Phase IIB supplements.
 - Provide a summary of the Commercial Opportunity and Status, including:
 - Product/service readiness,
 - Achieved commercial milestones/metrics,
 - Anticipated commercial milestones/metrics for three years following the award.
 - Summarize the NSF SBIR/STTR Phase IIB project objectives to show the impact of the Phase IIB award on the small business' commercialization plan
 - Provide clear success metrics.
- A budget and budget justification section are required.
 - The budget and budget justification must adhere to same guidance provided in the governing NSF SBIR/STTR Phase II solicitation (section V) of the base award.
 - NSF Phase IIB funding should be used for R&D, extending from the approved work from the Phase II award.
 - Phase IIB projects should focus on product development rather than the high-risk research required during Phase I and II; however, NSF SBIR/STTR requires funds to be spent (other than where explicitly noted) on R&D and related technical work.
 - NSF SBIR/STTR Phase IIB awards are subject to the maximum limits established by the Small Business Administration. Therefore, cumulative funding (Phase I, Phase II, Phase IIB, etc.) may not exceed the maximum cumulative award amount defined at <https://www.sbir.gov/about>.

Please contact your Phase II Program Director or sbir@nsf.gov for questions concerning this supplemental funding opportunity.

Sincerely,

Erwin Gianchandani
 Assistant Director for Technology, Innovation and Partnerships
 National Science Foundation