



Register | Login

Commercialization Awards

Research Grant Matching

Home | About Us | Documents | Resource Partners | News | Calendar | Contact Us

Home About Us >> Pre-Seed Projects

Pre-Seed Projects

Emerging Technology Fund Pre-Seed Deals

Criteria

Request for no more than an initial \$250k investment from the State

- Must be a corporation
- Information required
 - Structure of basic business plan including some information on most elements (i.e. financials, market size, market segment, etc.)
 - IP strategy outlined and some evidence of initiation of that strategy
 - Use of funds indicating appropriate application to advance IP strategy, business model.
 - Clear commercialization and business development milestones (12 month timeline) identified, including expected date to achieve and responsible party
 - Proof of Concept (POC) or technology validation by a credible independent, objective reviewer. (i.e. Federal program, academy, university, industry, publications, etc.)
- May have no equity and no more than \$500k in equity raised
- Must have commitment that RCIC will incubate or oversee incubation by others *to include providing a plan on how they are going to incubate the project.*
- Use of funds spelled out at multiple investment levels. Note: Applicant to provide 3 scenarios for use of funds with projected milestones that will be accomplished with each level of investment.
 - Low level (\$100k)
 - Mid level (\$175k)
 - High level (\$250k)

"Fast-tracking" pre-seed deals

Pre-seed deals are put on the "consent agenda" at the quarterly ETF Committee meeting if the following occurred at the ETF Applicant Presentation Day:

- Three or more reviewers from the ETF Committee
- At least two from outside the region
- Unanimous agreement to recommend project to leadership

Note: The consent agenda means that the company is listed on the quarterly Committee meeting agenda as "pre-approved;" however, any Committee member can pull it off the pre-approved list for full discussion and voting by the whole Committee. Therefore, "fast-tracked deals are still subject to potential review by the full Committee and are always subject to due diligence and final review by the leadership.

Pre-seed deal post-award

After award, pre-seed deals have the following contract treatment

- The "qualifying financing transaction" period is extended to 30 months
- The amount of the "qualifying financing transaction" is equal to, at a minimum, the amount of the award.
- Milestone funding: After initial milestones are met, pursuant to the contract, the pre-seed company may request additional funds to further the development of "next stage" commercialization milestones up to \$250K. This "next stage" milestone funding process can be repeated by the company up to a total project funding of \$1,000,000.

Note: A \$1,000,000 reserve will be held for each pre-seed project awarded by the leadership. The reserves availability to the project will be determined by the achievement of the "next stage" milestones and compliance with contractual agreement. After receiving a pre-seed award by the

Leadership for a set amount, each subsequent payment will not require additional Leadership "consensus" approval but will be made in accordance with the contractual terms.

A note of "fast-tracking"

- Only pre-seed deals can be fast-tracked
- Therefore, any request over \$250k cannot be fast-tracked
- A unanimous vote of three or more Committee members can still decline an applicant
- Declined applicants appear on the quarterly Committee meeting agenda as declined for documentation purposes, but they cannot be brought up for reconsideration by the Committee

Use of Convertible Debt as Investment Tool

- The first \$500K of investment (assuming milestone achievement) will be award as a Convertible Debt investment from the State of Texas.
- Upon additional funding within the 30 month window, the debt will convert to equity using the 20/20 Equity Model (e.g. If the state invests first they get a 20% better deal)
- There will also be an 8% interest associated with the Convertible Debt

For additional information, please contact Jeremy Vickers, 972-883-5317 or jeremyv@ntxrcic.org



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