



MIDWEST ENTREPRENEURS' FORUM

8 South Michigan Ave., Suite 1000  
Chicago, IL 60603 (312) 857-0301

Biographical Sketches  
September 30, 2003

## Panel Presentation: The Government as a source of entrepreneurs seed financing

### Moderator:

**William A. Price** Bill Price is an attorney in private practice in Wheaton, Illinois. In addition to practicing law and writing business law books (most recently, a handbook of Illinois Administrative Law for the Illinois State Bar Association ([www.isba.org](http://www.isba.org)), and a multistate and multinational guide to limited liability organizations for Specialty Technical Publishers ([www.stpub.com](http://www.stpub.com)), he teaches high technology entrepreneurship at the Illinois Institute of Technology. Bill served as the state of Illinois Small Business Utility Advocate, from 1990-1993, which involved representation of the commercial office sector as well as other small and mid-sized enterprises in electric, gas, and other utility regulatory and court proceedings. He helped reduce the commercial and industrial property tax assessment ratio in Cook County to 36% and 38% from 40%. He helped defeat the Chicago lease transaction tax, and has regularly appeared in public policy, court, and contract proceedings for organizations and participants in the commercial office and and construction industries.

### Panelists:

**Barbara Rapchak** Barbara Rapchak is CEO of Leap of Faith Technologies, which specializes in the design and delivery of proven interventions that help people successfully find, manage, interpret, and use healthcare information. She has been the Principal Investigator on eleven Small Business Innovation Research Grants and has received over a dozen awards from the Society for Technical Communication. Ms. Rapchak is a graduate of the University of Notre Dame, and began her career as a research scientist for Amoco, later founding Leap of Faith in 1990. The company was selected by the U.S. Small Business Administration for the Tibbetts Award in recognition of its success in the SBIR program.

**John Patterson Ph.D** was born in Tennessee and the first in his family to attend college. His childhood dreams were to be either be a jeweler (were we worked in Fine Jewelry sales for JB Robinsons for 3 years during high school, and had some of the highest sales in the district) or work in aquaculture (in the 70's the ocean was hyped as some type of new frontier) 1985 - BA in Biology from Southern Methodist University in Dallas, Texas 1994 – Ph.D in Neuroscience from University of Texas at Austin, Dept of Zoology. 1994-96 Postdoctoral training at Harvard Medical School in Department of Neurobiology - studied how nerve cells “know” to become nerve cells. 1997-2000 Postdoctoral training at Northwestern Medical School's Dept of Pediatrics (@ Children's Memorial Hospital). Studied an important gene involved in formation of the nervous system and implicated in brain tumors and other types of cancer . In September 2000 he had an idea to utilize his background in molecular biology to make bigger/better/more valuable pearls. Utilizing Google he found leads that led him to cold-call Black Pearls Inc. of Kona Hawaii. Through numerous conversations and one trip to Hawaii they were able to lay the groundwork for a SBIR Phase I grant. The bulk of the work was done via email and phone.

**January 2001** - applied for NSF Phase I SBIR - which was funded (\$100K) July 2001 - Dec 2001.

**July 2002** - Applied for NSF Phase II - funded (\$500K) March 2003 - March 2005

**Dec 2003** - Applied for USDA Phase I SBIR - funded (\$75K) July 2003 - Jan 2004.

**Current position** - Program Director for Molecular Studies, Black Pearls Inc.

**Company website:** <http://www.blackpearlsinc.com>



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## **The Government as a source of entrepreneurs seed financing**

Why is it that California followed by Boston leads the nation in SBIR financing? Why is it that California followed by Boston leads the nation in venture capital financing? Why are these programs not receiving the recognition here in Illinois as a resource for seed funding? Why are the entrepreneurs in Illinois so reluctant to apply for the free SBIR funding?

Entrepreneurs in both California and Boston are supported by their state agencies whose sole purpose is to assist them in securing government seed funding for their companies. These states have recognized the value of this type of financing years ago. The venture capitalists on both coasts have taken advantage of the phase II evaluation process using it as part of their due diligence efforts. After all if an entrepreneurs peer group evaluates the technology and recommends the continued funding just maybe there is some thing here.

Entrepreneurs in these states are not sitting around discussing the lack of seed funding because they have role models who have bootstrapped their companies using SBIR funding as seed investments. They have also watched as venture capital firms provided these companies with second round funding to market their products or services.

Tonight's program will address the SBIR program using a panel of successful recipients who did not sit around complaining about the lack of seed funding but found government programs that allowed them to build their products.

Listen as Barbara Rappchak explains how she received 11 of these grants to fund the development of her company's products. Barbara is only one of our panel members who will demonstrate that where there is the will to succeed there is a way also.

Description of the Small Business Innovation Research Program (SBIR):

SBIR is a highly competitive program that encourages small business to explore their technological potential and provides the incentive to profit from its commercialization. By including qualified small businesses in the nation's R&D arena, high-tech innovation is stimulated and the United States gains entrepreneurial spirit as it meets its specific research and development needs.

Competitive Opportunity for Small Business:

SBIR targets the entrepreneurial sector because that is where most innovation and innovators thrive. However, the risk and expense of conducting serious R&D efforts are often beyond the means of many small businesses. By reserving a specific percentage of federal R&D funds for small business, SBIR protects the small business and enables it to compete on the same level as larger businesses. SBIR funds the critical startup and development stages and it encourages the commercialization of the technology, product, or service, which, in turn, stimulates the U.S. economy.

**(OVER)**

Since its enactment in 1982, as part of the Small Business Innovation Development Act, SBIR has helped thousands of small businesses to compete for federal research and development awards. Their contributions have enhanced the nation's defense, protected our environment, advanced health care, and improved our ability to manage information and manipulate data.

#### SBIR Qualifications:

Small businesses must meet certain eligibility criteria to participate in the SBIR program.

- American-owned and independently operated
- For-profit
- Principal researcher employed by business
- Company size limited to 500 employees

#### The SBIR System:

Each year, ten federal departments and agencies are required by SBIR to reserve a portion of their R&D funds for award to small business.

- Department of Agriculture
- Department of Commerce
- Department of Defense
- Department of Education
- Department of Energy
- Department of Health and Human Services
- Department of Transportation
- Environmental Protection Agency
- National Aeronautics and Space Administration
- National Science Foundation

These agencies designate R&D topics and accept proposals.

#### Three-Phase Program:

Following submission of proposals, agencies make SBIR awards based on small business qualification, degree of innovation, technical merit, and future market potential. Small businesses that receive awards or grants then begin a three-phase program.

- Phase I is the startup phase. Awards of up to \$100,000 for approximately 6 months support exploration of the technical merit or feasibility of an idea or technology.
- Phase II awards of up to \$750,000, for as many as 2 years, expand Phase I results. During this time, the R&D work is performed and the developer evaluates commercialization potential. Only Phase I award winners are considered for Phase II.
- Phase III is the period during which Phase II innovation moves from the laboratory into the marketplace. No SBIR funds support this phase. The small business must find funding in the private sector or other non-SBIR federal agency funding

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William Alexander Price Attorney at Law and Adjunct Professor, High Technology Entrepreneurship Illinois Institute of Technology and member of The Midwest Entrepreneurs Forum board will be the moderator. Panelists will include Barbara Rapchak CEO of Leap Of Faith Technologies. Other panelists will be added later.

### **About the Midwest Entrepreneurs' Forum**

The Midwest Entrepreneurs' Forum (MEF) promotes and strengthens the process of starting and growing companies by providing services, which educate and inform entrepreneurs. MEF meets the second Monday of each month (except July and August) at the Downtown Campus of the Illinois Institute of Technology, 565 W. Adams Street, Chicago, from 6 p.m. to 8 p.m. A suburban meeting is held the last Tuesday of each month (except July and August) from 7 p.m. to 9 p.m. at the Daniel L. and Ada F. Rice Campus of the Illinois Institute of Technology, 201 East Loop Road, Wheaton, IL (directions below). Each MEF meeting normally features a case presentation/panel discussion that spotlights a single company in a critical stage of development. MEF membership is \$60 per year and additional information is available online at [www.gss.net/mef](http://www.gss.net/mef), by calling 312-857-0301 or by writing MEF, 8 South Michigan Avenue, Suite 1000, Chicago, IL 60603.

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