

Will Rosellini, JD, MBA, MS

Non-Dilutive Funding Sources For Your Emerging Technology Business



Elon Musk Subsidies

- Overall, Musk's companies had received \$4.9 billion in government support as of 2015, according to a report published that year by the Los Angeles Times — much of which came in the form of subsidies.



Common Misconception

**Non-Dilutive
Funding for Industry**



SBIR

Will Rosellini

Profile

- Juris Doctor, Hofstra Law School, 2006
- MBA, University of Texas-Dallas, 2003
- MS Acct, University of Texas-Dallas, 2003
- MS of Neuroscience, University of Texas-Dallas, 2008
- MS of Computational Biology, NJIT-Rutgers, 2007
- MS of Regulatory Science, USC, 2008
- BA, Univ of Dallas, 2001



Professional Experience Summary

- Comprehensive academic background focused on emerging technology product launches; hold a Juris Doctor, as well as MBA and Master of Science degrees in accounting, regulatory science, neuroscience, and computational biology.

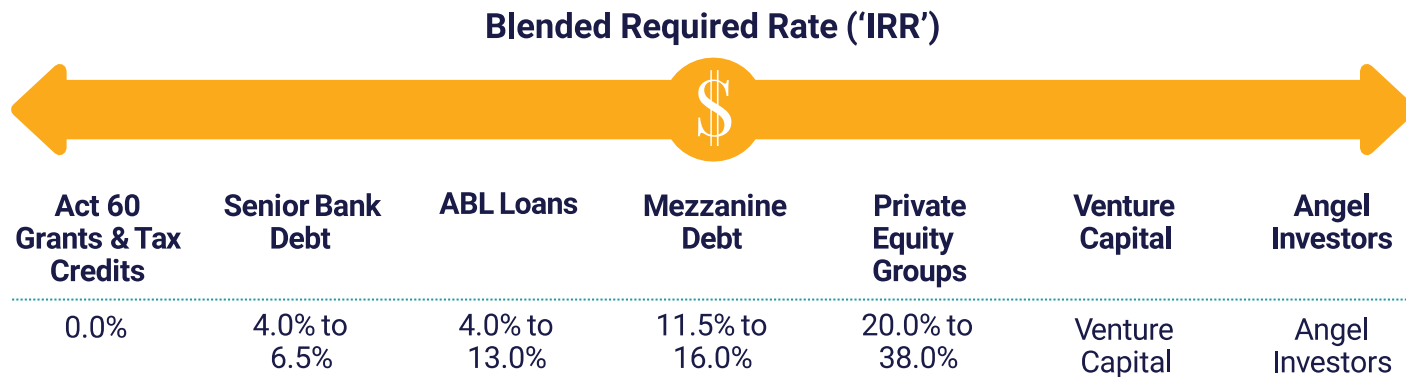
Professional Experience

- Raised ~\$100M+ in venture capital
- ~\$15M in NIH funding across R41, R42, R43, R44, and U44 programs
- ~\$30M from BARDA federal contracts
- ~\$8M in international grants and subsidies from Belgium, Germany, and Luxembourg
- ~30M in tax credits under Puerto Rico's Act 60
- Testified to Congress on the importance of non-dilutive funding



Impact On Capital Stack

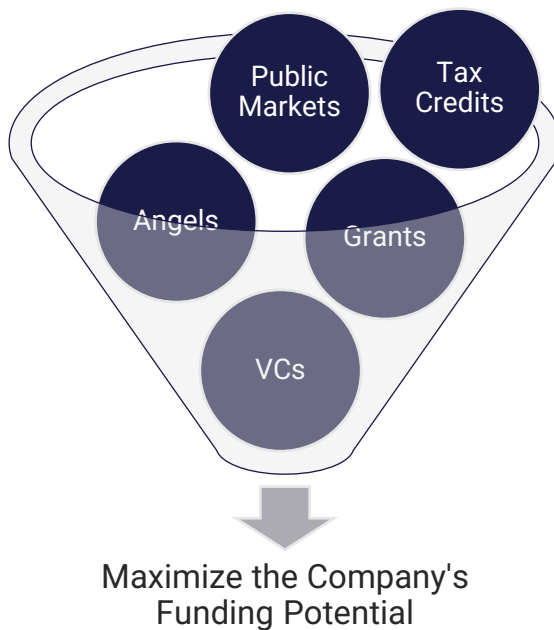
Non-dilutive funding provides the lowest cost of capital of any source



Companies should optimize their non-dilutive funding strategy

Turn NDF into a Strategic Source of Funding

Strategic Approach



Maximize Your Chances for Award

What Do We Do?



Identify ALL relevant funding opportunities

Create a multi-submission granting strategy

Submit as many top-quality applications as possible

Locate R+D activities in a jurisdiction where both grants and venture investment can generate tax credits which can be sold for cash

Non-Dilutive Capital Example

Economic Incentives Fund Cash Grants



Research & Development Tax Credits



We have the ability to secure for your business cash grants from the government of Puerto Rico to acquire equipment and hire employees. Once the equipment is installed or the employee is hired, we complete the certification process for you to receive a cash reimbursement.

All qualified R&D expenses are eligible for a 50% monetizable tax credit issued at the end of the year. We have the ability to generate tax credits and sell them to third parties on your behalf within a price range of \$0.90 to \$0.95, per \$1.00 in tax credits available.

Net Non-Dilutive Capital back into your Business



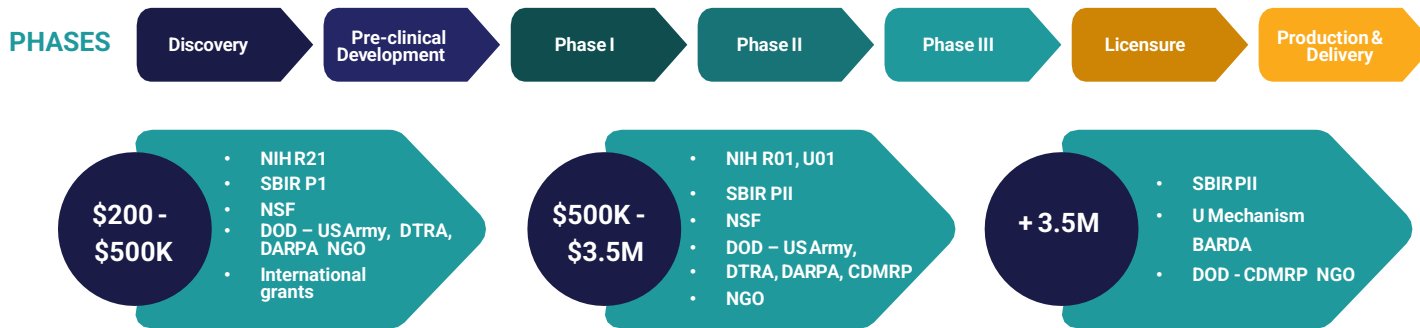
While they cannot be double-counted, the benefits of the cash grants and tax credits can be **stacked**, allowing you to reinvest non-dilutive capital back into your business. In total, this combination can typically subsidize **65%+** of eligible costs.

\$50B+ Allocated Annually in US Non-Dilutive Market

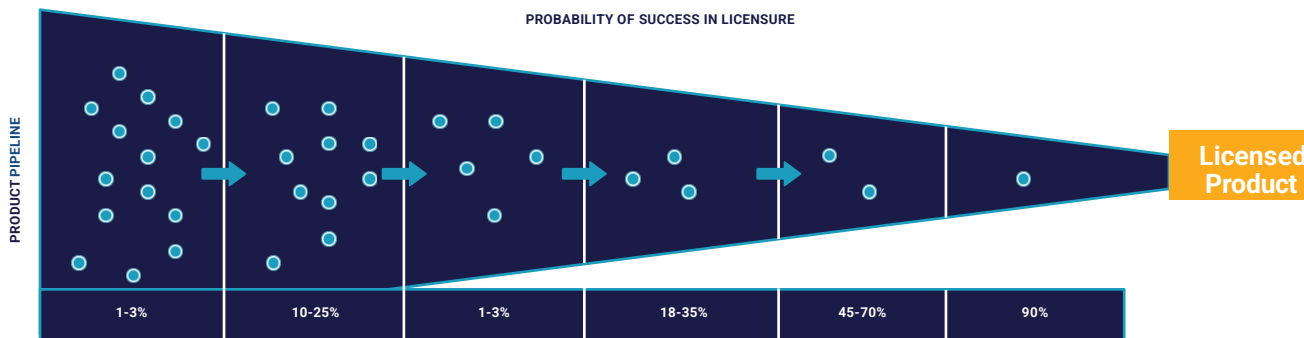


- HHS- NIH
 - 27 institutes and centers including NCI, NIDDK, NINDS, NIAID, NIBIB, NHLBI, NEI, NIA, NIMH, etc.
- Other HHS Organizations
 - BARDA, FDA, CDC
- National Science Foundation Department of Defense (DOD)
 - US Army, DARPA, DTRA, CDMRP, etc.
- Private Foundations
 - Gates, MJ Fox, JDRC, and many more
- International grant research opportunities
 - Germany, Belgium, Luxembourg,
- Tax Credits
 - US, Canada, Australia and Puerto Rico

Supports Complete R&D Process



Australia and Puerto Rico R+D tax credits are consistent throughout the entire development program



US Grant Funding

National Institutes of Health (NIH), DoD, BARDA



NIH 2017 Budget – \$34B





Role of Non-Dilutive Funding in the Market



Historically,

50%



of FDA Approved Drugs Received

**GOVERNMENT
FUNDING**

During the Course of R&D

Submission Types

Founding Routes



1. Solicited
 - Address a specific area of interest
2. Unsolicited
 - Investigator-Initiated R21, RO1, SBIR/STTR
 - Try to establish interest prior to submitting
3. Broad Agency Announcements
 - Large scale solicitations, address a wider area of research

SBIR and STTR Omnibus Solicitations

Investigator-Initiated

Deadline:

SBIR – Sept 5th,
STTR – Sept 5th

SBIR – April, Sept, Jan
5th
STTR – April, Jun, Oct
16th

Parent Announcements - Omnibus Solicitations

- **SBIR** - Omnibus Solicitation of the NIH, CDC, FDA, and ACF for Small Business Innovation Research Grant Applications (Parent SBIR [R43/R44])(PA-14-071)
 - **\$150,000 Direct costs, up to 12 months**
- **STTR** - Omnibus Solicitation of the NIH for Small Business Technology Transfer Grant Applications (Parent STTR [R41/R42] (PA-14-072))
 - **\$1,000,000 Direct costs, up to 2 years**

Department of Defense

DTRA, DARPA,
USAMRMC

2015 Domestic
for Profit
Awards:

DARPA
\$79M

DTRA
\$200M

US Army
\$181M



DARPA

- "To maintain the technological superiority of the U.S. military by sponsoring revolutionary, high-payoff research that bridges the gap between fundamental discoveries and their military use."

DTRA

- "Safeguard the United States and its allies from Weapons of Mass Destruction"

USAMRMC

- "Provide solutions to medical problems of importance to the American warfighter at home and abroad".

BARDA – Medical Countermeasures

PHASES

Discovery

Pre-clinical
Development

Phase I

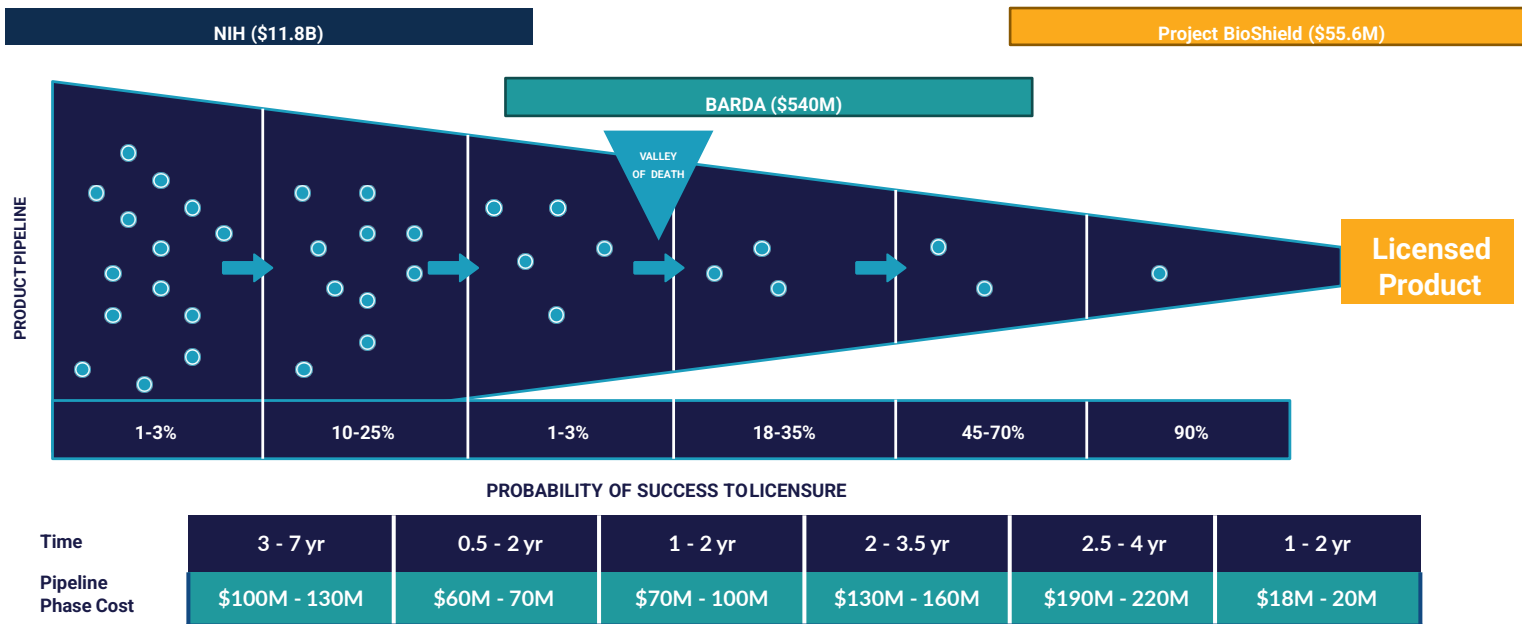
Phase II

Phase III

Licensure

Production &
Delivery

BARDA received a new budget of **\$920M** approved to develop and procure medical countermeasures that address chemical, biological, radiological, and nuclear (CBRN) accidents, incidents and attacks, pandemics influenza, and emerging infectious diseases.



Funding Opportunities

Puerto Rico R+D Act 60 Tax Regime

International R&D Grant/Tax Incentive

Other incentive programs

- Australia 40% R+D tax credit
- Canada's SR&ED tax incentives can be 15% to 35% of R+D costs and in some cases can be a refundable tax grant
- US Federal R+D credit 12-16% of federal and state R&D tax credits for every qualified dollar
- Belgium has regional and national grant programs coupled with the patent income deduction PID regime allowed for the deduction of 80 percent of the gross patent income from the company's corporate income tax base.
- Luxembourg 50% co-financing up to \$1.5M in R+D costs



Introduction to the Australian R&D Tax Incentive Scheme



Tax Benefits of undertaking R & D

- Up to 45% refundable tax credit
- Permanent benefit of 15 c per dollar spent on R & D activities

Linking R & D activities to Tax Benefits

- Cash refund within 30-45 days after filling company tax return
- Provides R & D working capital by increasing operating cash flow

Timeline of claiming Tax Benefits vs. conducted R & D

- 10 months after the end of the financial year for the company when R & D activities occurred
- Can be obtained successively for multiple financial years

Puerto Rico is the best jurisdiction and as a US commonwealth can access US NDF

Puerto Rico offers:



Higher Tax
Credit



Made in the
USA

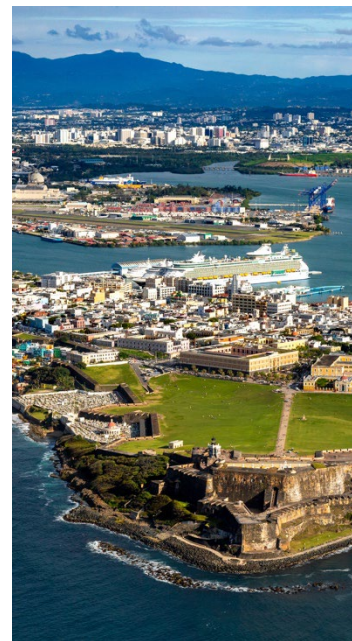


No IP
Restrictions



US Federal
Grants*

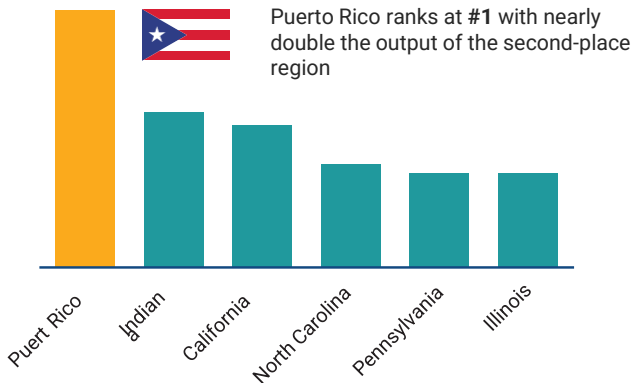
*That can count
towards credit



Leveraging The Puerto Rico Location

Puerto Rico is a territory of the United States, and home to many pharmaceutical companies such as Amgen, Abbvie, Bristol Myers, TEVA, MYLAN, Merck, Boston Scientific, Stryker, and Medtronic. Puerto Rico produces the top 10 Biologics in the world and has over 100,000 pharmaceutical professionals. Puerto Ricans speak three languages English, Spanish, and cGMP. The universities produce more STEM graduates than any other state. Per Capita, Island universities produce more STEM graduates than any other state.

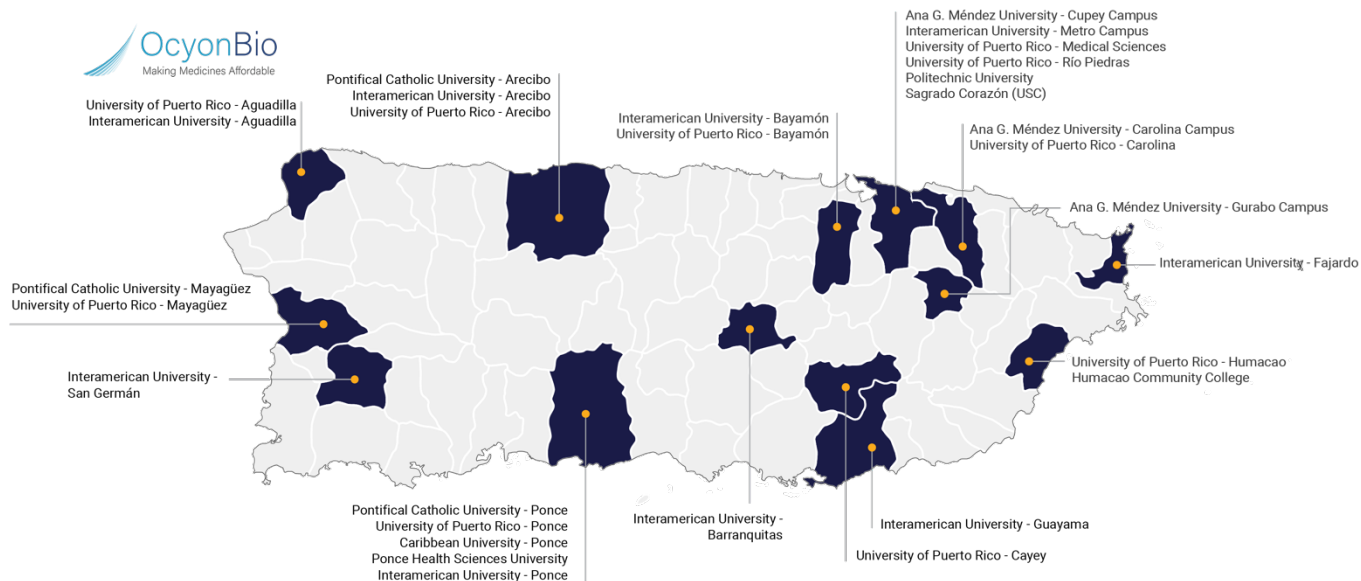
Top 6 Exporting US States & Territories for Pharmaceutical & Medicine Manufacturing



- **Non-Dilutive Capital:** Attractive cash grants for Job Creation and the acquisition of Machinery & Equipment in addition to lucrative monetizable R&D Tax Credits.
- **Talent:** 6th highest availability of scientists and engineers in the world, according to the World Economic Forum's Global Competitiveness Report.
- **PR Tax Policy:** Taxation Policies that dramatically reduce costs and foster investment.
- **Legal Protections:** Benefit from U.S. federal law protections, including 1st ranked IP protections in the world, in addition to U.S. free trade agreements.
- **Infrastructure & Logistics:** World-Class business hub with new infrastructure and sophisticated logistics.
- **'Made in the USA':** Capitalize on USA quality with a workforce trained on cGMP.

Puerto Rico Talent Highlights

In Latin America & the Caribbean, Puerto Rico is **1st** in rates of higher education and **2nd** in rates of digital skills amongst the population. **60%** of university graduates hold a STEM degree (**6x** more than the highest states) creating a talent pool of over **25.6K** STEM candidates.

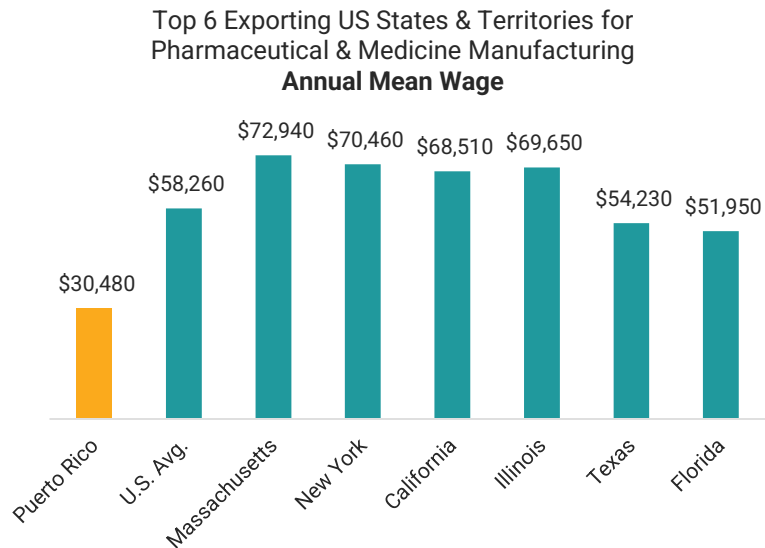


University of Puerto Rico Mayagüez

- Rated best university in PR and # 1 in the Caribbean.
- Accreditation Board for Engineering and Technology, National League for Nursing, and American Chemical Society accreditations.
- # 1 in graduating Hispanic engineers.
- # 1 in graduating Chemical engineers.
- # 2 in graduating women engineers.
- 11th in granting chemical engineering master's degrees.
- 15th of top 20 chemical engineering schools in the US.
- **Only 30 minutes from the OcyonBio facilities**

Puerto Rico Employment Benefits

In addition to having a bilingual workforce and large talent pool of graduates, the Island offers additional benefits to employees and employers. The cost to employ talented individuals in technical fields is on average **30.0%** to **40.0%** lower than that of the Mainland U.S.



Source: US Bureau of Labor Logistics: May 2021 State Occupational Employment and Wage Estimates

Professional of Difficult Recruitment, Formerly Act 14

- Businesses that require professionals whose recruitment is difficult will be **exempt** from the payment of income tax, including the alternate basic tax, for the wages and benefits above **\$100,000** to these professionals.
- The salary income of these full-time indispensable employees will be subject to the payment of income taxes **only** up to the first \$100,000, creating a very attractive incentive to attract talent to your operations on the Island.



Overview of Act 60-2019

- Puerto Rico's businesses and citizens have all the legal rights afforded by the Constitution, whilst having several unique advantages including operating within an autonomous tax jurisdiction.
- To incentivize economic development within the Island, the Government of Puerto Rico has enacted tax laws and economic funding programs to reduce taxes, subsidize operations, and promote investment

50% reimbursement on R&D expenses.

30%+ cash grants on equipment & job creation.

4% flat corporate tax (1.0% for novel industries).

0% rate on dividend distributions.

75% property tax exemption.

75% construction tax exemption.

50% municipal license tax exemption.

50% exemption on other municipal taxes.

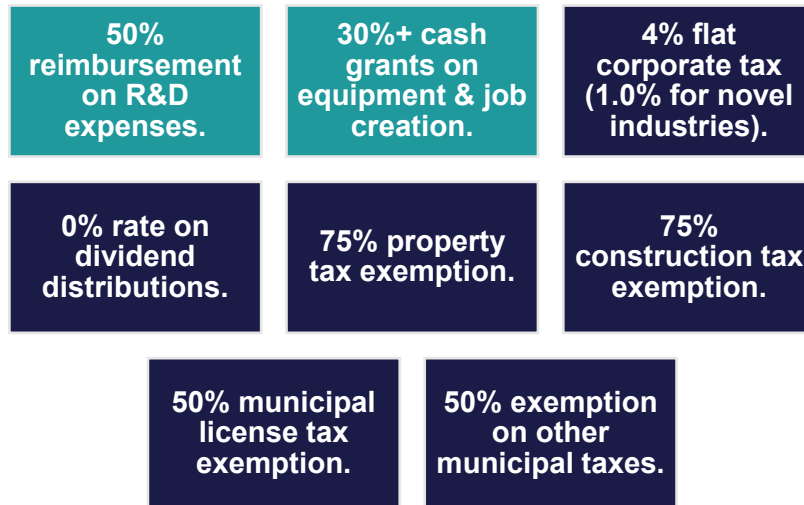
Puerto Rico's Pharma & Biotech Landscape

12 of the world's top 20 pharmaceutical companies operate in Puerto Rico



Puerto Rico Act 60 Combined with Grants Can Reduce Total Capital Expenditure by 40-60%

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Annual tax credits that can be sold for cash

CytoImmune Case Study:



R & D Activities	US costs	PR Net
Labor	\$20,000,000	\$10,000,000
Materials	\$10,000,000	\$5,000,000
Equipment	\$4,000,000	\$2,000,000
Method Dev	\$6,000,000	\$3,000,000
Clinical cost*	\$15,000,000	\$7,500,000

- ◆ Puerto Rico offers 50% Tax Credit that are immediately sellable
 - ◆ All R & D activities receive a 50% subsidy
 - People, materials, equipment, clinical and other expenses
- ◆ US Quality Manufacturing with FDA regulatory Process
- ◆ \$22M investment in facility, \$19M in tax credits and grants, ongoing reduction in R+D expenses for 15 years

Annual OpEx in US vs PR net of Act 60	\$55,000,000	\$27,500,000
Cell manufacturing facility savings		\$19,000,000
Act 60 benefit to date		\$~45,000,000

Thank you!