



The Kentucky Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Matching Funds Award Program Guidelines 2019-001

A. PROGRAM SUMMARY

The Kentucky SBIR/STTR Matching Funds Award Program is designed to award matching funds to for-profit, Kentucky-based companies that have been granted Federal Small Business Innovation Research Program or Federal Small Business Technology Transfer Program (the “Federal SBIR/STTR Program”) Phase I or Phase II Awards, and Fast-Track for research and technology development that are consistent with one or more of the five research and development Focus Areas as revised in the Kentucky Science and Innovation Strategy. The five Focus Areas are: (1) Agriculture and Bioscience, (2) Energy and Environmental Technologies, (3) Human Health and Personalized Medicine, (4) Information Technology and New Media, and (5) Materials Science and Advanced Manufacturing.

All companies will disclose the verifiable unspent balance of their Federal SBIR/STTR award as of the date of the Kentucky SBIR/STTR Matching Funds application.

1. The eligible Matching Funds amount will be determined by the amount of remaining Federal funds at the time of the Matching Funds application. In the case of Phase I applicants, a verifiable unspent balance of at least 60% of the Federal Phase I amount will enable the applicant to request a total Matching Funds amount not to exceed the Federal Grant amount or \$150,000. In the case of Phase II applicants, a verifiable unspent balance of at least 80% of the Federal Phase II amount will enable the applicant to request a total Matching Funds amount not to exceed the Federal Grant amount up to \$500,000.
2. If the verifiable Federal balance (unspent), pro-rated for each year, on the date of the Matching Funds application is less than the required 60% (Phase I) or 80% (Phase II), then the Matching Funds award amount will not exceed the amount remaining of the Federal Grant on the date of application for the Matching Funds.
3. Phase II year 1 will require additional non-federal capital (e.g. investment, bank, owner financing). Match funds can be awarded in a ratio of 10:1 (state:private), not to exceed the amount of federal funding received or \$500,000, whichever is less;
4. Phase II year 2 will require outside investment capital. Match funds can be matched dollar for dollar with federal awards and with a required ratio of 5:1 (state:private), not to exceed the amount of federal funding received or \$500,000, whichever is less;



5. Eligible Phase IIb will require outside investment capital. Match funds can be matched dollar for dollar with federal awards and with a required ratio of 1:1 (state:private), not to exceed the amount of federal funding received or \$500,000;
6. Awards will take the form of a combination matching grant with limited warrants (equity conversion amount not to exceed 20% of the match amount in year 1 and 40% in year 2) and/or a limited revenue share provision. Value will be pegged to current value where a qualified third-party valuation has been completed. Where no qualified third-party valuation has been completed, valuation will be pegged at a future financing round or at a financing closed concurrently with the match award. Equity will be capped at 10% of total company equity (all match awards combined), with terms equivalent to other first entrant investor. Equity shall be held by an organization contracted by KY Innovation to administer SBIR/STTR funding or a designee.
7. KY Innovation will maintain right to call note if there is an event of default;
8. Phase 2, Year 1 awards will initiate an "observer seat" for KY Innovation or its designee with information access and future Board rights;
9. Phase 2, Year 2 awards will initiate a full board seat for KY Innovation or its designee.

In all cases, Kentucky SBIR/STTR Matching Fund Award amounts cannot exceed \$150,000 for Phase I and \$500,000 per year for a Phase II award.

B. PROGRAM PURPOSE

The purpose of the Kentucky SBIR/STTR Matching Funds Program is to foster job creation and economic development in Kentucky by (a) increasing the competitiveness of Kentucky's Small Businesses in attracting Federal SBIR and STTR grants, and (b) providing an incentive for Phase I and Phase II award-winning companies to make further progress along the path to commercialization. The goals of the Kentucky SBIR/STTR Matching Funds Program are:

- a. To increase the number of applications for Federal research dollars submitted by Kentucky Small Businesses conducting research and technology development in one or more of the five KY Innovation Research Focus Areas;
- b. To help Kentucky companies bridge the funding gap period between the final Phase I payment and the first Phase II payment in the Federal SBIR/STTR Program;
- c. To increase the intensity of the research conducted under Phase I, and strengthen the commercialization plan, to make Kentucky Small Businesses more competitive for Phase II funds;
- d. To augment the funds available for Phase II projects, to help improve business development and commercialization efforts leading to product commercialization; and
- e. To encourage the establishment and growth of high-quality advanced technology companies in the Commonwealth of Kentucky.



C. ELIGIBILITY

The Kentucky SBIR/STTR Matching Funds Program awards will be made on a **competitive basis**. All applications received by the due date that are complete and verified eligible will compete for available funding for each solicitation.

1. Applicant must be a small, technology based business.
2. Applicant must meet the guidelines for Kentucky-based status OR must be willing to relocate to Kentucky to meet the guidelines for Kentucky-based status and have the Federal SBIR/STTR Program award transferred to Kentucky.
3. Applicant must be a Phase I, Phase II (year one or year two), Phase IIb, or a FastTrack federal SBIR/STTR award winner from one of the participating federal agencies. The date of the Federal award for the eligible year portion shall not be more than twelve months prior to the opening date of the solicitation. The federal Phase II grant must be in active status at the time of the Kentucky SBIR Matching Funds application for Phase II applicants. For Phase I applicants the award date should be no more than one year prior to the opening date of the solicitation, and the company must have not received notification of a follow-on Phase II federal award. The federal award does not have to be an active grant; however the Phase I match applicant must provide evidence that they will pursue a Phase II federal grant. Additionally, the applicant company must not have received notice that its federal application for Phase II will not be awarded.
4. Phase II federal awards are split into two 1-year segments and a company is eligible to apply for a Kentucky SBIR/STTR Matching Funds Award based on year one and/or year two of the Federal SBIR/ STTR Phase II grant.
5. Applicant must not have failed to correct a material breach of a grant or award agreement under any program funded or administered by KY Innovation or the Cabinet for Economic Development.
6. Companies located outside of Kentucky and willing to move to Kentucky are eligible to apply.

The Award Agreement for out-of-state companies moving to Kentucky will include the stipulation that no funds will be disbursed until the company satisfies all the requirements set forth in these Guidelines. The company will have 90 days from the date of the Agreement to relocate to Kentucky and meet the other eligibility requirements for the Matching Funds Program. If the eligibility requirements are not met after 90 days, then the funds identified for the Award will be forfeited.

The company must also submit documentation showing acknowledgment from the Federal Agency regarding its physical relocation of the company headquarters to Kentucky and transfer of the Federal Grant to Kentucky. The company is also required to designate a Kentucky resident/employee as the PI or Co-PI as it relates to the state Matching Funds Award. The company must show documentation of how much Federal funding has been received and spent and what is the unspent balance remaining of the Federal Award on the Matching Funds Award application date.



D. USE OF MATCHING FUNDS

Allowable Use of Matching Funds: Under the Matching Funds Program, allowable costs are those related directly to the project for which a Federal Phase I or Phase II Award has been received. These costs include but are not limited to costs for additional technical work, product testing and validation, intellectual property protection, market research, patent search, business plan development, hiring of new high-paying technical and business employees, reasonable travel related to the Matching Funds Grant, and other costs including rent, accounting, legal, purchase of small equipment (up to \$25,000 for Phase I and up to \$100,000 for Phase II), unless otherwise justified by the applicant and approved by KY Innovation.

Equipment purchased with Matching Funds may be subject to repossession by the Cabinet for Economic Development (CED) should the awardee be determined to be in default, the award is terminated, or the company goes out-of-business or becomes dormant for any reason within the award period timeline and the five-year Post Award period.

Companies are not allowed to charge a fee for their Matching Funds award as allowed under the Federal SBIR/STTR Program. Companies may charge fringe in the range of zero to 30% for employees that are paid via W2 payroll. Where allowed by law, companies may charge reasonable fringe for owners that are paid via a draw mechanism. Support documentation for fringe expenditures on behalf of employees paid via W2 payroll shall be provided to KY Innovation upon request. For fringe paid on behalf of owners that are paid via draw, supporting documentation must be provided to KY Innovation with the reimbursement request.

Any and all subcontracts proposed to be funded through the state funded Matching Funds Program shall be restricted to a maximum of 10% for indirect or overhead costs. This applies to Universities and any subcontracted entity. Contract Labor invoices must be prepared by each service provider and shall include service provider's name, address, phone number, date(s) of service, description of services, and signature of the service provider. Relocation costs are not allowed, except in the case of relocation of equipment.

Travel

Ordinarily the request for travel costs should not exceed 3% for Phase I and 2% for Phase II of the requested award amount; however, request for additional travel funds may be considered on a case by case basis. All travel shall commence from Kentucky. Air travel should be limited to Coach Class, and companies shall use the per diem policy established by the Commonwealth of Kentucky. Personal Operating Vehicle (POV) mileage reimbursement shall also reflect current Commonwealth of Kentucky approved mileage rates which will be posted on the program websites.

E. APPLICATION PREPARATION AND SUBMISSION

The following format shall be followed for submitting the Matching Funds application. The application shall consist of sections entitled: "Proposal Narrative" which shall include discussion on technical and commercial significance, project team and facilities, job creation, other additional information, budget, and budget justification, and a Gantt chart. The Gantt chart shall be one page only, and shall show both Federal and Matching tasks at a high level.

The total page length of the Matching Funds Application shall not exceed **10 PAGES MAXIMUM for Phase I applicants and 20 PAGES MAXIMUM for Phase II applicants** (attachments, bios, letters of support, budget pages, and Gantt chart are not included in page limit total count).

Submit completed applications to SBIR@kyinnovation.com



1.0 PROPOSAL NARRATIVE

Create a PDF document for submission that addresses each of the following topics. Create section headings for: Technical, Commercial, Project Team and Facilities, Job Creation, and Other Additional Information. Within each section, tell the story of your company with consideration to the subtopics listed. Include applicable items listed in the Other Addition Information section within this PDF.

Technical

- a. Significance – What problem needed to be solved? Is there a market need? Is an alternative solution needed? What features or parameters will meet the market need?
- b. Innovation – What is your proposed technology to solve the problem and how does it differ from existing technologies? What is innovative about it?
- c. Risks – How much risk is involved in developing the proposed technology?
- d. Tasks and Approach – What are the overall goals and aims? What tasks are to be conducted through the Federal SBIR/STTR grant? What other additional but complimentary tasks are proposed to be conducted under the Matching funds award and why? Describe the approach to complete the proposed work. Explain how the proposed tasks complement the Federal tasks. Who will do the work (company personnel, subcontractor, a consultant...) and what are their qualifications to do the work? How will the proposed tasks aid in proving the feasibility further or in strengthening the technology development effort. How will these additional tasks help you in making your case for a Federal Phase II grant or in furthering the commercialization of the technology?
- e. What is the current IP status? Who owns the technology? Are you licensing the technology and what restrictions do you have for its use?

Commercial

- a. What are the existing and potential market opportunities? What is the value proposition? How will the proposed technology fill the market need?
- b. Who are your customers?
- c. Identify and elaborate on competing technologies and competitors.
- d. What is your company brand? Do you have a marketing budget? How will the new product/service being developed fit into and enhance the company's brand? Are there additional products or services in the pipeline?
- e. Provide a SWOT (Strength, Weaknesses, Opportunities and Threat) Analysis.
- f. What are the regulatory and/or other market hurdles? How will the company overcome these?
- g. What is the commercialization plan, including product manufacturing and licensing? How will you make profit?
- h. Elaborate on financing including grants, angel and/or VC investments, and product sales revenue?
- i. What is your end goal as far as the company, they technology, and the investors are concerned? How long do you anticipate it will take to reach that point?



1.0 PROPOSAL NARRATIVE CONTINUED...

Project Team and Facilities

- a. Identify if facilities have been secured for the work proposed.
- b. Identify team members and their roles.
- c. Identify the business team lead and qualifications,
- d. Indicate if the team members are full-time/part-time/interns/subcontractors/employees.
- e. Identify the Kentucky-based PI or Co-PI for the Matching Funds Award.

Job Creation

- a. Identify any new proposed full-time and part-time jobs funded by the Matching Award and employed by the company.
- b. Identify any new interns to be hired.
- c. In case of out-of-state companies, identify each employee's home residence at the time of application, and the proposed state of residence when company relocates to Kentucky (i.e. 90 days after the effective date of the grant).

Other Additional Information

- a. Company – Describe the business, current product portfolio, employees on staff, collaborations. If from out-of-state, elaborate on the projected plan to move the company to Kentucky including moving of current employees, company assets and property, and any specific needs that might be of concern in company's operation after the move.
- b. Identify the Management Team.
- c. Include detailed letters of support.
- d. Elaborate on private investment arrangements.
- e. Provide details of company revenue, if any.

Budget Document

- a. Create a PDF document that includes the Matching Funds **(1) budget** and **(2) narrative budget justification**. If sub awards are proposed, include separate sub award budget documents and narrative justification after the applicant budget documents. Quotes and other support letters should be included in the "Other Additional Information" Section of the Proposal Narrative attachment
- b. Budget Document Content
 - Identify budget in predefined categories and expand using a narrative budget justification page(s). Use the budget template found in Appendix C.
 - Charges must be reasonable for the tasks proposed. Where possible provide supplemental information, quotes, estimates, etc. Do not include any fee.
 - Do not include indirect cost or rate as a line item.



1.0 PROPOSAL NARRATIVE CONTINUED...

- Fringe rate may be included for salaries paid to employees. Fringe typically includes costs such as payroll taxes paid by the company, paid time off, insurance benefits provided to the employee, and retirement match contributions paid by the company into an IRS defined retirement plan.
- For personnel, list each individual that will be paid, the level of effort committed specifically to the Matching Funds project, the base salary, fringe, and the total amount charged to the award for this individual. Base salary proposed may not exceed the base salary charged to the Federal agency.
- For subcontracts, provide a separate subcontract budget and budget justification. Provide a letter of support from the subcontract institution agreeing: a) to enter into a collaborative agreement with the company, b) to the stated scope of work, and c) to the proposed budget. Note that sub award indirect costs are limited to 10%. List each sub award (total cost) as a single line item in the company's budget.
- For travel, identify the number of trips proposed. For each trip, identify the destination, the business purpose, the specific individuals who will travel, and the estimated cost of each trip. Each trip must commence from Kentucky. Restrict travel to 3% maximum in Phase I Grants and 2% maximum for Phase II awards.
- Identify how the company will satisfy the program guideline's requirement of at least 51% of company's total payroll and full-time employees or owners in Kentucky.
- Include a \$10,000 line item in the "Other" category for mentor fees. KY Innovation will reserve the option to require a funded company to work with relevant resources/mentors in order to improve/accelerate success, including facilitation of matching meetings between the company and other executive management or advisory services.

Gantt Chart (one page only)

- Create a PDF document that includes a project Gantt chart. This attachment is limited to one page.
- Present both the Federal and Matching Funds tasks at the task level only;
- Identify each task with a consolidated description

2.0 COMPANY ROLE

Designate an individual to serve in each of the following roles for the company. The same individual may serve in multiple roles.

- Primary Contact:** Individual designated by the company to communicate with program staff regarding the Matching Funds application, award, reporting, site visits, etc.
- Administrative Official (AO):** Individual with authority to legally bind the company. This individual is required to sign all applications, reports, invoices, and other certifications associated with participation in the Matching Funds Program.



2.0 COMPANY ROLE CONTINUED...

- c. **Principal Investigator:** Individual responsible for the oversight and execution of the technical and business tasks proposed in the matching funds application. This individual is primarily responsible for quarterly reporting during the term of the matching funds award.
- d. **Legal:** Individual to be notified in the event of a legal action, notice of pending legal action, notice of default, or other communication of a legal nature regarding the company.

3.0 REQUIRED DOCUMENTATION

Required documentation for **all companies** shall include:

- **Section 1.** Application written submission.
- **Section 2.** Certificate of Existence or Authorization and documentation of “good standing” issued by the Kentucky Secretary of State. <https://app.sos.ky.gov/ftsearch/> (good standing); <https://www.sos.ky.gov/bus/business-filings/Pages/default.aspx> (register your business). Out of state applicants have 90 days after award execution to provide this document.
- **Section 3.** The federal award letter or fully executed contract of the Phase I, Phase II, or FastTrack Award as applicable from the Federal agency. Phase 2 awardees shall provide documentation from the Federal Funding Agency acknowledging the applicants physical move of its principal place of business to Kentucky, and transferring the award to Kentucky to the Kentucky-based applicant within 90 days of the award effective date.
- **Section 4.** A copy of the Federal Phase I or Phase II SBIR/STTR Grant application as applicable.
- **Section 5.** A signed CED Economic Incentive Disclosure Statement. (Appendix B).
- **Section 6.** Supporting materials: Certification (Appendix A) Out of state awardees have 90 days after award execution to provide this document.
- **Section 7.** For Phase II applications, the applicant shall provide written documentation of commitments and/or receipt of Private Investment (see Private Investment definition, Section J.), or adequate documentation of outside revenue.
- **Section 8.** Companies shall also provide documentation on the unspent amount of the Federal Grant fund balance at the time of the Matching Funds application for the Kentucky SBIR/STTR Matching Funds Grant Program. This will be used to determine the maximum amount of the Kentucky SBIR/STTR Matching Funds Grant.

3.1 MATCHING FUNDS DISBURSEMENT SCHEDULE

The awarded funds shall be disbursed only after receipt of all required documents.

Award disbursements will be made on a quarterly basis, payable when disbursement request forms, and any necessary supporting invoices, are submitted and have been reviewed and accepted.



3.1 MATCHING FUNDS DISBURSEMENT SCHEDULE CONTINUED...

Payment Calculation

Payments are calculated by taking the approved award amount and subtracting 10% for final payment or mentor fee. The maximum disbursement per quarter is calculated by dividing the remaining amount by the total number of award quarters. Approved equipment invoices will be submitted with quarterly distribution request forms.

The final 10% of the award amount will be reimbursed upon submission and approval of the Matching Funds award final report, and verification of Federal payment equal to the Matching Funds amount.

Travel

In all cases, travel costs will be reimbursed, on a quarterly basis, only if qualified receipts for lodging and travel are submitted. Travel costs will only be reimbursed if included in the approved Matching Funds application. Travel must commence from Kentucky.

All meetings where travel receipts are submitted should include the names of the travelers, purpose of the meeting, dates and shall include a detailed list of the items requested for reimbursement.

Only per diem rates apply to food purchases. These are currently \$8.00 for breakfast, \$10.00 for lunch and \$18.00 for dinner. In high-cost areas (<https://finance.ky.gov/Office%20of%20the%20Controller/ControllerDocuments/High%20Rate%20Travel%20Areas.pdf>) the amounts are \$10.00 for breakfast, \$11.00 for lunch and \$23.00 for dinner. No meal receipts are required when per diem rates apply.

Personal operating vehicle (POV) mileage rates shall be the approved State of Kentucky rate which is posted on <https://finance.ky.gov/Office%20of%20the%20Controller/ControllerDocuments/Mileage%20rate%20for%20website%2012202018.pdf>

Requesting Reimbursement

To receive disbursements of a Matching Funds Grant the following documents must be submitted:

- a. KY SBIR/STTR Matching Funds Disbursement Request Form;
- b. Source and Use Template;
- c. Supporting project updates, invoices for equipment and travel, if applicable.

Additional Requirements for Out-of-State Awardees

The out-of-state awardee shall have 90 days from the date of the award agreement to deliver the following documents to become eligible to receive funds:

- a. Certificate of Existence or Authorization and Documentation of "good standing" issued by the Kentucky Secretary of State;
- b. Documentation from the Federal Funding Agency acknowledging the applicants physical move of its principal place of business to Kentucky and transferring the award to the Kentucky-based applicant; and



F. LIMITATIONS ON MATCHING FUNDS AWARDS

The Matching Funds Awards have the following limitations:

- An applicant may not receive more than two Matching Funds Awards per fiscal year, and only one per solicitation.
- Whether the applicant receives an award will be subject to the discretion of the KY Innovation and the availability of funding.
- A company that has received a FastTrack award may apply and receive either a Phase I or Phase II portion, but not both, of the Federal FastTrack award under a given solicitation cycle. The Phase II portion of the FastTrack award shall not be eligible for matching if Federal FastTrack award is terminated after Phase I.
- The Matching Funds Program will not match a Federal agency enhancement program grant such the NIH or DOD programs.

G. MATCHING FUNDS AWARD PROGRAM SOLICITATION, PERIOD, AND SUBMISSION

When funds become available for the Kentucky SBIR/STTR Matching Funds Program, KY Innovation will issue a solicitation, inviting submission of application, for consideration of Matching Funds funding. The Program Solicitation will include but not be limited to opening and closing dates for accepting applications. To qualify for an award under the current Program Solicitation, an applicant must be a recipient of a Federal SBIR/STTR Program Phase I, Phase II, Phase IIb, or FastTrack award with an award letter dated within one year of the date of application for the Matching Funds Program. The federal award must be active at the date of application for the Kentucky Matching Funds. No applications or supplemental materials submitted in response to a Matching Funds Program Solicitation will be accepted after its closing date and time, except for supplemental material requested by KY Innovation. Email completed submissions to SBIR@kyinnovation.com KY Innovation is not responsible for applications or materials lost or delayed in transmission.

H. APPLICATION REVIEW AND APPROVAL PROCESS

Applications will initially be reviewed to ascertain compliance with all the requirements in the Matching Funds Program Solicitation and guidelines. **Incomplete or non-compliant applications will not be considered.** Applications determined to be complete and in compliance will be reviewed.

For Phase I Applicants the evaluation criteria will include:

- Technical merit;
- Commercial potential of the technology;
- Qualifications of the company's technical and business management team;
- Proposed budget and the potential for a Phase II follow on grant; and
- Phase I job creation.



H. APPLICATION REVIEW AND APPROVAL PROCESS CONTINUED...

For Phase II Applicants the evaluation criteria will include:

- Technical merit;
- Commercial potential of the technology;
- Qualifications of the company's management team;
- Proposed budget and amount of private investment to match the Matching Grant; and
- Phase II job creation.

Phase II applicants are required to seek third party capital commitment (year 1) and private investment, or adequate outside revenue (year 2 and Phase IIb).

I. AWARD AGREEMENT

The terms under which a Matching Funds Award is made will be detailed in the Award Agreement with the company. Terms of performance in the Agreement will include but will not be limited to the following requirements. The company must:

- a. Remain in compliance with the Program Guidelines;
- b. Promptly submit quarterly reports;
- c. Promptly submit a detailed final technical and financial report;
- d. Submit of one Company Status Report, each year for five years after the receipt of the final disbursement of Matching Funds.
- e. Comply with the audit policy of the Commonwealth of Kentucky and providing KY Innovation with copies of reports of any audits;
- f. Reimburse the full amount of the Matching Funds Award in the event an audit determines fraudulent activities;
- g. Retain and certify, at a minimum annually, the company's Kentucky domicile unless negotiated otherwise in the equity agreement. KY Innovation reserves the right to request verification of the company's status.

J. GENERAL TERMS

1. No oral statement of any person shall modify or otherwise affect the terms and conditions of these Guidelines or of a Kentucky SBIR/STTR Matching Funds Award Program Solicitation.
2. KY Innovation may reject any application that does not comply with the requirements of the Matching Funds Program.
3. KY Innovation may refuse to approve an application if it is not in keeping with the purpose of the Matching Funds Program.
4. KY Innovation may withdraw a Program Solicitation at any time.



J. GENERAL TERMS CONTINUED...

5. The Kentucky SBIR/STTR Matching Funds Program is funded by State appropriations and awards, contingent upon the availability of State funds for the program purposes.
6. KY Innovation, in its sole discretion, may waive the requirements in the Kentucky Matching Funds Award Program Solicitation and Program Guidelines, on a case by case basis, to remain consistent with changes or deviations in the Federal SBIR/STTR Program, if such adjustments are consistent with the nature and intent of the State Program.

K. DEFINITIONS

1. *Administrative Official* – The individual with authority to legally bind the company. This individual is required to sign all applications, reports, invoices, and other certifications associated with participation in the Matching Funds Program.
2. *Applicant* – A small business that submits an application or white paper for a Matching Funds Award.
3. *Application* – The required form(s), electronic or otherwise, to be completed and any supporting materials submitted by an applicant in response to a Matching Funds Award Program solicitation.
4. *Award* – For Phase I an award is considered a grant up to \$150,000. For Phase II an award is considered a grant up to \$500,000.
5. *Cabinet for Economic Development (CED)* – An agency of the Executive Branch of the Commonwealth of Kentucky established pursuant to Kentucky Revised Statutes Chapter 154 and responsible for administering economic development efforts.
6. *Employee* – An individual receiving W2 payroll compensation from the company OR an LLC or LLP member subject to self-employment tax under the Internal Revenue Code Section 1402 proposed regulations or subsequent guidance. (Payroll calculation shall include “Guaranteed Payment” income only.)
7. *Equipment* – Tangible property having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the small business entity for financial statement purposes or \$5,000.
8. *“FastTrack” Mechanism* – A process available through selected Federal agencies that expedites the decision and award of SBIR Phase II funding for scientifically meritorious proposals that have a high potential for commercialization. FastTrack incorporates a submission and review process in which both Phase I and Phase II proposals are submitted and reviewed together. The Phase I portion of a FastTrack must specify clear, measurable goals (milestones) that should be achieved prior to initiating Phase II work. In addition, as is required for all Phase II proposals, the Phase II portion of the FastTrack proposal must present a commercialization plan that addresses specific points.
9. *Federal SBIR/STTR Programs* – Federal Small Business Innovation Research (SBIR) and/or Small Business Technology Transfer (STTR) Programs that provide for a three-phased approach to research and development projects: technological feasibility and concept development, the primary research effort, and the conversion of the technology to a commercial application.

K. DEFINITIONS CONTINUED...

10. *Focus Areas* – The five research and development Focus Areas as revised in the Kentucky Science and Innovation Strategy: (1) Human Health and Personalized Medicine, (2) Information Technology and New Media, (3) Agriculture and Bioscience, (4) Energy and Environmental Technologies, and (5) Materials Science and Advanced Manufacturing.
11. *Grant Agreement* – The agreement memorializing the Kentucky SBIR/STTR Matching Funds Phase I or Phase II Grant award, including but not limited to the provisions set forth in Section F hereof.
12. *Kentucky-based* – A business with its principal place of business in Kentucky, including no less than fifty-one percent (51%) each of its Property and Payroll (as defined in these Program Guidelines) located in Kentucky. Applicants and awardees shall provide, upon request, a certification letter from an independent Kentucky-based CPA; this template is attached as Appendix F. Phase I companies must commit to being located in Kentucky for three years after receiving the full grant. Phase II companies must be based in Kentucky, or have a “demonstrable and significant” portion of operations in Kentucky, or be commercializing intellectual property developed in Kentucky. Requirement to be based in Kentucky may be waived upon conversion.
13. *Kentucky Resident* – For the purposes of the Matching Funds Grant Program, a Kentucky resident is defined as someone who lives in Kentucky and pays Kentucky income taxes. KY Innovation has the right to request verification of the residency status of any employee, owner, or management member.
14. *KY Innovation* – An Office within CED, charged with leading the Commonwealth’s efforts to encourage, grow, and support small businesses and entrepreneurship.
15. *Legal* – Individual to be notified in the event of a legal action, notice of pending legal action, notice of default, or other communication of a legal nature regarding the company.
16. *Matching Funds Award* – An amount up to \$150,000 for Phase I Awards and up to \$500,000 per year for Phase II Awards which supports complementary work on a federally-funded SBIR/STTR award.
17. *Matching Funds Program* – A Program funded by the Commonwealth of Kentucky, Cabinet for Economic Development (CED) - KY Innovation, which matches Federal SBIR/STTR awards for additional work, and is designed to strengthen Kentucky companies and their potential to receive Phase II Federal Awards and follow on commercialization efforts of the proposed technology. The main goal of the Program is to create new high technology jobs in Kentucky by increasing the number of and amount of Federal dollars through Federal SBIR/STTR Awards.
18. *Matching Funds Program Solicitation* – The announcement of the Kentucky SBIR/STTR Matching Funds Program for inviting applications. The Solicitation identifies the key solicitation period open and closing dates.
19. *Matching Funds Program Solicitation Period* – The length of time the Program is open for receiving applications and/or white papers online.
20. *Payroll* – The number of full-time employees working directly for the company, 51% or more of whom must be Kentucky residents; AND the gross payroll for the applicant, fifty-one percent or more of which must be paid to Kentucky residents.
21. *Phase IIb awards* – All Phase II requirements, stated in the guidelines, apply to Phase IIb awards, unless otherwise noted.



K. DEFINITIONS CONTINUED...

22. *Primary Contact* – Individual designated by the company to communicate with Program Staff regarding the Matching Funds application, award, reporting, site visits, etc.
23. *Principal Investigator* – Individual responsible for the oversight and execution of the technical and business tasks proposed in the Matching Funds application and is a Kentucky resident. This individual is primarily responsible for quarterly reporting during the term of the Matching Funds Award.
24. *Principal Place of Business* – The “nerve-center” of the corporation; the site where the company’s direction, control, and operational decisions take place. Typically, this location is where the corporation maintains its headquarters, the workplace for the company’s senior leaders, and the location where the company’s records are maintained. It is also the location where the federal and state grants/awards are managed.
25. *Private Investment* – An award or investment of private, non-state or non-federal funds to the applicant, which have been committed or received no more than six months prior to the date of an application. Documents considered as proof of private investment may include: Subscription Agreements, Bank Letters of Commitment, Convertible Notes, Legal Documents detailing financial obligations and arrangements, and Promissory Notes.
26. *Program Guidelines or Guidelines* – A detailed description of all regulations and requirements of the Kentucky Matching Funds SBIR/STTR Program.
27. *Property* – Includes real estate property and other business property subject to depreciation under the Federal Tax Code of 2001 and any amendments thereto.
28. *Recipient* – An applicant that has been approved to receive a Matching Funds Award.
29. *Small Business* – A small business concern is as defined under the Federal SBIR/STTR.

L. RELEASE OF INFORMATION

All documents submitted to KY Innovation, including applications, are public records governed by Sections 61.872-61.884 of the Kentucky Revised Statutes and other applicable provisions of the Kentucky Revised Statutes protecting confidential information. When specific information in an application is regarded by the applicant as confidential and not subject to disclosure under the Kentucky Open Records Act, the applicant may 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. However, the provisions of the Kentucky Open Records Act shall govern any release of information.

**The Commonwealth of Kentucky/Cabinet for Economic Development (CED)/KY Innovation
Small Business Innovation Research (SBIR) and
Small Business Technology Transfer (STTR)
Matching Funds Program**



Appendices:

Appendix A - Company Certification

Appendix B - Cabinet for Economic Development Economic Incentive Disclosure Statement

Appendix C - Budget Template

APPENDIX A: COMPANY CERTIFICATION

The applicant certifies that all statements, representations, and warranties made by the applicant, or on its behalf, and any materials furnished by the applicant or on its behalf in connection with this application, are true, accurate and complete in all material respects, and do not contain any material misstatement of fact or omit to state a material fact or any fact necessary to make the statements contained herein or therein not materially misleading, to the best of the applicant’s knowledge and belief.

The applicant certifies that it has reviewed and understands the Guidelines for the Kentucky SBIR/STTR Matching Funds Program, and that it meets all of the applicable eligibility requirements.

If submitting a Phase 1 Matching Funds Application, the applicant certifies that the company has not received or been notified of impending a follow-on Federal Phase II Grant award letter or contract by the end date of the solicitation.

The applicant understands that release of any funds is contingent upon the applicant’s execution of an Award Agreement, and that disbursement of funds is based upon the applicant’s compliance with its terms and may be subject to recapture for non-compliance.

The applicant has read and understands Kentucky’s laws regarding the treatment of public records and confidential information and their application to economic development projects.

The applicant acknowledges and accepts the Commonwealth of Kentucky’s absolute right in its sole discretion to withhold, discontinue, or retract and recover in part or in full any monies awarded and/or distributed pursuant to the SBIR/STTR Matching Funds Award Program if it is determined that the applicant has engaged in unlawful conduct or conduct which violates the spirit and intent of the Matching Funds Award Program.

1. Name of Authorized Company Official [Please type.]
2. Company Name
3. Title of Authorized Company Official
4. Signature and Date of Authorized Company Official
5. Email Address



APPENDIX B: CABINET FOR ECONOMIC DEVELOPMENT INCENTIVE DISCLOSURE STATEMENT

Instructions

In accordance with the Executive Branch Code of Ethics, Chapter 11A of the Kentucky Revised Statutes (“KRS”), before any board or authority within or attached to the Cabinet for Economic Development (“CED”) takes final action on any contract or agreement by which a bond, grant, lease, loan, assessment, incentive, inducement, or tax credit is awarded (the “incentive package”), the beneficiary of the incentive package must file with the approving board or authority a disclosure statement stating: (i) the identity of the beneficiary of the incentive package, (ii) the identity of any person employed to act on behalf of the beneficiary with respect to the incentive package, (iii) the details of any financial transaction (as defined in KRS 11A.201(5)(a), see below) between the beneficiary (or any other person listed in (ii) above) and any agent or public servant of the Cabinet for Economic Development, any member of any board or

authority within or attached to that Cabinet, or any other public servant involved in the negotiation of the economic incentive package. Your application or request will not be processed until this form is filed. CED will file copies of this form with the Executive Branch Ethics Commission pursuant to KRS 11A.233(2)

Note

For purposes of KRS 11A.201(5)(a), the definition of “financial transaction” is activity conducted or undertaken for profit, not available to the general public on the same terms, that arises from the joint ownership, the ownership, or part ownership in common, of any real or personal Property or any commercial or business enterprise of whatever form between:

1. Beneficiary, agent or employee of the beneficiary; and
2. CED agent, employee, member of board or authority attached to CED, or other public servant involved in the negotiation of any incentive package.

Beneficiary’s Legal Name:

Type(s) of Economic Incentive Package(s): (include the Matching Funds Award that you are applying for)

Please identify all employees or agents of the Beneficiary who have acted on behalf of the Beneficiary in its dealings with the CED or any board or authority within or attached to the CED (please attach separate sheet if additional room is needed) in regard to the above incentive package:

Name & Title: _____

(List Name of employee(s)) _____

Organization: _____

Name & Title: _____

Organization: _____

Name & Title: _____

Organization: _____

Name & Title: _____

Organization: _____



APPENDIX B: CABINET FOR ECONOMIC DEVELOPMENT INCENTIVE DISCLOSURE STATEMENT CONTINUED...

Have any of the above-listed employees or agents of the Beneficiary had any “financial transactions” (as defined above) with a CED agent, employee, or a board or agency attached to CED or any other public servant involved in the negotiation of any economic incentive package?

Yes No

If yes, please detail any “financial transactions” (as defined above) between the Beneficiary (or any other person listed as an employee or agent of the Beneficiary) and (i) any agent or public servant of the CED, (ii) any member of any board or authority within or attached to that Cabinet, or (iii) any other public servant involved in the negotiation of the economic incentive package (please attach separate sheet if needed):

Name of Beneficiary (Agent or Employee): _____

Name of Cabinet (Agent, Employee or Board/Authority member):

Name of Other Public Servant:

Description of Financial Transaction:

Name of Beneficiary (Agent or Employee): _____

Name of Cabinet (Agent, Employee or Board/Authority member):

Name of Other Public Servant:

Description of Financial Transaction:

Name of Beneficiary (Agent or Employee): _____

Name of Cabinet (Agent, Employee or Board/Authority member):

Name of Other Public Servant:

Description of Financial Transaction:

The undersigned, a duly authorized representative of the Beneficiary listed above, hereby certifies that the information set forth in this Economic Incentive Disclosure Statement has been reviewed, and is true and correct to the best of the knowledge of the undersigned.

Signature: _____ Date: _____



