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National Institutes of Health Commercialization Assistance Program
(NIH-CAP)

NIH-CAP 2005-06

Second Interval Tracking Report

for the period

April 1, 2007-December 31, 2007

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Background & Introduction

Larta tracks the progress of NIH-CAP participating companies for an 18-month period in two consecutive 9-month intervals, in addition to the baseline period (which spans the duration of the program).

This report provides progress tracking results for the companies that participated in the CAP in 2005-06, for the second interval since the culmination of that year's CAP, or April 1, 2007-December 31, 2007. This set of companies was also tracked for the baseline period of September 1, 2005-June 30, 2006 and first interval period of July 1, 2006-March 31, 2007 and the results have been previously submitted to NIH.

The Tracking Form

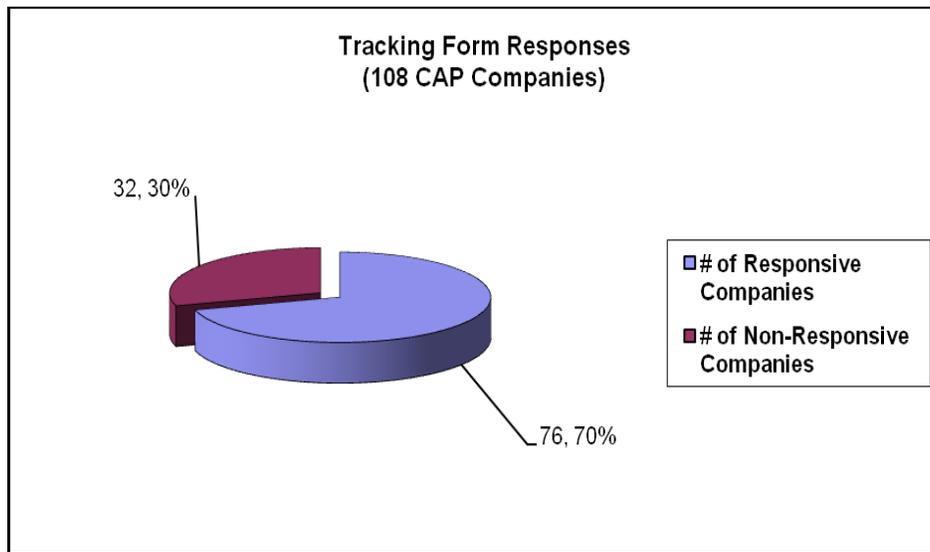
The second year of the CAP for NIH SBIR Phase II grantees was launched in July 2005. 129 companies enrolled in the program of which 107 companies completed the program in June 2006; 4 companies completed prior to the official program end date; and 18 companies did not complete the program; of these, 11 participated for a sufficient time period to be tracked. Thus, at the end of the program, 122 companies were sent baseline tracking forms (107 that completed, 4 that completed early and 11 that participated for sufficient time). For the baseline interval, 2 companies were relieved from tracking, one of which did not complete the CAP, leaving 120 companies to be tracked. For the first interval, 119 out of these 120 companies were sent tracking forms as one company was subsequently relieved from tracking due to an acquisition. For the second or final interval, the remaining 10 companies that did not complete the program were relieved from tracking and another company was dissolved, leaving 108 to be tracked (see Appendix A for details). Some notable features of the tracking form (see Appendix B) are listed below:

- Tracking is focused on quantifiable end results, i.e., deals, revenue growth, increased equity investment, increased employment, M&A outcomes.
- In addition, the form defined a “deal activity pipeline”. We hope that this attempt at quantifying complex and often circuitous commercialization efforts will provide some predictive capabilities in the future, somewhat analogous to sales pipeline forecasting.
- Participants were asked to report separately their overall commercialization progress and their evaluation of the CAP impact. Data on companies' commercialization progress are, in principle, objective, and could be used in studies of SBIR program performance in general; their use in evaluating CAP itself is limited due to the lack of a control group of SBIR companies.
- Data on the CAP impact are indicative of CAP significance. However, they are subjective estimates and cannot be relied upon for longer tracking periods. Note that companies were not asked to rate the CAP impact on a scale of 1 to 5, but to indicate if the CAP impact was 1) Major, 2) Valuable, 3) Minor or 4) None.
- Since this is the final tracking effort for the 2005-06 group of companies, where applicable, baseline results are compared with those of the first and second interval in order to analyze pre-CAP versus post-CAP results where the baseline data is indicative of pre-CAP results, and first and second interval data is indicative of post-CAP results. Aggregation of first and second interval data is conducted where appropriate to yield post-CAP data and analysis, and the number of companies by the tracking variables being measured are accounted for only once for post-CAP aggregation. Finally, where applicable, 2005-06 results are compared with 2004-05 results.

Response Rate

On February 4, 2008, 108 of the 129 2005-06 NIH-CAP companies were sent the tracking form from Kay Etzler at NIH. 76 of the 108 companies responded to the tracking request (after several email reminders), an encouraging 70% response rate. The response rate for the baseline period was 63%, and for the first interval period was 71% so for the second interval, a response rate between 65% and 70% is more than satisfactory given that more time has elapsed since the culmination of the CAP. Company updates based on responses include:

██████████ - No strategic partners or investors could be identified. Consequently, ██████████ has been dissolved.



This report presents only a summary of the data. Detailed source data can be found in a separate Excel file (Processed Tracking 2005-06 Second Interval Final.xls). This report will first discuss the overall commercialization progress, and then separately evaluate direct CAP impact.

Commercialization Progress

The following charts describe the progress (with the commercialization of SBIR Phase II technologies) that the companies have made during the second interval since the culmination of the CAP. Progress is determined by a positive change in the following categories:

- Activity in Partnerships and Financing Deals
- Growth in Revenue
- Growth in Equity Investment
- Growth in Employment
- Acquisitions

Activity in Partnerships and Financing Deals

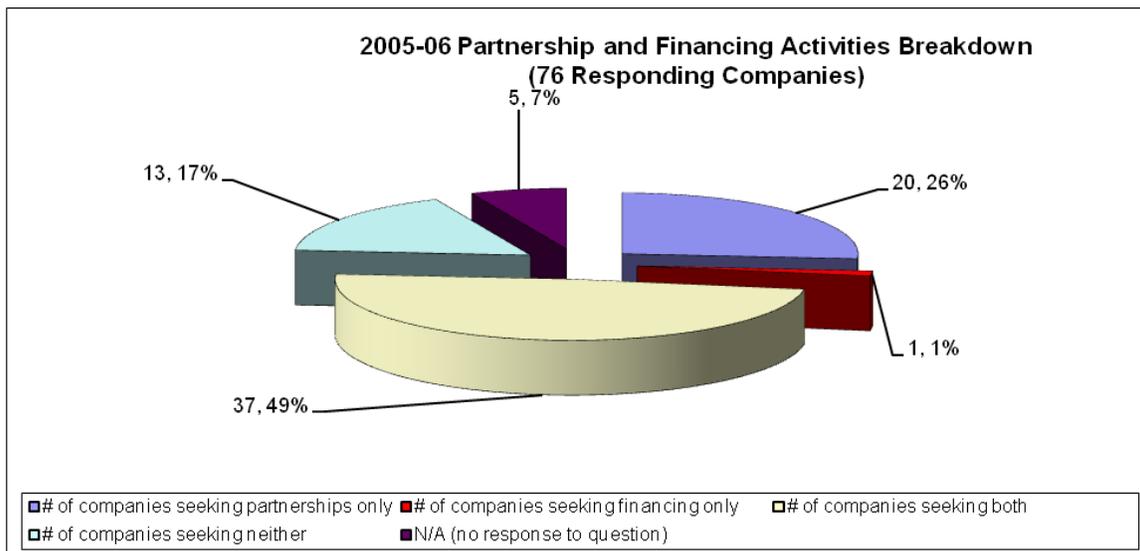
The chart below outlines commercialization progress with respect to partnership and financing deals, and excludes the 32 companies that were non-responsive to the second interval tracking request. Note that "Progress" is defined as at least one event in at least one of the partnership and financing-related activities listed below:

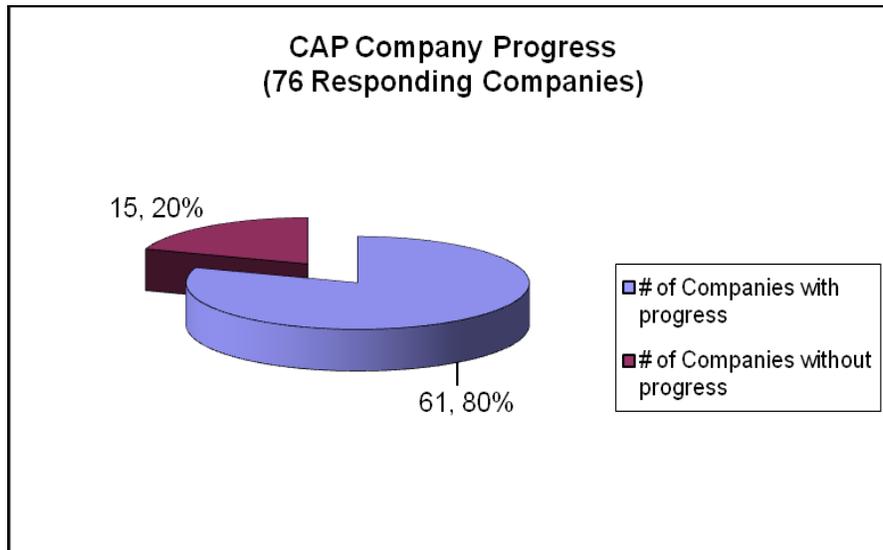
- Contacts with Investors and Partners
- Meetings with Investors and Partners
- CDAs signed
- Negotiations with Investors and Partners
- Initial Proposals and Term Sheets
- Deals

Out of the 76 companies that responded to the second interval tracking request, an encouraging 61 companies or 80% of the responding companies indicate commercialization progress in the partnership and financing deals area. This, however, is a drop from 66 companies or 88% of the 75 responding companies to the baseline tracking request that indicated commercialization progress and from the 72

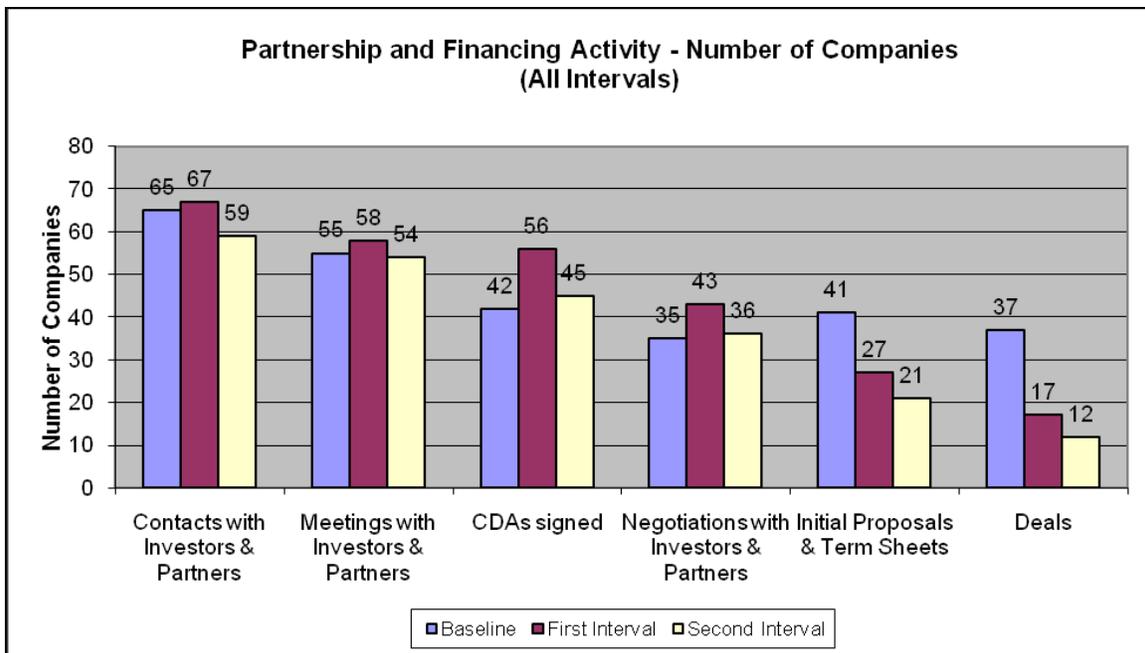
companies or 85% of the 85 responding companies to the first interval tracking request that indicated commercialization progress. Several factors may influence the number and rate of progressing companies including the partnership and financing environment, which continues to be competitive for early stage assets and company objectives w.r.t partnership and financing. See table and chart below for a breakdown of company objectives w.r.t partnerships and financing. The data are interesting and indicate that companies are pursuing partnerships over financing, with a majority of companies leaning towards alliances and collaborations and only one company pursuing financing only. This is consistent with market and industry trends leaning towards strategic alliances with early stage companies, and venture and angel money becoming scarcer for startups. Furthermore, several of the CAP companies are not venture capital ready and see alliances as a more appropriate exit option with a greater potential for success.

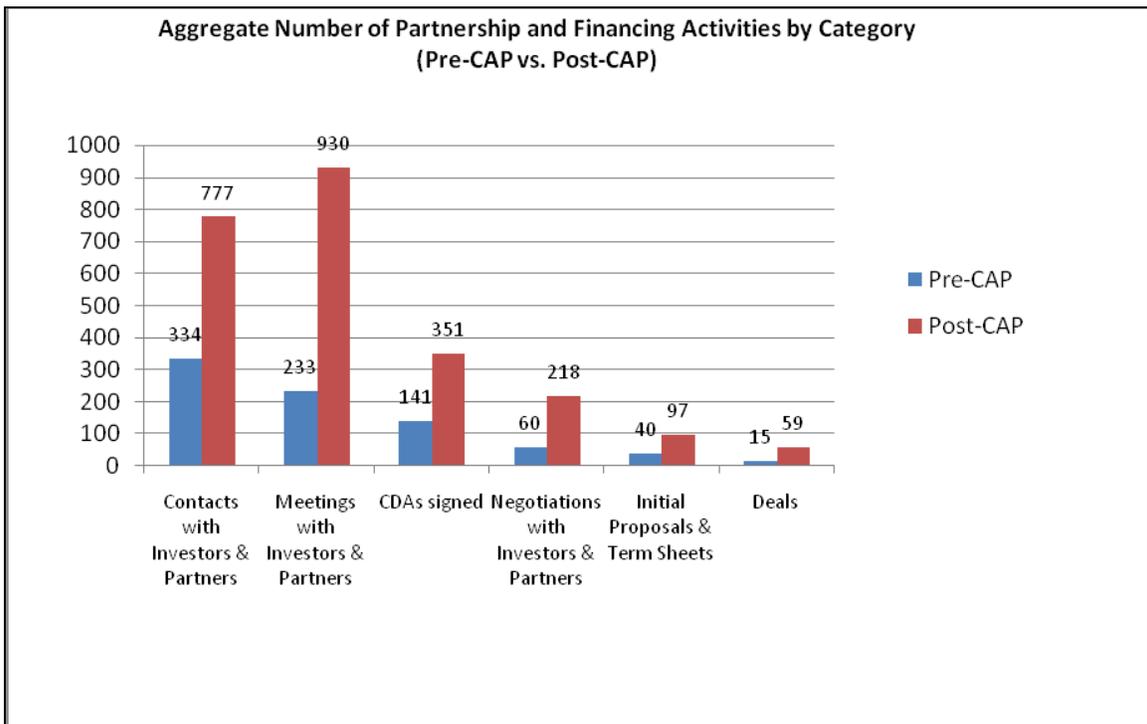
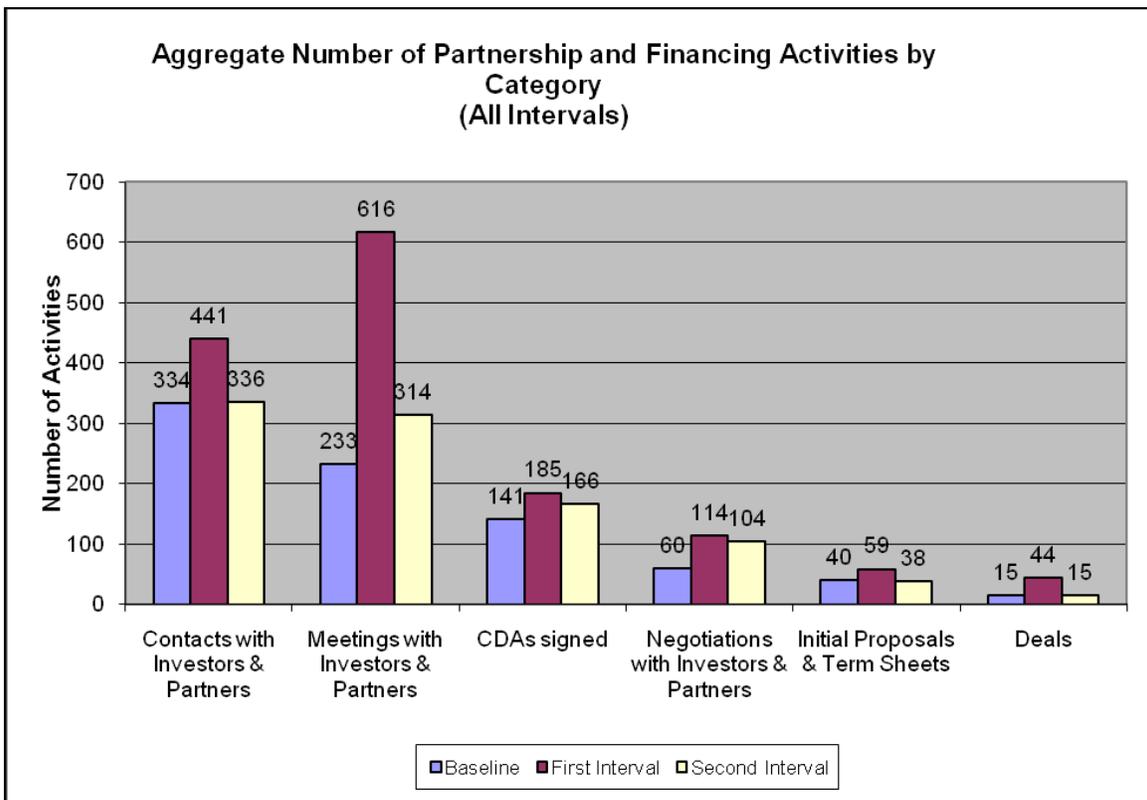
Partnership and Financing Activities	Number of Companies
Seeking partnerships	57
Seeking financing	38
Seeking both	37
Seeking only partnerships	20
Seeking only financing	1





The charts below indicate the number of companies engaged in multiple partnership and financing activities and the aggregate number of partnership and financing activities by category. Data on all three intervals have been provided to enable a comparison as well as a comparison of the intervals post-CAP (first and second) versus the baseline or pre-CAP period.





Key observations:

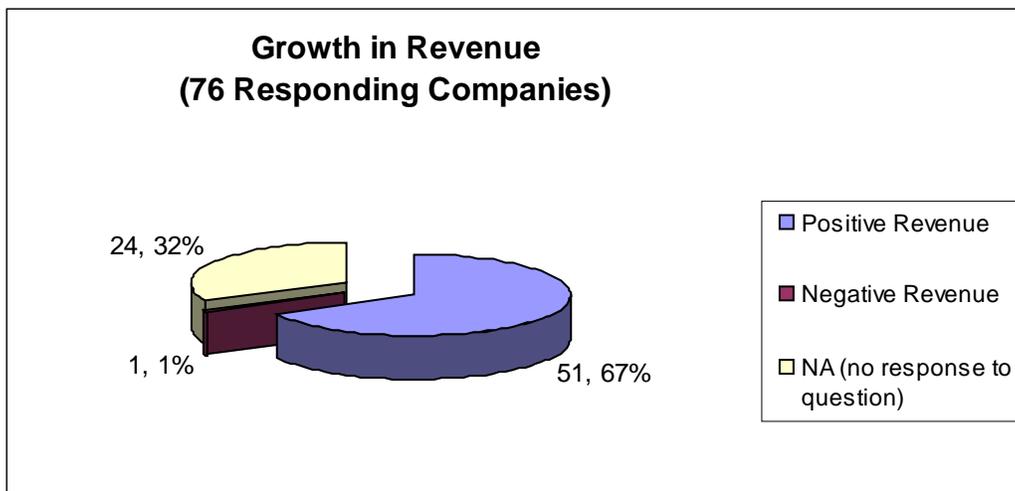
- When comparing intervals, the number of companies that engaged in partnership and financing activities in the second interval is lower for all categories when compared to the first interval, and lower for all categories except CDAs signed and negotiations with investors and partners when compared to the baseline. The baseline period recorded the largest number of companies that

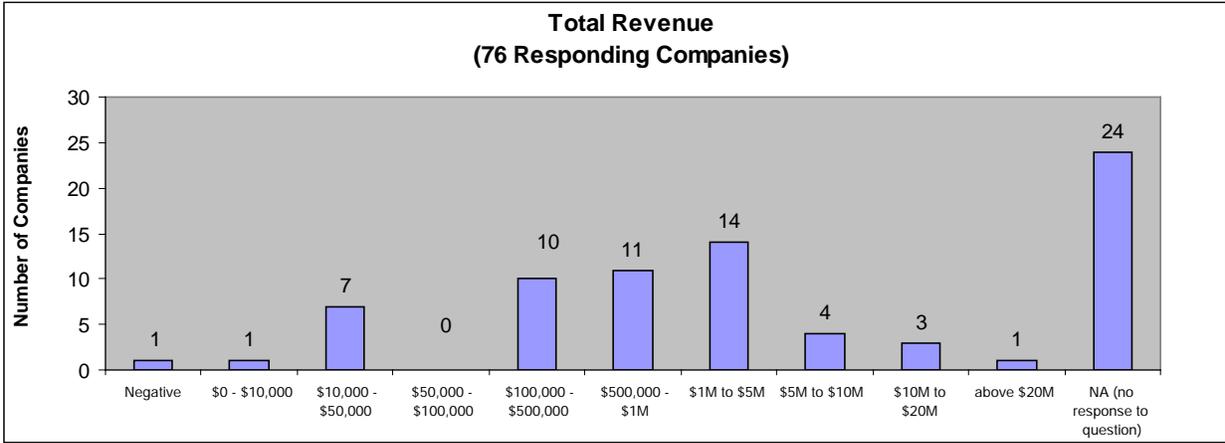
were successful during the later stages of partnership and financing activities including the signing of initial proposals and terms sheets and closing of deals. On the other hand, the first interval recorded the most number of companies successful at the earlier stages of partnership and financing activities, including contacts with investors and partners, meetings with the same, CDAs signed and negotiations. The fall in companies by initial proposals and terms sheets and deals, is particularly significant when comparing the baseline and second interval. Evidently, a significant number of 2005-06 companies were pursuing partnership and financing activities prior to and during the CAP, shown in the intensity of number of companies during the baseline period.

- When comparing intervals, the intensity of partnership and financing activities is greatest in the first interval. Note that [REDACTED] reported 313 meetings with investors and partners or 51% of the 616 meetings with investors and partners during the first interval, [REDACTED] reported 21 deals or 48% of the 44 deals recorded in the first interval. These outliers must be considered when comparing intervals. Still, the number of deals in the first interval is greater than those in the other intervals indicating more successful outcomes for partnering efforts by companies during this period. However, second interval “deal” results are stable in that they are no lower than what was recorded in the baseline period.
- Overall the intensity of partnership and deal related activities was greater in the intervals post CAP versus that in the baseline period or pre-CAP for all categories. 59 deals were closed post-CAP and 15 deals were closed pre-CAP. Note that for the 2004-05 companies, 65 deals were closed post-CAP versus 15 pre-CAP. The results for the 2 CAP years are similar with a larger number of deals taking place post-CAP. The results for both years also reflect the influence of the early stage deal and financing environment.
- **NOTE:** For the second interval, several companies provided qualitative data in their response to the partnership and deal related activity question. In these cases, we conservatively recorded one activity for each qualitative response per company or an average when a range was provided. Details are provided in the processed data. This may have the effect of accounting for a lower number of activities for the second interval for this category than what may have actually taken place.

Growth in Commercial Revenue

Note that the growth in revenue refers to the change in total company revenue rather than the revenue based on the CAP technology. This approach was taken in anticipation of the reluctance of companies to provide detailed revenue data and also the challenges entailed in isolating revenue for the CAP related technology from total company revenue.





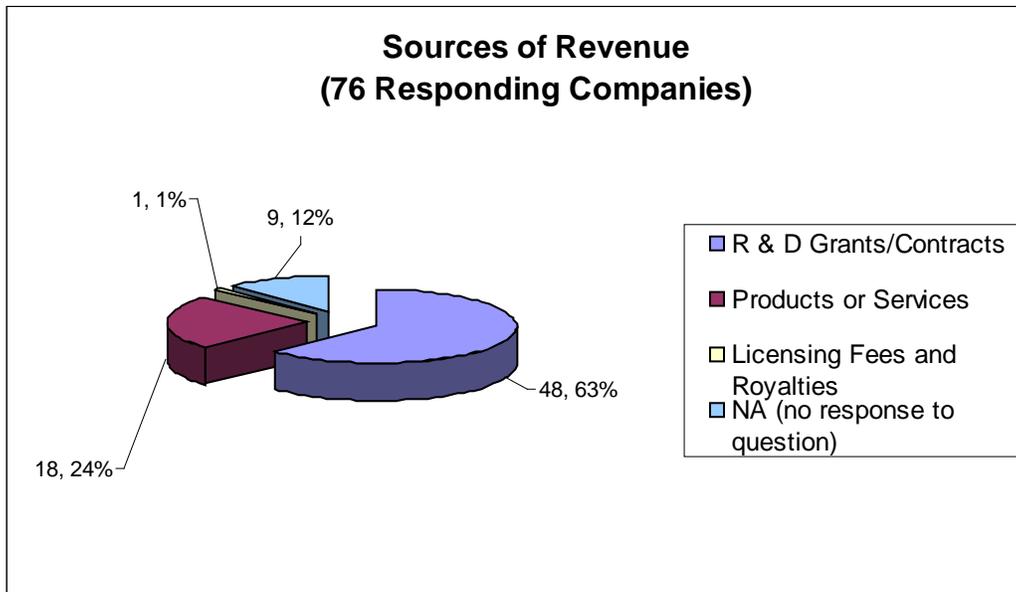
Key observations:

- 51 companies (67% of responding companies) have shown revenue growth.
- Only one company reported negative revenue growth.
- The highest revenue growth reported was \$17 million by [redacted] followed by \$12.2 million by [redacted] Inc and \$10.8 million by [redacted].
- 14 companies reported total revenue of between \$1 million and \$5 million. 4 companies reported revenues between \$5 and \$10 million. 3 companies reported revenues between \$10 and \$20 million. One company reported total revenues of over \$20 million. Overall, total revenue figures are healthier in the second interval when compared to previous tracking periods. See table below for top ten companies with respect to total revenue as of December 31, 2007:

Company	Revenue
[redacted]	\$ 52,000,000
[redacted]	\$ 12,644,222
[redacted]	\$ 12,000,000
[redacted]	\$ 10,000,000
[redacted]	\$ 9,600,000
[redacted]	\$ 8,000,000
[redacted]	\$ 7,000,000
[redacted]	\$ 6,016,000
[redacted]	\$ 3,000,000
[redacted]	\$ 3,000,000

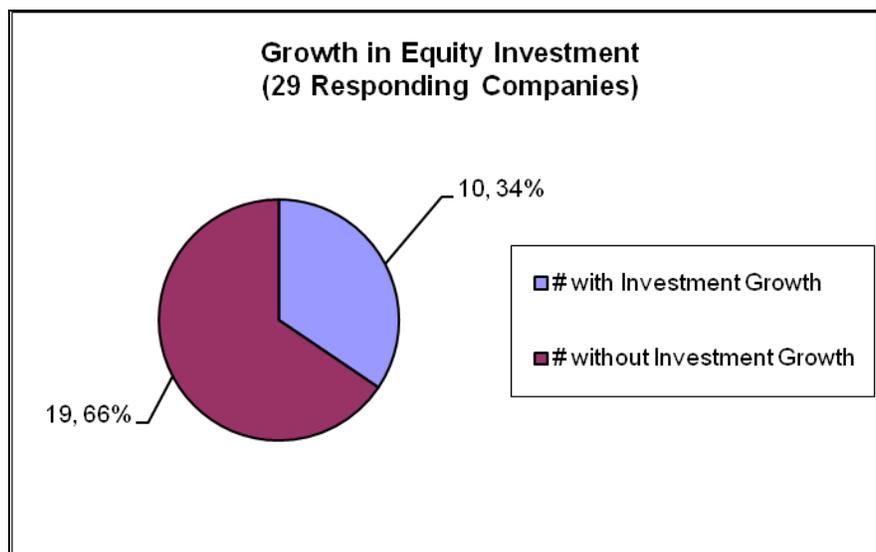
R&D grants and contracts remain the largest source of total revenue for 63% of companies as shown below. This trend was observed for all three intervals tracked; however, the percentage of companies with R&D grants and contracts as the largest source of revenue is the lowest for the second interval when

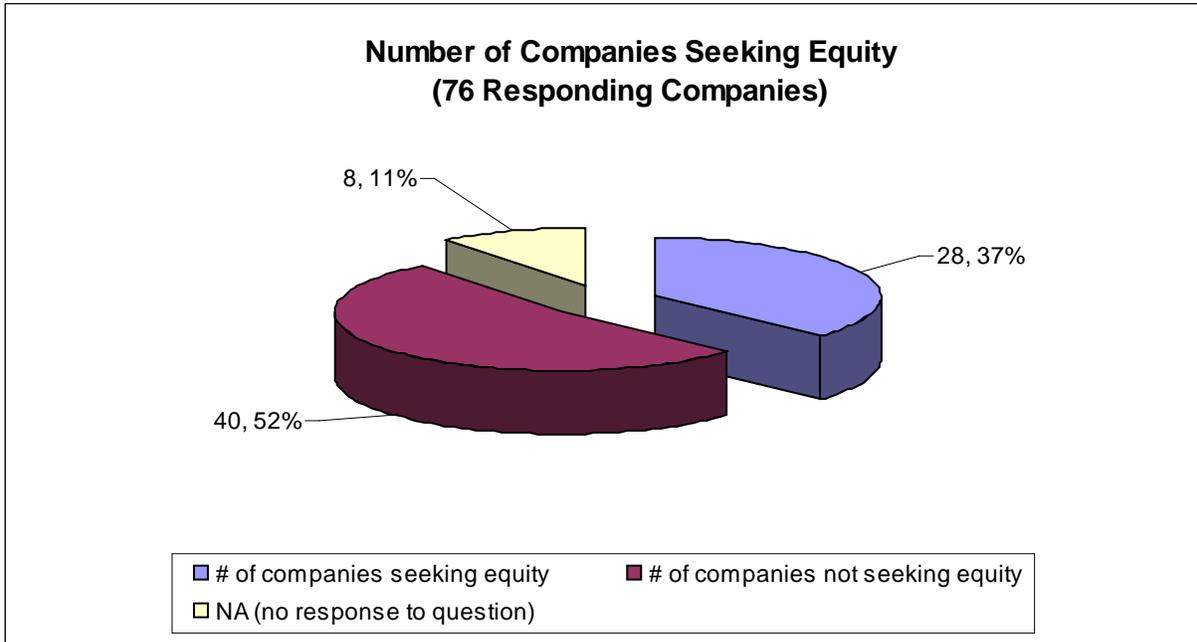
compared to previous intervals (74% and 69% for the baseline and first intervals respectively) indicating a decline in dependence on non-commercial sources of funding over time. When comparing to the 2004-05 companies, by the end of the second interval, 55% of the companies indicated that R&D grants and contracts were the largest source of revenue, figures indicating an even lower dependence on non-commercial funding than the 2005-06 companies.



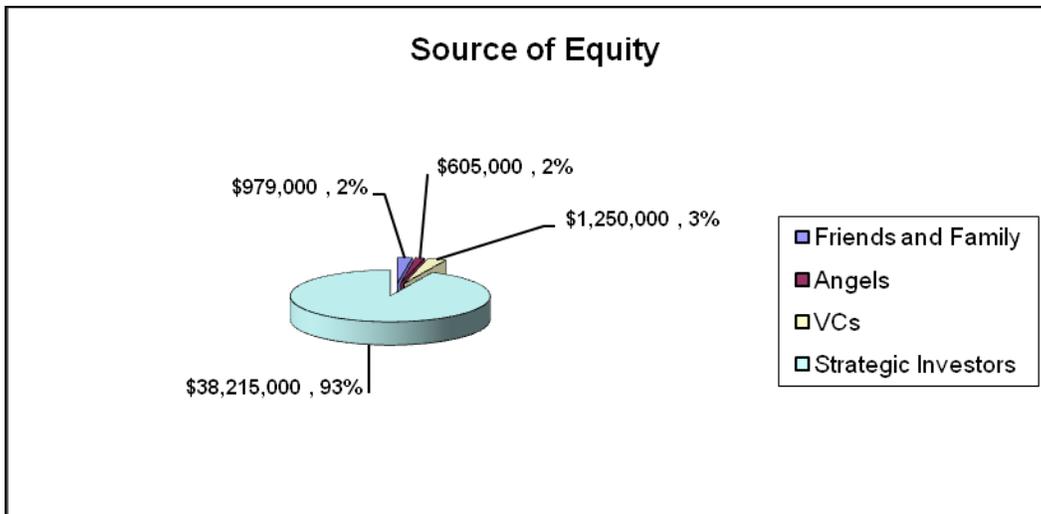
Growth in Equity Funding

The data refer to the growth in equity funding for the company as a whole. 10 companies or 34% indicated an increase in equity funding and from one or more sources of equity funding in the second interval. 19 companies or 22% indicated an increase in equity funding in the first interval and 13 companies or 17% reported an increase in equity funding in the baseline period. The second interval records higher percentages than previous intervals, but a smaller number of companies. The tracking form for the second interval was revised to ensure that data in this category was provided by only those companies that were seeking equity investment, the breakdown of which is provided in the chart below.





The total amount of new funding by source of funding is shown below.

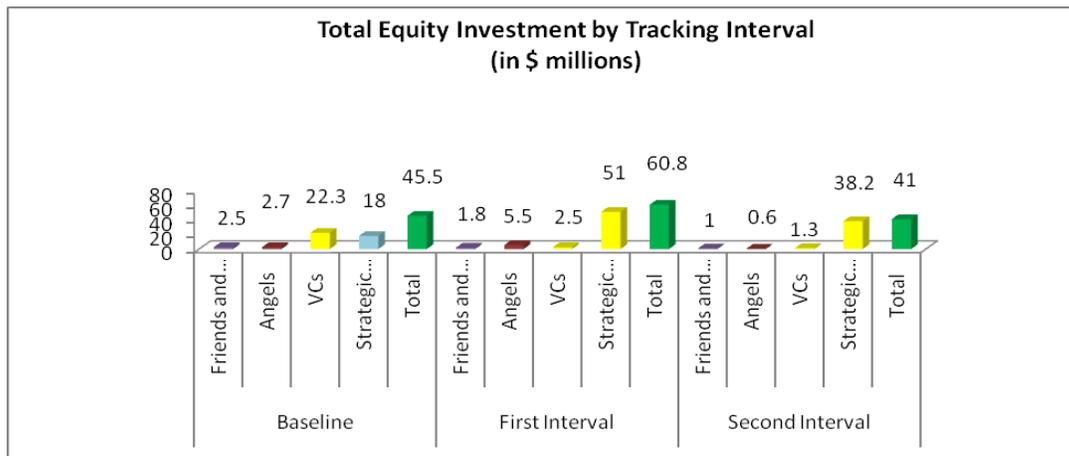


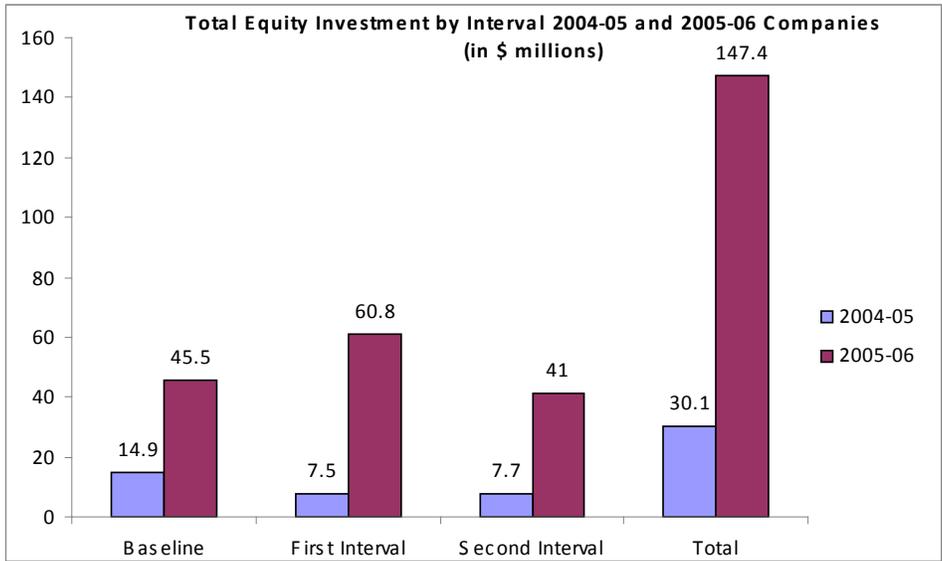
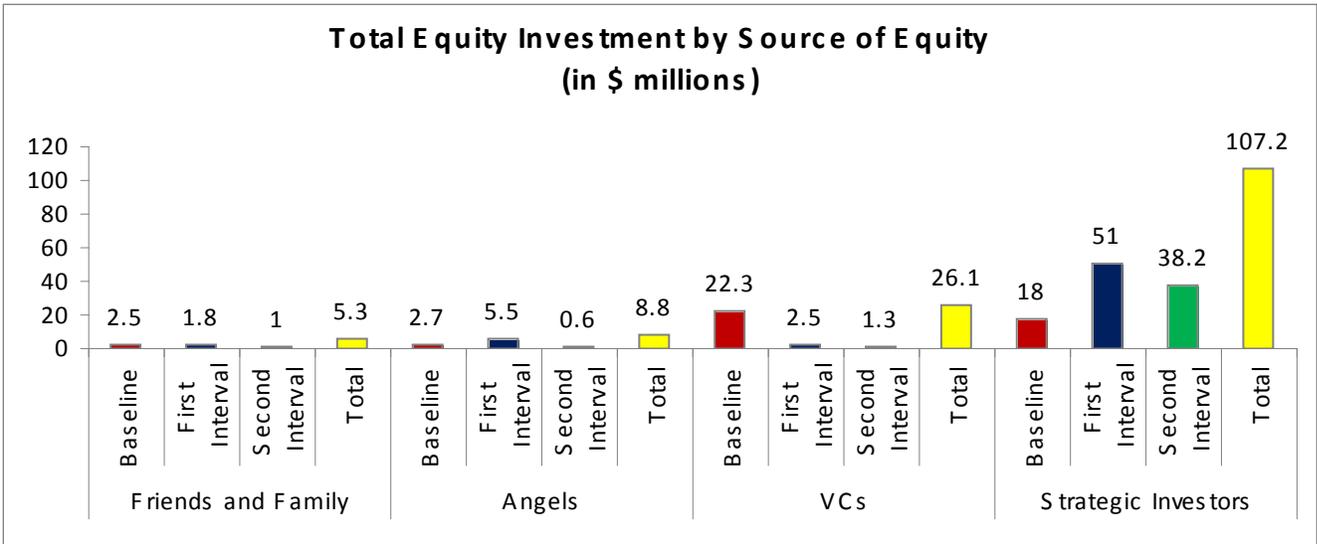
Key observations:

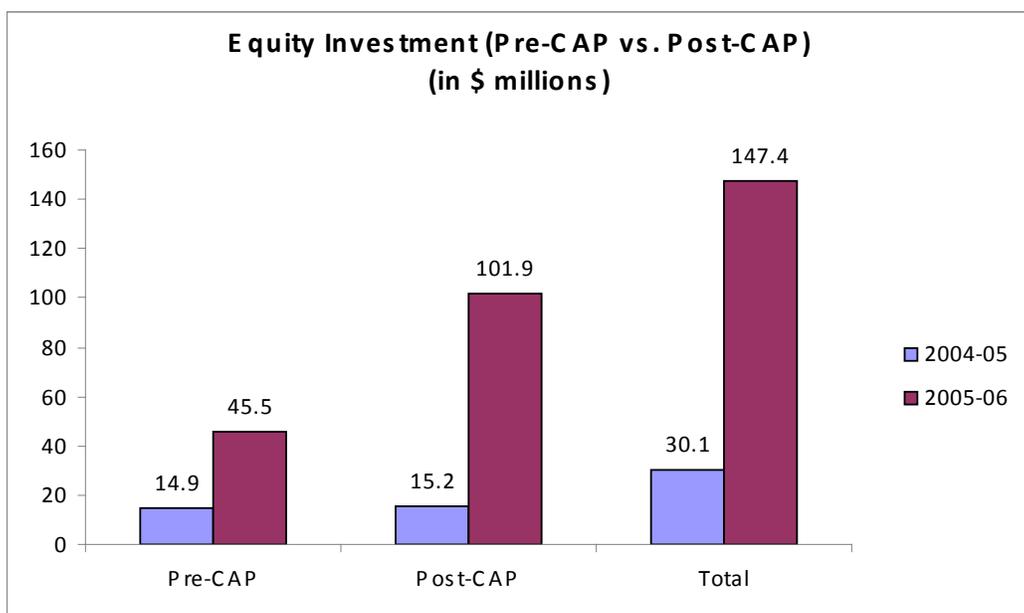
- Strategic investments dominated the sources of funding, accounting for 93% of total funding in the second interval. ██████████ accounted for \$33 million of the \$38.2 million in strategic investments. Despite this outlier, strategic capital accounted for the largest source of equity and this outcome is consistent with market trends favoring alliances and licensing deals over early stage angel and venture capital investments, the paucity of which remains in the life sciences sector. This trend was also observed for the first interval, but venture capital accounted for the largest source of investment in the baseline period. Note, however, that an outlier, once again ██████████ influenced venture capital data in the baseline period.
- Overall strategic investments dominated the sources of equity for the 2005-06 companies, followed by venture capital, angel capital and finally capital from friends and family. This scenario is quite different from that observed for the 2004-05 CAP companies. Overall angel funding (\$17 million) accounted for the largest source of funding for the 2004-05 companies for their entire tracking period, followed by VC funding (\$6 million), strategic investment (\$4 million) and friends

and family (\$3 million). Note that ██████ secured \$2.6 million in strategic investment in the second interval which constitutes 65% of the total strategic investment received by the 2004-05 CAP companies. The shift towards strategic investments by early stage life science startups and higher success rate in this area does not come as a surprise given the current venture capital climate for early stage life science startups as well as large biotech and pharma's recent initiatives and ramp up of alliance activities.

- \$41 million was raised by 14 CAP companies in the second interval compared with \$60.8 million by 19 CAP companies in the first interval and \$45.5 million by 13 companies in the baseline period. The total amount of equity is the lowest in the second interval and the highest in the first interval, which is consistent with the intensity of partnership and financing activities being the greatest in the first interval.
- Also note that venture capital steadily declined from \$22.3 million in the baseline period to \$2.5 million in the first interval and then to \$1.2 million in the second interval. Strategic investments stood at \$18 million in the baseline period, rose to \$51 million in the first interval, and then stabilized to reach \$38.2 million in the second interval. The dependence on capital from friends and family also steadily declined over intervals. Angel capital was the highest during the first interval at \$5.5 million, but fell sharply in the second interval to \$0.6 million.
- The bulk of funding went to ██████ (\$33 million from strategic investors), ██████ (\$4 million from strategic investors) and ██████ (\$1.3 million in venture funding). In fact, ██████ was the only company that raised venture capital during the second interval, once again indicting the competitive venture capital environment for early stage life science companies.
- Overall, the 2005-06 CAP companies raised \$147.4 million in equity investments, a significantly higher amount than the \$30.1 million raised by the 2004-05 companies. Also, the post-CAP amount (\$101.9 million) raised by the 2005-06 companies is far greater than the pre-CAP amount (\$45.5 million). The difference in pre-CAP and post-CAP amounts for the 2005-06 companies is far more significant than that recorded for 2004-05.



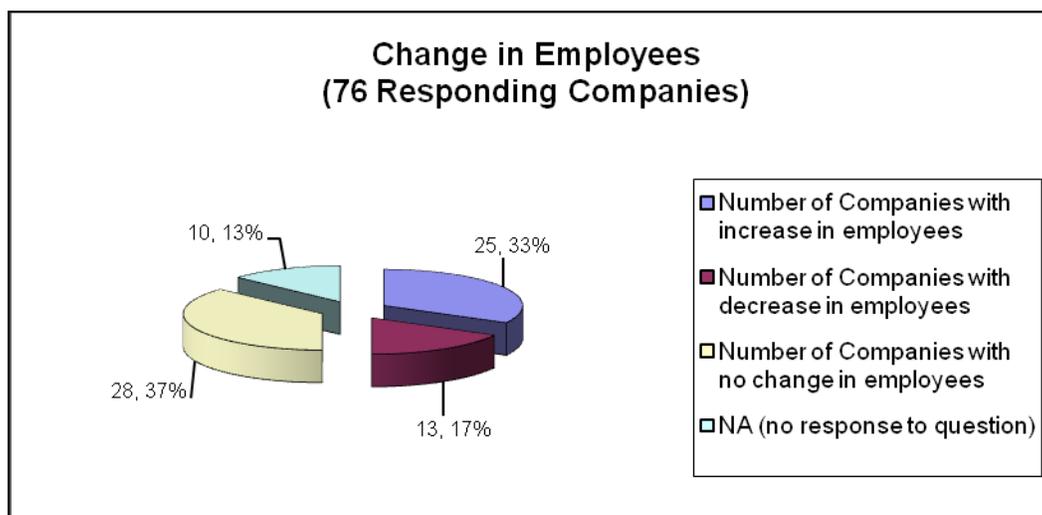




Other Success Indicators

Employees

25 companies or 33% of the respondents indicated an increase in the number of employees in the second interval. 31 companies or 36% of the respondents indicated an increase in employees in the first interval and 26 companies or 35% in the baseline period. The percentage variation is not significant between the intervals.



Mergers & Acquisitions

- 1) ██████████ was acquired during the second interval period by ██████████. This acquisition was reported in previous tracking reports as ██████████ was also a participating company in the 2004-05 NIH-CAP.
- 2) ██████████ was acquired by ██████████.

CAP Impact

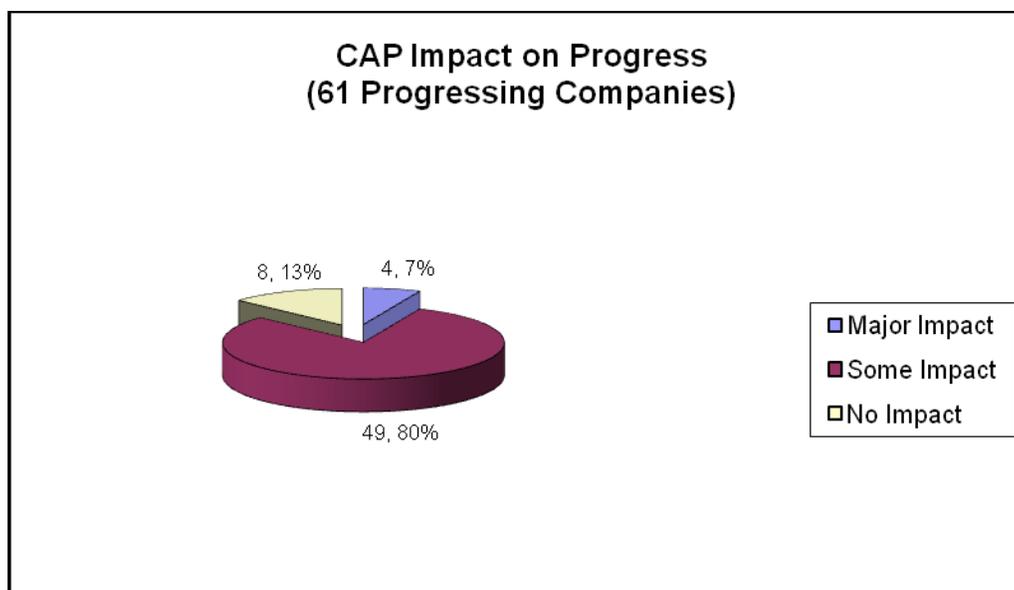
CAP Impact was rated by the companies as either 1) Major, 2) Valuable, 3) Minor or 4) No Impact. CAP impact was determined for the following activities that have been addressed earlier in the report.

- Activity in Partnerships and Financing Deals
- Growth in Revenue
- Growth in Equity Investment

Note that the data here represent companies' subjective assessments on the impact of CAP on specific commercialization outcomes. Companies have separately outlined their feedback on the CAP, the results of which have been submitted to NIH.

Activity in Partnerships and Financing Deals

Progress is defined as at least 1 activity in at least 1 of the partnership and financing deal categories.



Key observations:

- In the second interval, 4 companies (7%) attributed the CAP with major impact and 49 companies (80%) attributed the CAP with some impact compared with the first interval where 4 companies (6%) attributed the CAP with major impact and 55 companies (76%) attributed the CAP with some impact. For the baseline, 4 companies (6%) attributed the CAP with major impact and 53 companies (80%) attributed the CAP with some impact. Note that the number of progressing companies is the lowest in the second interval. The 4 progressing companies that have attributed the CAP with a major impact in this category are: [REDACTED], [REDACTED] did not report progress in partnership and financing activities, but attributed CAP with major impact in this area.
- 49 companies or 80% of the progressing companies attributed CAP with some impact, which is about the same rate as the baseline (80%) and first interval (76%). Overall 87% of the progressing companies attributed the CAP with some or major impact compared with 86% in the baseline and 82% in the first interval. This data is encouraging as more time has elapsed since the culmination of the CAP and CAP impact remains high despite a fall in the intensity of partnership and deal related activity in the second interval compared to the first interval.
- **NOTE:** Some companies have provided a rating on CAP impact even if they are not seeking partnerships and financing and have not made progress in this area. The ratings from these companies have not been considered in CAP impact above. In addition, to accurately capture

CAP impact, we have considered companies that have reported progress in this category, irrespective of whether they have indicated that they are seeking partnerships and/or financing.

Comments from CAP participants regarding CAP impact on partnerships and financing deals are shown below. Note that these are comments from companies that attributed the CAP with major or some impact.

“My technology is at an early stage, too early for most investors to be interested. However, my NIH CAP experience was very valuable in helping me plan my current work so that I will be better able to address the issues of concern to investors in the future.”

“CAP provided excellent guidance in providing a succinct and clear business case that was presented to the 3 serious investors.”

“The concept of a Strategic Alliance partnership and how that could be used to bring [REDACTED] to the marketplace was first introduced through the CAP program. This concept has changed our approach to numerous products in development. We believe that Strategic Alliance partnerships will improve the efficacy of [REDACTED] commercial offerings as well as speed to market and access to potential customers. The impact on the CAP to any future successes of [REDACTED] cannot be overstated.”

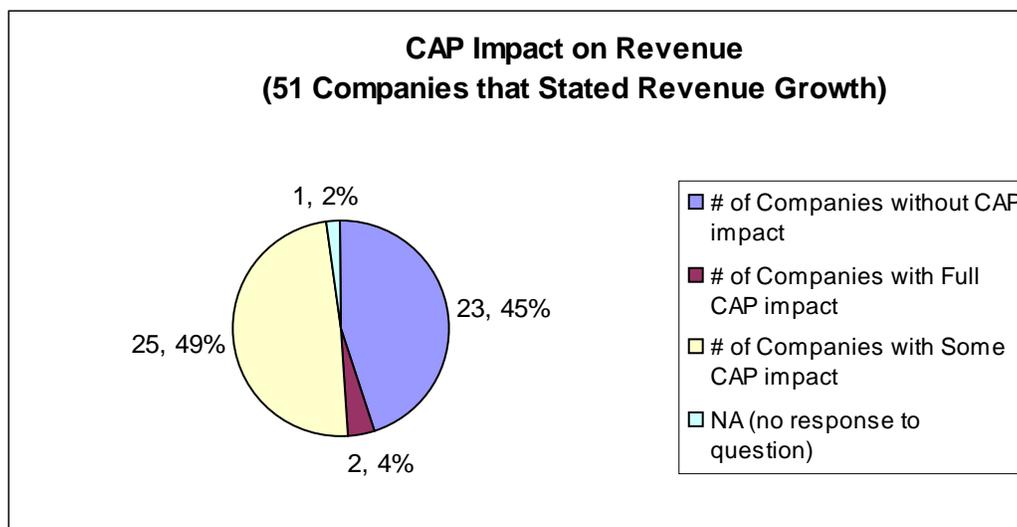
“I met another participant at the Venture Forum in San Jose who was interested in our technology. He purchased a system from us and we will install it at his facility in March 2008.”

“The CAP meetings oriented me to look at the world through investor’s eyes and enabled me to proceed forward with efforts to obtain investment.”

“During this period we continued the technical development of the device in parallel with some new projects, so progress was a little slower than anticipated. Based largely on what we learned through contacts made with leading spectroscopy companies through the CAP, we have concluded that our best strategy for deploying our instrument is to manufacture and distribute a small number of instruments ourselves to demonstrate that there is sufficient scientific interest in our method to warrant their interest. We are working on implementing that strategy and expect to pursue potential partnerships in the near future.”

“As we have indicated in a number of places above, we are close to striking a strategic partnership deal in 2008, and we feel the NIH CAP has prepared us to understand how to approach and negotiate such a deal, and to understand what our value proposition is in such a deal. Technically, this is outside the timeline of this report (ending in 2007), but since this is the last report, we wanted to mention this very significant fact.”

Growth in Revenue



The above chart shows the impact that CAP had on the companies' revenue growth.

Key observations:

- 2 companies, [REDACTED] attributed the CAP with full CAP impact. 25 companies or 49% of the companies have attributed the CAP with impact on revenue growth. Many of the companies do not attribute the CAP with an impact on revenue growth, which is no different from the trend in the previous two tracking intervals. This compares with 62% in the baseline and 49% in the first interval.
- [REDACTED] found the CAP to have a full impact on its revenue growth stating, "We believe that 2008 will be our breakout year. Fourth quarter sales were much higher than the rest of the year."

Other comments include:

"While [REDACTED] continued to rely on grants for 2007 revenue, 2008 will be different because we will be launching 2 products then. We anticipate that the principal revenue source will be from international sales."

"We are working toward FDA approval for at least two (2) SBIR-funded projects and expect market entry within the next 12 months."

"We still have the customers we acquired after the NIH-CAP program (partly due to the business strategy we gained from the CAP program). Again, this has increased our opportunities to keep our cash flow consistent, which helps us continue the pursuit of commercializing the Phase II work. However, revenues have decreased mainly due to my customers' decreases in sales."

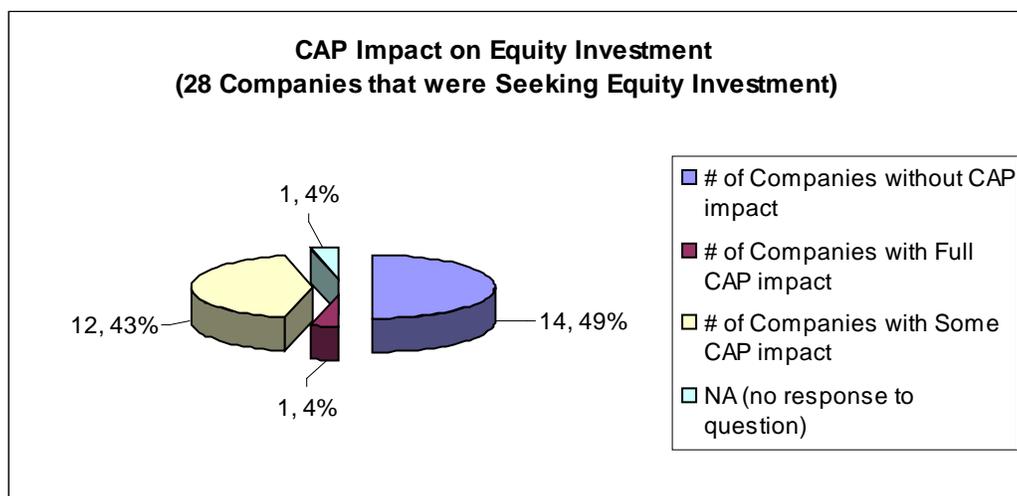
"Our product has a long lead time because FDA and CLIA regulations are involved. Investment has not come in as fast as we projected and we have not been able to hire the engineering staff to translate the prototype into a manufacturable form, so it is too early to see effects on revenue unless you count the convertible loan as revenue. In that case it had a valuable impact."

"[REDACTED] sells a product line which is separate from the products and technology supported by the CAP SBIR grant. However, we have found that attending NIH CAP events, even to promote a separate technology, reinforces our existing business, generating interest and some sales of our other products. Revenues from sales of products and services have increased steadily since [REDACTED] has been in

business and currently account for more than 50% of sales. However, over the entire operations of the company (since 1991) grants have provided slightly greater revenues.”

“The company continues to be on course for bringing to market its first product, and we are using the CAP course as part of our strategy for 2008. Our intent is to bring the product to market in 2008 (through a 510k regulatory pathway), and gain clinical experience as well as discuss with potential partners. Previously the feedback from potential partners was that we should contact them when we had gained 510k regulatory clearance. This we will do, using the lessons learned in the CAP.”

Growth in Equity Funding



The above chart shows the impact that CAP had on the companies' growth in equity investment.

Key observations:

- 14 or 49% of the companies have attributed the CAP with impact on growth in equity investment. One company, ██████████ attributed the CAP with full impact on equity investment even though the company did not record progress in this area. This compares with 63% in the first interval and 31% in the baseline period. While an improvement from the baseline, CAP impact has declined from the first interval or as more time has elapsed since the culmination of the CAP.

Comments on growth in equity funding include:

“The CAP impact was the training we received to evaluate potential investment options in order to proceed to the commercialization phase of our project.”

“Although not our primary goal, equity investment arose as a possibility from a contact made during our CAP follow-up for a different technology with a different path to market and different strategic development requirements, and we explored the possibility and held preliminary discussions with an interested party.”

Summary

The 70% response rate in the second and final interval of the 2005-06 NIH-CAP is encouraging and provides some useful data on CAP company commercialization progress. As in previous intervals, the companies are actively pursuing various commercialization goals, including fund raising and strategic partnerships with some companies being successful at closing deals and others at raising equity financing. The companies are pursuing strategic partnerships and investment over equity financing as the

latter continues to be scarce and competitive for early stage life science startups. Large pharma and biotech are accelerating alliance initiatives and the early stage companies have been quick to jump on the bandwagon.

61 companies or 80% of the companies indicated commercialization progress in the partnership and financing deals area. 15 deals were closed by the 2005-06 companies during the second interval and 59 deals were closed since the culmination of the CAP, trailing slightly the 65 deals closed by the 2004-05 companies post-CAP.

R&D grants and contracts remain the largest source of total revenue for the CAP companies. This trend was observed for all three intervals tracked; however, the percentage of companies with R&D grants and contracts as the largest source of revenue is the lowest for the second interval when compared to previous intervals reflecting a decline in dependence on government funding.

The 2005-06 CAP companies raised an aggregate of \$147.4 million in equity investments, a significantly higher amount than the \$30.1 million raised by the 2004-05 companies. Post-CAP figures for equity investment are far greater than pre-CAP amounts for the 2005-06 companies. Furthermore, the difference between pre-CAP and post-CAP equity investment is far greater for the 2005-06 companies than the 2004-05 companies.

Strategic investments dominated the sources of equity for the 2005-06 companies, followed by venture capital, angel capital and finally capital from friends and family. This scenario is quite different from that observed for the 2004-05 CAP companies where angel funding accounted for the largest source of funding, followed by VC funding, strategic investment and friends and family. The favorable market environment for strategic alliances is reflected in the data captured once again. Venture capital steadily declined over the intervals, indicative of the growing paucity of venture capital for early stage life science startups.

CAP companies continue to attribute the CAP with more impact on partnership and deal activities (including equity investment) than on revenue. This is no different from any of the years and intervals analyzed in the past. Several of the companies expect deals to close and revenues to increase in the approaching quarters and years, and are well equipped with the tools provided by the CAP to approach and negotiate with investors and partners. We believe that there are two areas, in particular, where we may seek to refine the data collection questions and the reporting itself:

- a) Seeking to uncover greater detail by providing more probing questions on “commercialization progress”, in order to gain richer data in each of the categories and thus achieving greater understanding of variability between intervals;
- b) Clarifying “impact” with examples, and enabling companies to respond about the increase in such factors as “competitiveness”, “understanding”, “market knowledge” and “process enhancements”, all of which may provide depth to the issue of impact. This has been a continuing concern since the beginning of the tracking exercises, and our concern is born out by the qualitative comments received from companies. While the question itself (did the CAP have (major, some or none) impact) invites subjective measures, guidance on the various issues that carry “impact” would, we feel, be useful.

2005-06 Company Tracking Data by Categories over the Entire Tracking Period

	Baseline	First Interval	Second Interval	Post-CAP
Revenue Growth Number of Companies	23	55	50	68
Revenue Growth Amount	\$28.7M	\$84.9M	\$79.7M	\$164.6M

	Baseline	First Interval	Second Interval	Post-CAP
Equity Investment Number of Companies	13	19	10	24
Equity Investment Amount	\$45.5	\$60.8	\$41	\$101.9
Employment Growth Number of Companies	26	31	25	45
Employment Growth Amount of Growth	-8	89	55	144
Contacts with Investors and Partners Number of Companies	65	67	59	80
Contacts with Investors and Partners Number of Contacts	334	441	336	777
Meetings with Investors and Partners Number of Companies	55	58	54	74
Meetings with Investors and Partners Number of Meetings	233	616	314	930
CDAs Signed Number of Companies	42	56	45	73
CDAs Signed Number of CDAs	141	185	166	351
Negotiations with Investors and Partners Number of Companies	35	43	36	63
Negotiations with Investors and Partners Number of Negotiations	60	114	104	218
Initial Proposals and Term Sheets Number of Companies	41	27	21	42
Initial Proposals and Term Sheets Number of Proposals and Term Sheets	40	59	38	97
Deals Number of Companies	37	17	12	29
Deals Number of Deals	15	44	15	59

* Post-CAP is the aggregate data of the first and second intervals where companies with activities in both intervals are only counted once.

APPENDIX A

2005-06 CAP companies relieved from tracking during the baseline and first interval:

Company Name	Notes
██████████	Only being tracked for 2004-05 participation as company withdrew from the 2005-06 program too early for progress tracking.
██████████	██████████, CEO and CAP leader, passed away. Since ██████████ CAP participation was solo and no one else was familiar with his CAP progress, the company is not able to provide the commercialization data we have requested on the tracking forms.
██████████	██████████ was acquired by ██████████ and although the company still uses the ██████████ name, the new company has more than 50% VC investment and not qualify for a small organization.

2005-06 CAP companies relieved from tracking during the second interval:

Company Name	Notes
██████████	No strategic partners or investors could be identified. Consequently, ██████████ has been dissolved.
██████████	Company did not complete CAP- relieved from further tracking
██████████	Company did not complete CAP- relieved from further tracking
██████████	Company did not complete CAP- relieved from further tracking
██████████	Company did not complete CAP- relieved from further tracking
██████████	Company did not complete CAP- relieved from further tracking
██████████	Company did not complete CAP- relieved from further tracking
██████████	Company did not complete CAP- relieved from further tracking
██████████	Company did not complete CAP- relieved from further tracking
██████████	Company did not complete CAP- relieved from further tracking

APPENDIX B

NIH-CAP 2005/2006
COMMERCIALIZATION PROGRESS TRACKING FORM- SECOND INTERVAL
April 1 2007- December 31 2007

PLEASE RETURN BY **FEBRUARY 14, 2008** TO ketzler@larta.org

Company Name:
CAP SBIR Grant #:
Name of Individual Completing Form:
Position:
E-Mail:
Telephone:

Please fill in the **COMPANY COMMERCIALIZATION PROGRESS TRACKING** form below. NIH is very interested in your commercialization progress and if the CAP program was helpful. You have already been asked for your inputs about your commercialization progress from September 1, 2005 until June 30, 2006 to serve as a base. We are now asking for information for the period **April 1 2007 to December 31 2007**. Again, we believe that such tracking can be beneficial to you as a management tool to periodically assess your company's progress and growth.

The tracking form is divided into four parts: (1) partnerships and financing deals, (2) revenue (3) equity investment, (4) and other success indicators (employees, acquisitions). It's difficult to measure the impact the CAP may have had on you progress, however, questions have been included to allow for your opinion to be expressed. **As indicated in the questions below, please provide information and indicate CAP impact only for those activities that you are pursuing and are applicable to your commercialization process.**

1. PARTNERSHIPS AND FINANCING DEALS

- a) Are you seeking partnerships? Yes ____ No ____
- b) Are you seeking financing? Yes ____ No ____
- c) Are you seeking both partnerships and financing deals? Yes ____ No ____
- d) **Please respond to this question only if you are seeking partnerships and/or financing.** As it relates to your CAP-related technology, indicate your company's progress with respect to partnerships and financing deals. State the number of partnership and deal-related activities in which your company has engaged between April 1 2007 and December 31 2007. If you are pursuing both partnering and financing, add the numbers together.

	Number of Partnership and Deal Related Activities Your Company Has Engaged in Between April 1 2007 and December 31 2007	Describe Significant Outcomes
Contacts with Investors and Partners Count only contacts you had a meaningful conversation with about your mutual interests		

	Number of Partnership and Deal Related Activities Your Company Has Engaged in Between April 1 2007 and December 31 2007	Describe Significant Outcomes
Meetings with Investors and Partners Meetings can be face-to-face or by phone/web but should involve exploration of potential deals in some detail.		
Confidential Disclosure Agreements signed CDA (NDA) agreements are generally a pre-requisite for any serious discussion with potential partners. Investors generally do not sign CDAs.		
Negotiations with Investors and Partners At this stage, all parties are interested in the deal and you are exploring various give and take.		
Initial Proposals and Term Sheets These are non-binding proposals of key terms of the deal.		
Deals Signed legal documents and money in the bank. Please indicate the dollar amount of each deal.		

- e) **Please respond to this question only if you are seeking partnerships and/or financing.** Indicate the impact of the CAP on your partnering and financing activities for the period April 1 2007 to December 31 2007.

___ Major Impact ___ Valuable Impact ___ Minor Impact ___ No Impact

Comments:

2. REVENUE

Please report the results for the whole company and not just your CAP-related technology. Do not include SBIR grants or other government contracts (except when asked about R&D Grants/Contracts in c) below).

- a) Please state the total company revenue in Q2, Q3, and Q4, 2007

_____ (\$millions)

- b) Please state the total company revenue as of December 31 2007

_____ (\$millions)

c) Please indicate the largest source of revenue (Choose one)

R&D Grant/Contracts _____ Products or Services _____ Licensing Fees & Royalties _____

d) Please indicate the impact of the CAP on the change in company revenue for the period April 1 2007 to December 31 2007.

_____ Major Impact _____ Valuable Impact _____ Minor Impact _____ No Impact

Comments:

3. EQUITY INVESTMENT

a) Are you seeking equity investment? Yes _____ No _____

b) **Please respond to this question only if you are seeking equity investment.** State the total amount of equity investment received by the whole company INCLUDING your CAP-related technology in the time period April 1 2007 to December 31 2007.

	Amount of Equity Investment
Friends & Family	
Angels High net worth individuals; always invest as individuals although may belong to angel organizations.	
VCs Institutional investors	
Strategic Investors Investors that are looking to achieve other goals in addition to financial returns. Typically corporations seeking to fill or expand their product lines.	

c) **Please respond to this question only if you are seeking equity investment.** Indicate the impact of the CAP on equity investment received for the period April 1 2007 to December 31 2007.

_____ Major Impact _____ Valuable Impact _____ Minor Impact _____ No Impact

Comments:

4. OTHER SUCCESS INDICATORS (EMPLOYEES, ACQUISITIONS)

- a) Have the number of employees in your company increased since April 1 2007? If yes, please specify the number of employees in April 1 2007, versus the current number of employees, and the titles/positions of the new employees.

	Employee Information
Number of Employees as of April 1, 2007	
Current Number of Employees	

- b) Has your company been acquired? Yes ____ No ____

If yes, NIH would like to continue tracking the progress of the SBIR-developed technology for the next 9 months, therefore please provide the following information.

	Acquisition Information
Name of the Acquiring Company	
Change in Company Name as a Result of the Acquisition	
Change in Company Contact Information as a Result of the Acquisition	
Additional Details	

THANK YOU ONCE AGAIN FOR YOUR PARTICIPATION IN THE 2005/2006 CAP AND FOR YOUR FEEDBACK. IT WAS A DELIGHT TO WORK WITH YOU AND WE WISH YOU THE BEST OF SUCCESS.