

Special Considerations for “Pre-Seed” Applicants

In order to be more flexible and understanding to the needs of companies very early in their life-cycle, the ETF has created a separate classification for “Pre-seed” applicants under Subchapter D. Pre-seed applicants are held to different evaluation thresholds throughout the selection process relative to peer applicants that are later in their development.

It is advantageous for and recommended to potential applicants that they come to the ETF under the Pre-seed classification provided they meet the following criteria:

1. **Are not requesting funding greater than \$250,000**
2. **Have not raised more than \$500,000 in equity funding since the company’s inception.**
3. Have a basic business plan containing information on the most important facets of their venture
4. Have a prototype or technology validation done by a credible independent, objective reviewer. (i.e. federal grant program, academy/university/industry publication, etc)
5. Have a C-Corp structure or the ability to convert to a C-Corp when required by the ETF
6. Have a willingness to work with SATAI post-funding to help meet milestones

Note: Applicants that have not raised any equity funding in their history are eligible to apply for ETF funding **only under the Pre-seed classification**. Therefore, if an applicant has never raised equity funding, the maximum amount of ETF funding it can request is \$250K.

In addition to the standard ETF application, pre-seed applicants need to be able to submit the following required information during the application process:

1. A basic business plan including some information on the most elements (i.e. financials, market size, market segment, etc)
2. IP strategy outlined and some sign of initiation of that strategy
3. Use of funds indicating appropriate expenditures to advance the business model and IP strategy
4. Clear commercialization and business development milestones (12 month timeline) identified, including expected date to achieve and responsible party

If funded, Pre-seed applicants’ award terms differ from regular applicants as such:

1. The qualifying *Financing Transaction* period is extended to 30 months from 18 months.
2. The amount of the qualifying *Financing Transaction* is equal to, at a minimum, the award amount and not fixed at \$500K.
3. Milestone funding: After the initial \$250K award, additional funding of \$750K will be reserved by the State. A successful Pre-seed applicant will be challenged to hit three sets of contractually negotiated milestones. When a set of milestones is met the company can request an additional \$250K tranche. The company can do this three times for total funding to \$1M (\$250K of initial funding + \$250K for milestone set 1 + \$250K for milestone set 2 + \$250K for milestone set 3)

Note: **A successful Pre-seed applicant is not guaranteed \$1M because the \$750K reserve funding is predicated on milestone achievement.** However, after receiving a Pre-seed award by the leadership, each of the subsequent three \$250K milestone award tranches will not require a complete application. The disbursement will be approved by the TETAC during one of its regular quarterly meetings.