

Equity Funding Strategies and SBIR

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A stack of US dollar bills, including \$100 and \$10 bills, is visible on the left side of the slide. The bills are slightly fanned out, showing different denominations and serial numbers.

Agenda

- **Introduction**
- **Assessment and Preparation**
- **What Investors Seek**
- **Strategic Investor Identification and Selection**
- **Strategic Investor Due Diligence**
- **Risk Mitigation**
- **Next Steps**
- **Q&A**

About Me



Business Acceleration Manager, Dawnbreaker 11+ Years

Program Manager, NSF Phase I

Program Manager, DOE Phase 0



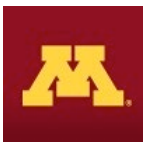
Venture Analyst Consultant, Excell Partners, Inc. 1+ Years

Excell is a seed/early-stage venture capital firm focused primarily on high-tech ventures. Concentrated on initial screen and analysis of high-potential ventures, due diligence, and follow up investigation.



University of Rochester - Simon Business School

M.S., Business Administration With a Concentration in Medical Management



University of Minnesota

Ph.D., Molecular, Cellular, Developmental Biology and Genetics

Financing Rounds

Round	Tech Milestone	Source	Amount
Bootstrapping	Idea	Founder	<\$50k
Pre-Seed	Proof of Concept	Founders, Friends & Family	<\$200k
Seed	Functioning Prototype	Angels, SBIR/STTR, Early-Stage VC, Accelerator	<\$200k - \$2M
Series A	Production & Scale of First Product & Portfolio Expansion	Super Angels, VC	<\$2M-\$15M
Series B	Updated Product & New Product Development	VC Later Stage	\$20M+
Series C and Beyond	Multiple Product Offerings	VC Later Stage, Founders	\$35M+

A close-up, slightly angled view of a stack of US dollar bills. The top bill is a \$100 bill, with the number '100' and the word 'DOLLARS' visible. Below it, another \$100 bill is partially visible, showing the number '977 A' and the word 'DOLLARS'. The bills are fanned out slightly, creating a sense of depth and texture. The colors are primarily the green and white of the currency, with some gold accents from the '100' numerals.

Assessment and Preparation

Conduct internal readiness evaluation

- Comprehensive assessment of your investment readiness and compliance status
- Begin with a thorough review of current ownership and business structure
- Evaluate intellectual property portfolio
- Assess competitive positioning
- Define market opportunity size
- Document Phase II progress: technical milestones, prototype development, market validation



Assessment and Preparation

Set fundraising goals

- When do you want to have raised the funds?
- How much funds do you want to raise?
- What will the funds be used for specifically?
- What inflection point / milestone will this get you to?
- How could the investor assist you besides funding?
- When do you anticipate the next round?



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Assessment and Preparation

Develop Investment-Ready Materials

- Start with Phase II commercialization plan as a base to expand
- Address both commercial opportunity and regulatory compliance
- Comprehensive pitch deck that includes
 - Market analysis
 - Competitive landscape assessment
 - Business model validation
 - Financial projections – show integration of SBIR funding with private investment
 - Clear articulation how private investment will accelerate commercialization timelines
 - Use roadmaps showing Phase III milestones alongside funding rounds

A vertical stack of US dollar bills is visible on the left side of the slide, showing parts of \$100 and \$20 bills.

What Investors Seek

1) **Compelling value proposition and scalable market potential**

Present a clear, strategic narrative that communicates your unique value, addresses a significant market need, and highlights competitive advantages.

Private investors seek markets with a substantial addressable value that can support significant revenue growth and market expansion.

Phase III's sole-source contracting (direct award) rights enhance revenue predictability, directly appealing to investors.



What Investors Seek

2) Experienced management team

Majority of VCs cite team quality as a critical investment factor.

Investors seek experienced leaders who can navigate scaling challenges and execute business strategies effectively.

Coachability is also key as the VC's will be on the board and must interact with the company.

Highlighting leadership experience in scaling government-tech ventures strengthens credibility.

A decorative vertical bar on the left side of the slide, featuring a close-up of US currency including a \$100 bill and a \$20 bill.

What Investors Seek

3) Strong intellectual property portfolio

Proprietary technology developed under SBIR grants provides competitive moats. Investors prioritize startups with patents or trade secrets securing market exclusivity that protect investor returns.

Especially for Phase III, private investors want assurance that the company's technology is not only innovative but also protected (through patents, trade secrets, or regulatory barriers) and can be scaled to address large markets

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What Investors Seek

4) Market validation and well-developed go-to-market strategy

Demonstrates the company's ability to translate technology into commercial success.

Integrating customer feedback and showing evidence of demand (such as letters of intent, pilot contracts, or early adoption from credible government or commercial partners) reassures private investors of real-world traction and solution fit

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What Investors Seek

5) Technical Validation Thresholds

Require working prototypes with third-party validation

- **DHS Technical Acceptance Letters** confirming operational testing
- **Independent Lab Certifications** (e.g., MITRE ATT&CK evaluations for cybersecurity)
- **Early Adopter Testimonials** from government end-users

Example: Anduril's \$99M Air Force Thunderdome Phase III contract required demonstration of Lattice Mesh's real-time data sharing across 5 military domains prior to funding*

*<https://www.govconwire.com/2025/02/anduril-99-million-air-force-contract-thunderdome-project/>

What Investors Seek

6) Strong support system

The presence of a strong "syndicate" or support network of advisors, industry experts, and strategic partners significantly enhances a company's appeal to venture capitalists.





Strategic Investor Identification and Selection

- More than just raising funds, focus on strategic alignment and long-term value creation
- Research the firms' investment portfolios, sector expertise, and track records with similar companies
- Analyze investor SEC filings for SBIR-related terms (e.g., "government contracting," "Phase III")
- Speak with portfolio companies to gauge working relationships and investor behavior
- Identify potential synergies with existing portfolio companies



Strategic Investor Identification and Selection

- Industry-specific directories and databases
- Personal introductions through networks, advisors, or other portfolio companies

Example sites:

- <https://privateequitylist.com/>
- <https://pitchbook.com/solutions/fundraising/>
- <https://www.openvc.app/>
- <https://www.sba.gov/funding-programs/investment-capital/sbic-directory>



Investor Identification Resources

Angel Investors

- Angel Capital Association

<http://www.angelcapitalassociation.org/directory/>

- AngelList

<https://angel.co/>

- USA Angel Investment Network

<https://www.angelinvestmentnetwork.us/>

Venture Capitalists

- National VC Association

<http://nvca.org/about-nvca/members/>

- Regional VC Organizations

<http://casselsalpeter.com/general/regional-venture-capital-organizations-in-the-united-states/>

- Active VCs in Each State

<https://www.cbinsights.com/research/most-active-tech-venture-capital-firms-us-map/>

- Corporate VCs

<https://www.cbinsights.com/research/corporate-venture-capital-active-2014/>

USA 

3. Early Revenue ▾

Round size ▾



Search

46 investors

Geography

Checks

Stages

Investment thesis

Open rate


Moonshots Capital ✓
VC firm

 USA


 \$750k to
\$3M

 3. Early Revenue
4. Scaling

We invest in spacetechnology, deeptech, and fintech ventures with \$1MM+ ARR.

100% match! ⓘ

 Find intros

 Add to shortlist

Ellerra Ventures ✓
VC firm

 USA


 \$100k to
\$1M

 1. Idea or Patent
2. Prototype +2

We invest in early-stage companies building in artificial intelligence, robotics, materials science, drug design,...

100% match! ⓘ

 Find intros

 Add to shortlist

Abstraction Capital ✓
VC firm

 USA


 \$50k to
\$400k

 1. Idea or Patent
2. Prototype +1

We invest in pre-seed and seed rounds for companies building products in the developer tool and cloud infrastructure...

100% match! ⓘ

 Find intros

 Add to shortlist

Sanjeev Sekar ✓
Solo angel

 USA


 \$5k to
\$500k

 1. Idea or Patent
2. Prototype +3

I invest in people over products. Focus is on impact vs. a quick exit. Currently interested in early stage software...

100% match! ⓘ

 Find intros

 Add to shortlist

Pear Tree Ventures ✓
VC firm

 USA


 \$50k to
\$250k

 1. Idea or Patent
2. Prototype +2

We invest in emerging web3, AI and frontier technology startups. We strive to support the bold founders willing to...

100% match! ⓘ

 Find intros

 Add to shortlist

SBA – SBIC Directory

Name	State	Fund size	Average investment	Investment strategy	Fund Style	Making new investments
Ballast Point Ventures IV, L.P.	FL	\$ 171,492,000.00	\$ 3,784,225.00	Venture	Venture	Yes
Canapi Ventures SBIC Fund, L.P.	DC	\$ 524,335,318.00	\$ 8,021,693.00	Venture	Venture	Yes
Cultivation Capital Seed Fund III, L.P.	MO	\$ 13,150,500.00	\$ 218,750.00	Venture	Venture	Yes
Everside SBIC I, L.P.	NY	\$ 168,508,677.00	\$ 6,327,361.00	Expansion	Hybrid	Yes
Gemini Investors VII, L.P.	MA	\$ 185,744,100.00	\$ 2,771,186.00	Venture	Venture	Yes
Grayhawk Ventures Fund III, L.P.	AZ	\$ 54,787,470.00	\$ 2,253,334.00	Venture	Growth Equity	Yes
Hercules SBIC V, L.P.	CA	\$ 262,500,000.00	\$ 11,250,000.00	Venture	Private Credit	Yes
LFE Growth Fund IV, L.P.	FL	\$ 18,917,839.00	\$ 2,841,250.00	Venture	Venture	Yes
Pelion Ventures VII Financial Institutions Fund, L.P.	UT	\$ 50,510,204.00	\$ 539,701.00	Venture	Venture	Yes
Pelion Ventures VIII Financial Institutions Fund, L.P.	UT	\$ 60,186,364.00	\$ 3,943,999.00	Venture	Venture	Yes

Example Investor Thesis – We Invest In People First

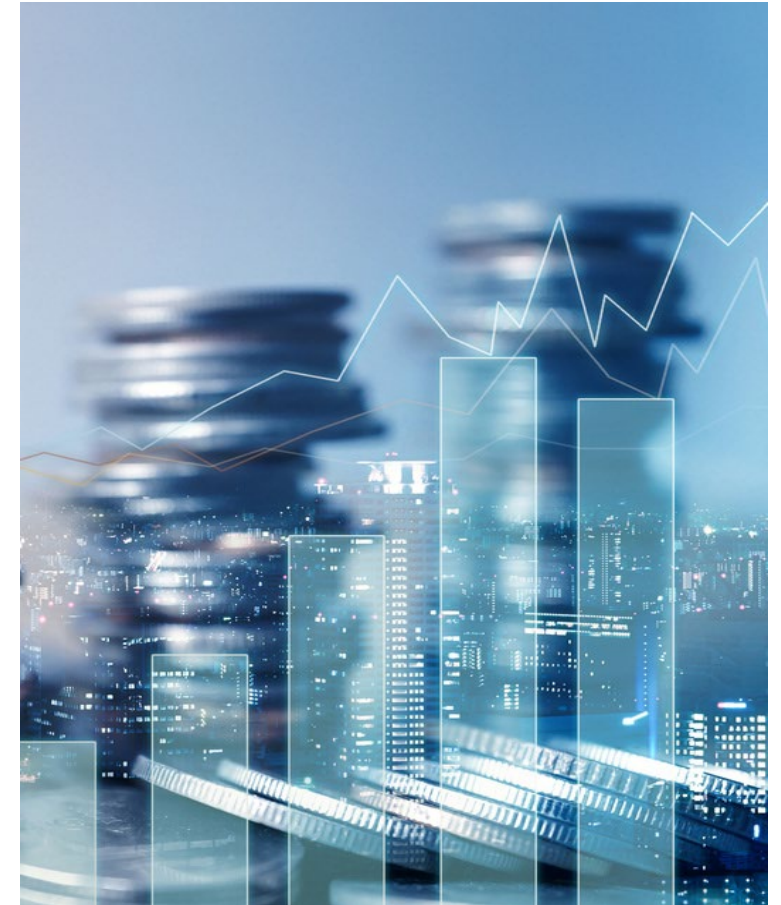
What We Look For

We look to partner with companies in the Healthcare, Software, and Tech-Enabled Services sectors with these characteristics:

- Outstanding management team
- Rapidly growing with \$3-\$20 million of run-rate revenue
- Proven business model
- Serving a large national market
- \$5-\$15 million capital need for growth and/or liquidity
- Significant presence in the Southeast or Texas

Strategic Investor Due Diligence

1. Do they invest in your type of company and industry
2. Do they invest in your stage or level of traction
3. Are they in an appropriate geographic location
4. Check the list of portfolio companies to see if they've invested in one of your competitors
5. Consider reaching out to portfolio companies to ask their experience
6. Find a specific partner in the firm to approach to handle your type of company
7. Try to find a way to connect with that partner through one of your connections





Investor Risk Mitigation for SBIR Awardees

- **Advantages** include de-risked technology development, government validation of market need, and potential for sole-source follow-on contracts (direct awards)
- Quantify this validation by highlighting the competitive selection process, success rates, and the rigor of government technical review
- Present clear pathways from Phase II development to Phase III commercialization, including specific government agencies or primes that have expressed interest



Investor Risk Mitigation for SBIR Awardees

- **Challenges** include longer sales cycles, regulatory compliance and security requirements, procurement regulations that limit market expansion opportunities, lack of exit strategy clarity
- Prepare to address investor concerns about affiliation implications for future government contracts
- Affiliation with private investors can impact your ability to compete for small business set-aside contracts, potentially affecting long-term revenue projections

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Investor Risk Mitigation for SBIR Awardees

Demonstrate Commercial Market Potential

- Evidence of broader commercial market opportunity beyond government
- Dual-market strategy reduces customer concentration risk while leveraging government funding to achieve product-market fit
- Include specific examples of how government-developed technologies have successfully transitioned to commercial markets
- Highlight success stories showing how SBIR-funded innovations achieved commercial success through strategic investor partnerships
- Finance plan should clearly articulate how private investment enables commercial market entry while maintaining government customer relationships

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Investor Risk Mitigation for SBIR Awardees

Exit Strategy Development

- Vertical Integration by Defense/Government Contractors
- Technology Platform Expansion for Commercial Firms
- Financial Engineering via Private Equity Roll-Ups
- Cross-Industry Market Entry

Next Steps

- Develop investor target list based on your due diligence
- Target 10-15 investors with government-tech expertise, allowing 6-9+ months for due diligence and term sheet negotiations
- Keep a spreadsheet of contacts and order by priority
- Network to find warm introductions
- Leverage Phase III Rights in pitch decks to highlight competitive advantages





First Meeting

- If all works out, you will be invited for a first meeting
- It may be an initial one-on-one meeting, or it could be a formal pitch
- Either way come practiced and prepared and be ready to answer their questions
- **“Twenty Questions You Will Be Asked by Venture Capitalists (if you get that far)”**

<https://www.theventurelab.com/resources/articles>

The goal is always to get to the next meeting

Questions?

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