



TEXAS
EMERGING
TECHNOLOGY FUND

FIVE FUNDING CRITERIA
Commercialization Awards
October 2014





Commercialization Award Funding Criteria

1. Significant Texas Institution collaboration
2. Demonstrable economic impact for Texas
3. Commercialization of emerging technology
4. Reasonable business plan & proposed project
5. High likelihood of obtaining additional funding



1. Significant Texas institution collaboration

- ✓ A Texas Institution is an Institute of Higher Education¹ or the NASA Johnson Space Center in Houston.
- ✓ Texas Institution collaborators must attend the TETF Advisory Committee review meeting(s).
- ✓ Applicant must provide a signed Texas Institution contract prior to receiving TETF funds. Contract must include equipment use agreement.
- ✓ Considered collaborations include a Texas Institution spin-off company or special-purpose entity.
- ✓ Texas Institution must have a license agreement in place prior to the first disbursement.

¹Institute of Higher Education as determined by the [Texas Higher Education Coordinating Board](#)



2. Demonstrable economic impact for Texas

- ✓ Must be a Texas company.
 - ✓ Must have principal place of business in Texas;
 - ✓ All “C-level” employees must reside in Texas before disbursement of funds and for the term of the contract;
 - ✓ 60% of employees and consultants must reside in Texas before disbursement of funds and for the term of the contract;
 - ✓ 85% of TETF funds must be spent in Texas;
 - ✓ Any new or expanded commercialization or manufacturing must be in Texas.
- ✓ Clear plan for Texas “good jobs” growth.
 - ✓ Will result in the creation of high-quality, new jobs in Texas;
 - ✓ Salaries to be higher than the Texas average wage.¹
- ✓ Enhances the State’s competitiveness.
 - ✓ Impact other businesses within a given Texas Industry Cluster;²
 - ✓ Platform technologies that could spawn additional products and businesses.

¹ See the [Texas Industry Profiles](#)

² See more about the [Texas Industry Cluster Initiative](#)



3. Commercialization of emerging technology

- ✓ Emerging technology industries include semiconductors, information, computer & software technology, energy, manufactured energy systems, micro-electromechanical systems, nanotechnology, biotechnology, medicine, life science, petroleum refining & chemical processes, aerospace, defense, water and other areas as determined by the Governor, Lt. Governor, Speaker of the House of Representatives.
- ✓ End goal must be commercialization of a product.
- ✓ The technology should be a disruptive.
- ✓ Technology must be protected and defensible.¹
- ✓ There must be evidence of an independent review and validation of the specific technology for the defined project.

¹ Will be required to show proof of current intellectual property ownership or licensing status



4. Reasonable business plan & proposed project

- ✓ TETF reviews the entire business plan, but funds a defined project.
- ✓ The company must submit an application showing a strong team, a large market, a reasonable commercialization strategy and a clear path to generate revenue.
- ✓ The company must submit at least three funding tranche amounts and contractual milestones.
- ✓ Company must be structured as a C-Corporation prior to contracting.
- ✓ The company must have a full-time CEO before disbursement of funds and for the term of the contract.
- ✓ The company must be a stand alone company—not a subsidiary—and may not be owned or controlled by another for-profit company.
- ✓ The company must show plans for corporate governance, outside financial review and environmental responsibility.



5. High likelihood of obtaining additional funding

- ✓ Founders and officers are expected to have invested a significant amount of intellectual property, cash or in-kind services.
- ✓ Priority will be given to proposals that are matched with other funding, including funds from the private or nonprofit entity or institution of higher education collaborating on the project.
- ✓ Applicants must be committed to raise a Qualified Financing Transaction that is at least equal to the TETF award.¹
- ✓ Companies must demonstrate significant preparation for fundraising including:
 - ✓ Fundraising expertise on the management team, advisors or consultants;
 - ✓ A professional pitch and business plan;
 - ✓ A reasonable use of funds;
 - ✓ Complete due diligence materials at the TETF review phase.

¹ See the TETF Award Agreement for definition of a Qualified Financing Transaction



Terms

- Secured convertible debt
- 20% discount into a qualified financing
- 8% interest
- 30 month maturity
- Observation rights
- Quarterly reporting
- 3X liquidation preference and claw back in the event of default