

## **Defense and Security Technology Accelerator Fusion Grants Application Procedure**

The DSTA Fusion Grants are designed to assist in improving the success rate of early stage defense and security technology companies. At the early stages, technology companies lack the access to capital and expertise that can enable them to develop sound technology, build and test a viable product for a defined market, and effectively grow their businesses. The DSTA Fusion Grants are intended to help to bridge this gap.

### **PURPOSE**

The purpose of the Defense and Security Technology Accelerator (DSTA) Fusion Grant is assisting a limited group of entrepreneurs and innovators that are accepted into and join the DSTA with developing dual use technologies and new businesses in the areas of defense and security.

The DSTA Fusion Grants will fill a fundamental gap in the startup lifecycle by:

- Enabling entrepreneurs to gain momentum as they prepare to obtain customers and/or investors, and
- Providing a financial bridge from the personal assets of entrepreneurs to capital from third-party investors.

The grants are designed to enhance the survival rate of such early stage ventures and increase their chances of success.

### **GUIDELINES**

The DSTA Fusion Grants will provide funding for validation of technology and/or market, and are designed to supplement the day-to-day advice and mentoring from the DSTA staff and its network of mentors. The grants are designed to lead to the development or refinement of a product with clear commercial potential. Specifically, grants will be awarded to a limited number of DSTA client companies to assist with one or more of the following areas:

- Demonstrating technical feasibility
- Proof-of-concept
- Prototyping
- Field trials
- Market analysis, and
- Intellectual property protection

In order to be eligible for a DSTA Fusion Grant, the company must be accepted into the DSTA, join the DSTA and demonstrate a need for any of the services described above. All three requirements must be met in order to be eligible. The award of funds will be determined by the process described in the Review Process section. Funds will then be awarded until grant funds are no longer available.

The Fusion Grants will provide between \$10,000 and \$50,000 per company. The specific amount of each grand award will be determined by the DSTA Application Review Committee at the time that the grant is awarded. Grant funds must be used to reimburse the client company for expenses that have approved in advance by the DSTA grant program. Once awarded, grant funds must be spent within **XX months** or returned. Grants will be available until all funds are expended.

### **Review Process**

Review of grant applications will be completed at the same time a client company is considered for selection into the DSTA. The DSTA Application Review Committee, which participates in the selection of DSTA client Companies, will review grant applications and award grants. The DSTA management will serve as the staff of the Application Review Committee and will solicit grant applications from companies applying to join the DSTA. DSTA Management will conduct due diligence to determine that the applicants have a demonstrated need for the assistance that can be provided through grant funding, the allowable uses of grant funds and make recommendations to the Application Review Committee on grant awards.

Applications will be evaluated using the following factors:

#### **Product and technology**

- Key features and advantages (level of innovation)
- IP position and protection (now and in the future)
- Time and money to market (must be doable)
- Platform technology vs. singular product (in general, platform technologies are preferred)

## **Market**

- Clear market definition
- Market size calculations, emphasis on “addressable” market (back-of-the-envelope calculations are fine)
- Growth rate and total growth potential
- Regulations

## **Competitive landscape**

- Barriers to entry
- Number and size of competitors

## **Business strategy**

- Business model
- Distribution strategy
- Strategic milestones
- Business plan flexibility

## **Use of funds**

- Clearly defined goals with specific timeline
- Attainability of goals within defined timeline
- Technical goals aligned with business opportunity
- Comprehensive schedule of funding requirements
- Frugality (All else equal, smaller request for funding will have a greater chance than a larger one)

## **Future funding potential**

- Potential for receiving VC funding
- Potential for receiving other funding
- Impact of DSTA Grant on future funding potential

## **Team**

- Management
- Technical members
- Advisors

## Reporting Requirements

All companies that receive Fusion Grants must provide progress reports to DSTA on the use of funds and milestones achieved as written in each individual contract once Grant has been approved.

## Assistance with Other Sources of Funding

Grant recipients will also be encouraged and assisted in pursuing funding from their early stage sources including:

- The Federal Small Business Innovation Research (SBIR) program is a highly competitive program that encourages small businesses to explore the technological potential and provides incentive for the business to profit from its commercialization. Phase I Grants provide awards of up to \$100,000 while Phase II Grants awards up to \$750,000. ([www.sba.gov/sbir.org](http://www.sba.gov/sbir.org))
- Small Business Investment Companies (SBIC) are lenders that are licensed by the Small Business Administration (SBA). SBICs specialize in an industry, making them more risk-tolerant than traditional bank lenders. ([www.sba.gov/inv](http://www.sba.gov/inv))
- Veterans Business Development Program. In recent years, increasing attention has been called to the entrepreneurial needs of America's veterans, particularly those veterans who have sustained a disability as a result of their active-duty service in the armed forces. The Veterans Entrepreneurship and Small Business Development Act of 1999 created several vehicles to help veterans pursue and fund start-up activities. ([www.sba.gov/vets](http://www.sba.gov/vets))
- Angel Investors. Private angel investors, clubs, and angel networks invest much like professional VC firms and often have formal meetings where companies can pitch their business plan. The DSTA will build relationships with angels and angel groups. (NOTE: See DSTA website for angel groups listed in NC)

Grant awards, in combination with DSTA assistance and services are designed to help prepare companies to get to the next stage of product and business development.