

## PRODUCT DEVELOPMENT & SMALL BUSINESS INCUBATOR FUNDS

### Program Overview

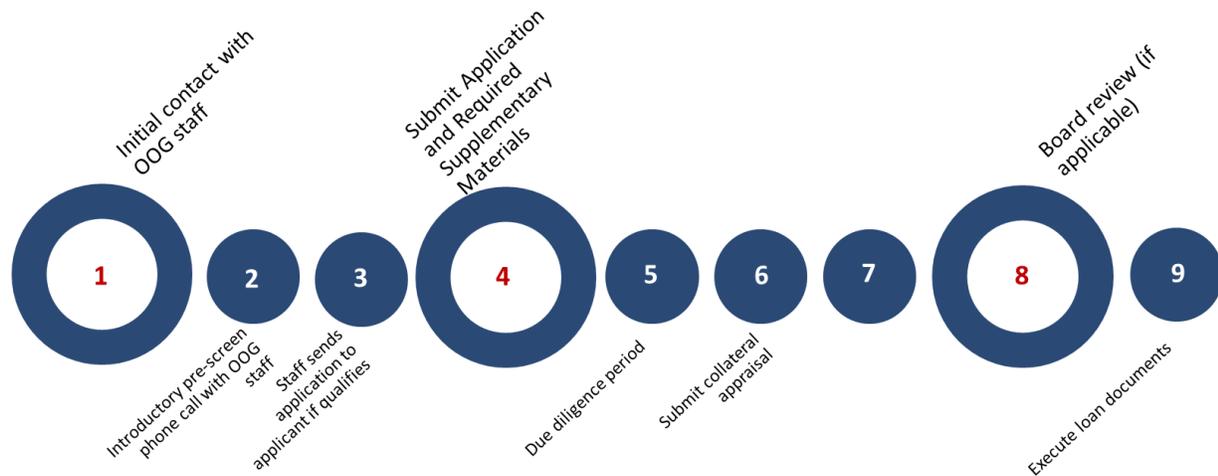
The program offers long-term, asset-backed loans to product development companies and small business incubators/accelerators located in Texas. The loans finance the development and production of new or improved products or the stimulations of new or existing small businesses in Texas. The program targets Texas businesses unable to obtain desired financing in traditional capital markets.

**Applicants must have at least 3 years of operating history to be eligible for a loan.**

	PRODUCT DEVELOPMENT FUND	SMALL BUSINESS INCUBATOR FUND
<b>PURPOSE</b>	To aid in the development and production, including the commercialization, of new or improved products in the State of Texas.	To foster and stimulate the development of new or existing small businesses in the State of Texas
<b>ELIGIBILITY</b>	<p>A new or improved product being developed, produced, and/or commercialized in the State of Texas, to include an <b>invention, device, technique, or process</b>, without regard to whether a patent has been or could be granted, that has <b>advanced beyond the theoretical stage</b> and has or is readily capable of having a <b>commercial application</b>.</p> <p>Pure research is ineligible.</p>	<p>A small business, defined as a legal entity which is <b>domiciled in the State of Texas</b> or has <b>at least 51% of its employees located in the state</b>, employs <b>fewer than 100 full-time employees</b>, and is <b>independently owned and operated</b>.</p> <p>Any business in the State of Texas is eligible if the business is <b>substantially likely to develop and expand the opportunities for small businesses</b> in the state (for example, <b>small business incubators</b>) in the preferred industries listed below.</p>
<b>FINANCING AVAILABLE</b>	Asset-backed loans	
<b>PRINCIPAL LIMITATIONS</b>	Based on staff and board discretion; generally range from \$1 million - \$5 million	
<b>INTEREST RATE</b>	Low variable IR	
<b>MAXIMUM TERM</b>	15 years if financing <b>personal property</b> or <b>working capital</b> ; 20 years for <b>real property</b>	
<b>SECURITY REQUIREMENT</b>	<b>Unencumbered tangible assets</b> including property, plant and equipment; generally, minimum 1:1 Orderly Liquidated Value to Loan Amount (first lien required)	
<b>GUARANTORS</b>	Third parties may serve as guarantors	
<b>USE OF FUNDS</b>	Capital purchases or working capital infusions	
<b>ADVANTAGES</b>	Flexible structure and terms, below-market interest rates	
<b>CREDIT COVENANTS</b>	<ol style="list-style-type: none"> <li>1. At least <b>3 years of audited annual financial statements</b></li> <li>2. Max <b>debt-to-equity ratio of 4:1</b> after incorporation of requested loan</li> <li>3. Min <b>current ratio of 1:1</b> after incorporation of requested loan, AND</li> <li>4. Min <b>debt service coverage factor of 1.2x</b> after incorporation of requested loan</li> </ol>	
<b>PREFERRED INDUSTRIES</b>	Semiconductor, nanotechnology, biotechnology, or biomedicine products or businesses with the <b>greatest likelihood of commercial success, job creation, and job retention in the state</b>	
	*Other products and businesses are eligible for consideration if approved by OOG/EDF	

## Process

The full application, review, and approval process for a successful applicant is as follows:



The program is administered by Economic Development Finance (EDF), located within the Governor's Office of Economic Development & Tourism. Policy-making responsibilities and final loan reviews (approval/denial) are carried out by a nine-person board appointed by the Governor (when applicable) and EDF staff. EDF staff remains in contact with the board regarding each individual application throughout the process, and staff maintains the authority to decline an application at any time.

## Contact

Interested applicants may call our office at (512) 936-0100 or email [TexasProduct.Fund@gov.texas.gov](mailto:TexasProduct.Fund@gov.texas.gov) to discuss their project with staff or visit our website [www.gov.texas.gov/business](http://www.gov.texas.gov/business) for more detailed information.