

**Commercialization Award Program**  
**FAQ's**

**What is the state's goal for the ETF Commercialization Investments?**

Support future economic development in Texas by expediting the commercialization of advanced technologies developed in the state.

**Who is eligible to apply for an ETF Commercialization Investment?**

For-profit companies or nonprofit entities that collaborate with public or private Texas Institutions of Higher Education on commercializing emerging technologies with high potential for economic benefit to this state are eligible. Resulting success must promise to stay in Texas, to create a significant number of high-quality new jobs in this state; and/or have the potential to result in a medical or scientific breakthrough.

**Are there restrictions on who can apply (e.g. the size of the company)?**

While size is not specifically limited, the intent of the fund is to foster an environment that favors the creation of new, technology-based ventures. Accordingly, large and established or publicly-traded companies are not eligible.

**Are there other restrictions?**

An entity awarded an ETF Commercialization investment must guarantee by contract that a substantial percentage of any new or expanded commercialization or manufacturing of any real or intellectual product resulting from the award will be established in this state.

**How much can we apply for?**

There is no absolute limit; however, the guidelines established by the ETF Advisory Committee have so far resulted in no ETF Commercialization investments over approximately \$3.5M.

**What are other qualifications for a venture to have a winning proposal for an ETF Commercialization investment?**

In addition to the minimum requirements, the ETF Advisory Committee has noted that the following factors increase the appeal of a proposal:

- Some substantial 'hard equity' investment (non-founder, not in-kind) or significant external contract funding, e.g., and SBIR or other research award;
- A readily understandable major market demand for products or services anticipated by the company (larger = more desirable);
- A major, anticipated competitive advantage and the ability to protect it through appropriate Intellectual Property ownership and/or rights;
- The preponderance of the Texas jobs generated by success must be "high quality", and require some post-secondary education; and
- Are deals that generally are not readily fundable through ordinary private investments or that are not covered by other public policy mechanisms/funds.

**Are there any special ETF incentives or 'set-asides' for specific classes of ventures (e.g. minority/women owned, rurally located, etc.)?**

There are no set-asides or special incentives for specific classes of venture.

**Will the state acquire rights to Intellectual Property ('IP') developed?**

Generally, the state will not automatically acquire IP rights developed by the venture; but, if a state public university is involved, their IP is required by law to be made available to other potential users. Otherwise, the ETF generally expects to be treated substantially like a private investor would be.

**Does the venture have to own all IP's it uses or can it license some/all?**

The primary issue is whether the company has the ability through intellectual property rights to protect its technology-based competitive advantage after introduction of intended products/services. The company may own or license some or all of its IP, but ownership or exclusive licensing of well-developed patents is most desirable. Non-exclusive licensed patents and/or "trade secrets" are considered of substantially lower value.

**What is the nature of the State's acquired interest in the venture under a Commercialization contract (e.g. equity, loan, other)?**

In ETF Fund I (FY 2006-'07), the State will require warrants for future equity acquisition on the same terms as the most proximate private investor(s), and documented in the resulting award contract between the state and the recipient. If there was no proximate prior investment transaction to establish valuation for the company, the state agreed to have the terms be established retroactively by the first arms-length external equity investment that occurs following the award of the ETF contract to the company. After September 2007 the ETF Fund II will directly take equity in the company or, in the case of smaller, "Pre-seed" awards, require that the company issue "convertible debt" instruments secured by future equity in the company.

**The original ETF legislation states that "The Committee shall give specific emphasis to the formation of 'Regional Centers for Innovation And Commercialization'" - What are these?**

An "RCIC" is a regionally-funded, non-profit entity which provides for its specified region:

- Awareness, education and consultative support required to provide regional knowledge of and access to the ETF;
- Mentoring of client companies attempting to prepare ETF Commercialization applications; and The mechanisms to accept, initially evaluate and recommend to the ETF Advisory Committee proposals for ETF Commercialization investments;

**What financial disclosures are required for a proposal and while under contract?**

ETF application generally requires the same type of financial disclosures as for an applicant for venture funding from a private source. In the 'due diligence' phase credit and similar records, where applicable, are routinely obtained for the applying company and its key participants, investors and personnel for all proposals recommended for state-level funding before seeking ETF Leadership approval. References may also be contacted.

**Is the information included in an ETF application confidential? To what extent does Texas Open Records rules apply to ventures awarded ETF Commercialization Matching Grants?**

Information received by an RCIC, the ETF Advisory Committee, or the Governors Office concerning identities of the applicants, background, finance, marketing plans, trade secrets, or other commercially or academically sensitive information of individuals or entity being considered for ETF award is confidential unless the individual or entity consents to disclosure of the information. Some non-proprietary items of information in an awarded ETF contract may later become available under the Texas Open Records Act.

**Are there specific restrictions on how the state matching funds may be spent? May ETF Commercialization funds be used to patent IP's for the venture?**

In general, there are no restrictions as long as the expenditures are customary to the development of such a venture and were disclosed in the proposal or negotiation of ETF contract. In addition to patent costs, authorized expenses may, e.g., include salaries and benefits, travel, consumable supplies, other operating expenses, contracted research and development, capital equipment, construction or renovation of state or private facilities, and workforce training.

**Should we directly contact state representatives or ETF board members in support of my application?**

No. Applicants that contact any of these in an attempt to influence the evaluation process may be disqualified.

**May we resubmit a proposal if it did not receive an award?**

Yes, non-awarded proposals may be re-submitted on a subsequent quarterly cycle(s). This has happened several times in the past, and some applicants have been successful on 'second passes'. You will receive extensive feedback from the NTXRCIC on why the first application was not selected; and, if you choose to re-apply, continued mentoring as you revise your proposal for another attempt. Note that an application may be re-submitted at the next quarterly cycle(s), but the application fee must be paid for each such submittal.

**May the same entity receive funding for multiple projects? If awarded, can we apply for a second increment of funding for the same project?**

The ETF principles state that an entity may receive up to a total of three awards from the Fund; but allows no more than two funding events for the same project (with the exception of pre-approved, multiple increments of ETF funding available under an ETF contract based on specific milestone achievements).

**May we apply at an RCIC other than the RGRIC?**

Yes, but almost always the best choice is in the region where your company's management team resides, but the selection of the RCIC is optional with the company. If an application is not successful, applying through a different RCIC on a subsequent cycle is permitted.

**What is the role of the RCIC in administering an awarded contract?**

After the state awards an ETF contract, the RCIC continues to work to support the development of the company, but has no responsibility for financial audits or formal program reviews.