

Business Innovation Act Nebraska Innovation Fund Prototype Grant Guidelines

The Nebraska Innovation Fund (NIF) Prototype Grant establishes a program to provide financial assistance to businesses operating in Nebraska to support early-stage product development. The maximum amount of funding for the Prototype Grant Program will be \$6 million per year, subject to availability.

There is an open application cycle and approved applications will be funded until the allocation is exhausted. The Nebraska Department of Economic Development (DED) reserves the right to suspend acceptance of applications depending on funding availability.

Matching funds must be provided as a cash match and must be available at the time of application.

Eligible Business - Any Nebraska based corporation, Limited Liability Company, partnership, registered limited partnership, business trust, or other entity with less than 500 employees, engaged in non-retail primary industries that are adding value to products or processes in Nebraska.

Eligible Use of Funds - Pre-Seed Stage funds may be used for creating a prototype of a product stemming from research and development at a business operating in Nebraska or research at a public or private college or university in Nebraska. Priority will be given to projects utilizing those funds to hire employees or contractors to conduct development work within the state of Nebraska.

Eligible Matching Funds - Includes any non-state source such as private foundations, federal or local governments, quasi-governmental entities, commercial lending institutions, investors, or other sources provided they are not using funds appropriated by the Nebraska Legislature. Matching funds must be in the form of a cash match.

Funding Provisions

- An eligible business with up to 500 employees.
- Applicants must provide matching funds equal to 50% of the grant award. The match rate for value-added agriculture projects and projects in an Economic Redevelopment Area in Omaha is equal to 25% of the grant award.
- **Matching funds must be available at the time of application.**
- Maximum grant funding of \$150,000 per project.
- Funds must be expended within 24 months of the awarding decision.

Application Requirements

- Complete application
- Complete business plan
- Evidence of matching funds

Project Selection

For each application submitted, DED will perform an independent review, and at DED's discretion, may utilize the assistance of outside experts. DED prioritizes projects according to the following criteria:

- application meets the eligibility requirements for the Prototype grant;
- product under development is a platform technology, scalable, and/or has high-growth potential;
- technology description and business plan are sufficient for review;
- demonstrates the resources necessary to match state funding;
- sufficient detail on the nature and cost of work that will utilize the Prototype grant;
- innovative approach(es) to a demonstrable problem;

- strong potential to support a business and provide meaningful employment and revenue generation in the State of Nebraska.

DED may require an interview with the applicant's management to assess the management team and its business plan.

Application Timing and Process

Applications are accepted on an open cycle. Funding is awarded on a fiscal year basis (July 1st through June 30th). The open cycle will continue until funds have been exhausted for the fiscal year.

Applicants must submit applications online via the NEDED grant portal (accessed on the program page at <https://opportunity.nebraska.gov/programs/business/nif-prototype-grants>), submit all required documentation or attachments, and must fully comply with all requirements within the time period specified. Incomplete applications that do not include all of the documentation or attachments specified will be returned to the applicant without further review. At its discretion, the DED may request supplemental materials from applicants, and those must be received within 15 days of the requested date.

Upon receipt and approval, applicants will receive a Notice of Award email with instructions.

Application Materials

At the time of application, applicants must fully complete the application via DED's grant management system. The application link can be found online at <https://opportunity.nebraska.gov/programs/business/nif-prototype-grants>. A complete application includes the following:

Required Materials

1. Nebraska Innovation Fund Prototype Application
2. Business Plan

Suggested Inclusions (if pertinent to project):

- Executive Summary describing principal markets, personnel, financial highlights, and value proposition for the State of Nebraska.
- Description of management team, including experience, qualifications and capabilities, previous successes, and organizational chart
- Description of Advisory Board, including composition and members' backgrounds
- Description of the product and what differentiates the product from current solutions
- Market Analysis, including:
 - Description of the Market
 - Competitor Analysis
 - Where business/product fits in the market
 - Anticipated market share
 - Regulatory landscape, if applicable
- Marketing Plan (strategy and research)
- SWOT Analysis
- Financial Projections, including:
 - Revenue Model
 - Projected Revenue
 - Development Costs
 - Long Term Financial Projections
 - Financing Strategy, including required matching component

- Intellectual Property costs, if applicable
 - Business Model, including:
 - Value Proposition
 - Resources to Deliver Value Proposition
 - Key Activities to Establish Market Presence
 - Partners
 - Cost Drivers
 - Target Customers
 - Methods of Developing Customer Relationships
 - Channels to Develop Customer Relationships
- 3. Evidence of matching funds in the form of a bank statement, investor letter of intent, bank line of credit, positive business cash flow, federal or non-state grant funding, or other documentation that is acceptable to program staff

Additional Materials that May be Requested of Applicants

- Certification that no current or prospective employee, officer, principal, director, or owner has been accused or convicted of any crime (upon request)
- Financial Statements
 - Latest annual and accrual-based financials
 - Balance Sheet
 - Income Statement
 - Cash Flows Statement
 - Accounts Receivable and Accounts Payable Schedules
 - Audit Reports
 - Tax Return
 - List and explain any loan agreements
 - Monthly comparison of projected versus actual revenue and expenses for the preceding 12 months
- Schedule of all litigation, arbitration, and governmental proceedings to which the company, or its directors, officers, or employees are or have been a party to within the last three years (if applicable)
- Current Certificate of Good Standing with the Nebraska Secretary of State
- Any License Agreements with third-parties for any Intellectual Property that the company does not own (if any)
- White-papers or drawings outlining the technology (if any).

DED reserves the right to request additional information as it relates to the project.

DED PROGRAM CONTACT

For additional information or clarifications of this program, please direct your inquiries to:

Ben Kuspa, Business Innovation Manager
 Nebraska Department of Economic Development
 245 Fallbrook Blvd, Suite 002
 Lincoln, NE 68521
 Email: ben.kuspa@nebraska.gov
 Website: opportunity.nebraska.gov/bia

Prototype Grant Frequently Asked Questions (FAQ)

When can I apply for the Prototype grant?

The program operates on a fiscal year that runs from July 1st to June 30th of every year. DED accepts and reviews applications on an ongoing basis until program funding is exhausted. It is highly recommended that anyone interested in the grant reach out to program staff to determine funding status prior to applying.

What does the review process entail?

Program staff will do an initial review of the application and, if needed, interview the applicant to collect additional information or provide clarification. Program staff will then forward application materials to a project review committee which consists of DED staff for them to review. The project review committee will then provide a funding recommendation.

Will I get a chance to pitch the project?

Businesses do not pitch the project directly to the review committee, but may talk to program staff.

How quickly will my application be reviewed?

DED typically reviews project proposals every other week and responds to applications within 3-5 weeks. This can vary during periods of higher demand. Projects are typically reviewed in the order they are received.

How do I access the grant funding?

The grant functions on a reimbursement basis. The business must pay for the qualified expenses and then request reimbursement for those expenses from DED through the grant management system DED utilizes. This reimbursement request must be accompanied by documentation of expenses and proof of payment (payroll records, vendor invoices, material receipts, cancelled checks, etc). If the reimbursement request is approved, DED will reimburse the share of expenses per the match rate for the program (2/3 of eligible expenses in most cases).

As an example, if a grantee has a vendor invoice for \$15,000, they would pay that amount to the vendor and then submit the invoice and proof of payment to DED for reimbursement. If approved, DED would reimburse \$10,000 (2/3).

When do I need to arrange matching funds?

Matching funds need to be available at the time of application. The business needs to provide evidence of matching funds that equal 50% of the requested award amount (1/3rd of the total project cost). As an example, if a business has a project with a budget of \$150,000 they would need to provide evidence that they have the capacity to finance at least \$50,000 (1/3) of the project. The request from DED would be \$100,000 (2/3 of project costs).

Example: \$150,000 Project Cost - \$50,000 Private Match = \$100,000 Requested Award

Evidence of matching funds can include a bank statement, line of credit, investor letter, or other documentation that is determined as acceptable by program staff.

What is the Value-Added Agriculture (VAA) match rate and how do I qualify?

Value-added agriculture projects are those that benefit Nebraska farmers or ranchers by either moving a Nebraska commodity up the value chain or by providing a product/service that increases efficiency,

profitability, safety, or other benefit to the agriculture or ranching industry. VAA-designated projects qualify for a lower match rate of 25% of the award (80% reimbursement).

Example: \$150,000 Project Cost - \$30,000 Private Match = \$120,000 Requested Award

Examples of projects that have qualified for the VAA match rate in the past are agricultural equipment manufacturing, precision agriculture, and software/hardware for farming/ranching activities. Projects that may not qualify for the VAA match are those that have a broad consumer base that happens to include farmers or ranchers. The decision of qualification will ultimately be left up to the project review committee. If you believe that your project qualifies, there is an option to request consideration in the application.

Does my project qualify for the Economic Redevelopment Area (ERA) match rate?

Starting in July of 2022, businesses in the Economic Redevelopment Area in Omaha also qualify for a lower match rate of 25% of the award (80% reimbursement rate). If your business is in the Omaha area, the application may request both your personal place of residence and your place of business. Program staff will use that information to help determine eligibility. The final decision on receiving the ERA match rate will be determined by DED's project review committee.

Does this program allow an in-kind match?

No, as the Prototype grant operates on a reimbursement basis, matching funds must be a cash match. In-kind matches are not permitted.

What expenses are allowed for reimbursement?

Expenses typically allowed must be directly related to developing the prototype and do not include any unrelated operating costs of the company. Examples of the approved expenses are materials, production/assembly costs, contracted labor, salaries of employees for actual time spent on developing, testing, evaluating, and refining of the prototype.

Examples of expenses typically not allowed are rent, utilities, professional services unrelated to product development such as accounting or marketing, and wages for employees not working on development. While not prohibited, founder or significant equity holder salaries are also not a priority.

Given the competitive nature of the program and funding source, priority is given to project work being performed within Nebraska.

Can legal fees be reimbursed through the grant?

No, legal fees and other professional services that are not directly related to product development are not eligible for reimbursement. This includes any patent/IP costs.

Can historical expenses be reimbursed?

Expenses can only be reimbursed if they were incurred within the contract period. All expenses incurred prior to the start of the contract cannot be reimbursed. Contracts begin on the date the award is approved. Any costs incurred prior to that date are not eligible for reimbursement.

What is the typical award size for the prototype grant?

While the maximum award for Prototype grant is \$150,000, most historical awards have been between \$50,000-\$100,000. Factors for award size include total project cost, complexity, target industry, and product potential.

How long do I have to utilize the funds?

Standard contract terms are 12 months. DED may extend a project duration up to 24 months total at their discretion, which is the longest duration per statute.

Does the business applying need to be formed in Nebraska?

No, the business does not need to be formed in Nebraska, but it will need to be qualified to do business in the State of Nebraska and have primary operations within the state. The qualification to conduct business can be done by registering with the Nebraska Secretary of State's office and the company must maintain good standing.

Are there any restrictions on moving the business after receiving the grant?

Yes, the company cannot move its primary business from Nebraska for three years from the start date of the contract. This includes any merger or acquisition that the company may undertake in the future that results in operations ceasing in Nebraska. If the company moves, the Department may immediately terminate the contract and any and all program funds the company received will be immediately due for repayment.

Can I apply for multiple Prototype grants?

DED does not typically fund concurrent awards for any one business/founder. If there are multiple product development projects being undertaken, then it's recommended that the business apply for the product that is a priority.

While some businesses have successfully applied for additional development under the Prototype grant or additional projects, first-time applications remain the highest priority.

Who will see my application materials/business plan?

Typically project materials are only reviewed by the program staff and the project review committee that makes funding decisions. DED does reserve the right to seek outside counsel for technical review if necessary.

Is my application/business plan subject to public records requests?

Per Nebraska Revised Statute 81-12,166, all application materials may be considered confidential and DED may elect to not release them upon request. Award information such as the name of business, location, award amount, etc. are not considered confidential.

Can DED staff sign a non-disclosure agreement?

No, DED staff will not and cannot sign NDAs.

For any additional questions not covered here, please contact program staff.