

Texas Product Development Fund

Capital loans for product development and commercialization

The Texas Product Development Fund provides financing to aid in the development, production and commercialization of new or improved products within the state. Products appropriate for the Fund are inventions, devices, techniques, or processes, that have advanced beyond the theoretical stage and are ready for immediate commercial application.

Preference for funding will be given to the state's defined industry clusters within emerging technology fields including semiconductors; nanotechnology; biotechnology and biomedicine; renewable energy; agriculture and aerospace. Job creation and job retention within Texas will be considered within funding priorities.

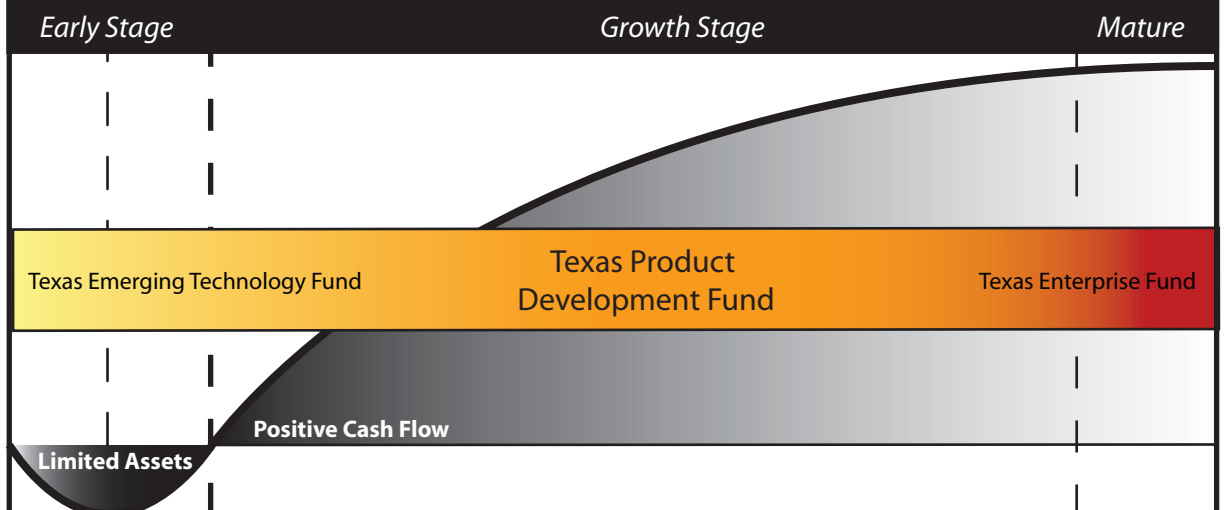
Benefits of the Texas Product Development Fund:

- ★ Ready Source of Capital
- ★ Supports Texas Businesses
- ★ Helps Small and Medium Sized Companies Succeed
- ★ Increases Accessibility to Other State Programs

The Fund is a revolving loan program with capital provided from \$25 million in taxable bonds issued in 2005. The Office of the Governor, Texas Economic Development Bank administers the Fund at the direction of the Governor's appointed nine member board.

The Capital Lifecycle

This graph represents Texas Capital Incentives within a typical product lifecycle



Commonly asked questions regarding the Texas Product Development Fund:

What type of business can access the Texas Product Development Fund?

The Fund is available to businesses looking for asset based financing. Businesses must have unencumbered assets that are available for collateral.

Does my business fit the program criteria?

Funding preferences will be given to emerging technologies including semiconductors; nanotechnology; biotechnology and biomedicine; renewable energy; agriculture and aerospace.

What can the funds be used for?

Funds may be used for working capital, machinery, equipment, furniture and fixtures.

What type of collateral will need to be pledged?

An asset-based loan is secured by a company's accounts receivable, inventory, equipment, and/or real estate, whereby the lender takes a first priority security interest in those assets financed. Real property, equipment, letter of credit or certificate of deposit may also be accepted as collateral. The amount of collateral will be based on the amount borrowed.

Will I need an Economic Impact Study and/or Business Plan?

The company will need to provide a business plan with a minimum of three years of financial statements or comparable plus a three year proforma. Projects funded through this program will have to provide evidence of current and future employment, in addition to projections of indirect or induced jobs within Texas. The estimated amount of capital investment in the state must be provided for review.

The Fund is self-supporting, paid for by the program loan participant's repayments. Thus the loan repayments are to be structured to fully pay the costs of issuance and program administration. Pursuant to Government Code 489.213 (c), loan participants must provide appropriate security or collateral, equity interest, and the rights and remedies of the board and bank in the event of a default on the loan. The loans will be structured using a variable interest rate that will follow the London Inter-Bank Offered Rate (LIBOR).

For more information on the Texas Product Development Fund call 512-936-0100



Office of the Governor • Economic Development & Tourism Division
P.O. Box 12428 • Austin, Texas • 78711-2428

Texas Small Business Fund

Capital loans for small business growth and expansion

The Texas Small Business Fund provides financing to foster and stimulate the development of small businesses in Texas. Preference for funding will be given to the state's defined industry clusters within emerging technology fields including semiconductors; nanotechnology; biotechnology and biomedicine; renewable energy; agriculture and aerospace.

Preference will be given to small businesses that have received financing from the state's Small Business Development Centers (SBDC) or through the Small Business Innovative Research program (SBIR).

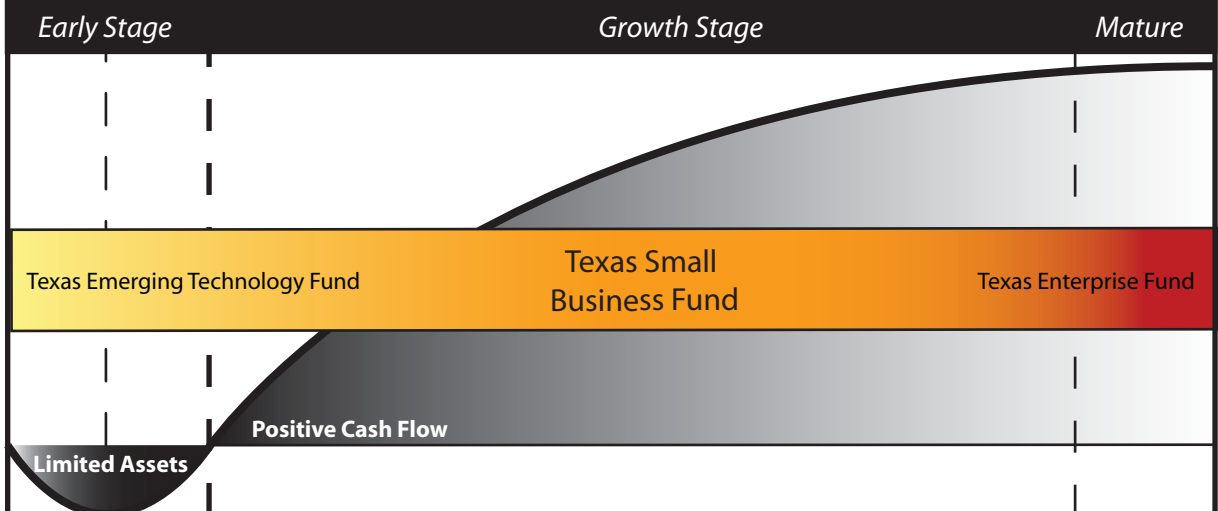
Benefits of the Texas Small Business Fund:

- ★ Ready Source of Capital
- ★ Supports Texas Business
- ★ Helps Small Companies Succeed
- ★ Increases Accessibility to Other State Programs

The Fund is a revolving loan program with capital provided from \$20 million in taxable bonds issued in 2005. The Office of the Governor, Texas Economic Development Bank administers the Fund at the direction of the Governor's appointed nine member board.

The Capital Lifecycle

This graph represents Texas Capital Incentives within a typical product lifecycle



Commonly asked questions regarding the Texas Small Business Fund:

What type of business can access the Texas Small Business Fund?

The Fund is available to businesses looking for asset based financing. Businesses must have unencumbered assets that are available for collateral.

Does my business fit the program criteria?

Funding preferences will be given to emerging technologies including semiconductors; nanotechnology; biotechnology and biomedicine; renewable energy; agriculture and aerospace.

What can the funds be used for?

Funds may be used for working capital, machinery, equipment, furniture and fixtures.

What type of collateral will need to be pledged?

An asset-based loan is secured by a company's accounts receivable, inventory, equipment, and/or real estate, whereby the lender takes a first priority security interest in those assets financed. Real property, equipment, letter of credit or certificate of deposit may also be accepted as collateral. The amount of collateral will be based on the amount borrowed.

Will I need an Economic Impact Study and/or Business Plan?

The company will need to provide a business plan with a minimum of three years of financial statements or comparable plus a three year proforma. Projects funded through this program will have to provide evidence of current and future employment, in addition to projections of indirect or induced jobs within Texas. The estimated amount of capital investment in the state must be provided for review.

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EXECUTIVE SUMMARY GUIDELINES

Please include a cover page listing the following:

- Company name
- Contact person
- Address
- Telephone and fax numbers and E-mail address

The summary should highlight the most important points of your business and the future of your business.

The Company

- Define business purpose.
- Provide summary of your company's history and current status, including whether the company is publicly or privately held.
- State overall corporate strategy and ***objectives*** (i.e., to go public, to command a certain market share or reach a given level of sales in an established time frame, etc.).

The Products or Services

- Describe important features and benefits - relate to market needs and to the competition.
- Describe existing products and status of new projects (projected release dates, expected product life, and potential revenues, etc.).
- Discuss ***pricing*** and ***margins*** for both your products and your competitors' products.
- Explain ***proprietary position*** - trademarks, patents, trade secrets, special production skills, process, etc.
- Articulate any relevant regulatory or environmental issues.

The Market and Marketing Strategy

- Market analysis - size, anticipated growth, key changes, trends, etc.
- Market strategy - How are you going to reach the market? What are your channels and costs of distribution, promotion, pricing, etc.?
- Product/service - What makes you different? What gives you a special advantage?
- Evaluate competition - Who are they? How much of the market do they control? What are their advantages/disadvantages?
- Discuss the issues or circumstances that "drive" or create the market - What compels people to buy?

Management

- Give brief backgrounds of key individuals - Specifically why they add value to the company, their past successes and achievements, etc.
- ***History*** of working together as a ***team***.
- Identification of immediate and future personnel needs and initial organizational structure.

Financial Summary

- Provide revenues, income and expenses projected over 2-3 year period. Justify your financial assumptions. Include any past financial history.
- Define funding requirements and identify repayment strategy.
- Describe the history of previous investments.

Office of the Governor
Economic Development and Tourism
Draft
Product Development Fund

	Category	Product Development Fund
Use of Funds	USE OF LOAN FUNDS *	Asset Based Lending: Machinery, Equipment, Furniture & Fixtures, Leashold Improvements, Copyrights, Patents, Trademarks, Computer Programs, Capitalized Advertising Costs, Organization Costs, Licenses, Leases, Permits Working Capital
	BORROWING AMOUNT *	Minimum: \$500,000 Maximum: \$10 million
	LENDING RATE*	LIBOR +2%*
Repayment Structure	MATURITY*	2-7 YEARS*
	PAYMENTS*	Monthly Principal plus Interest
Collateral	TYPE OF COLLATERAL*	Goods: Consumer Goods, Inventory, Equipment, Farm Products, Fixtures Intangible Personal Property: Investment Property, Commercial Tort Claim, Letter of Credit, Chattel Paper, Instrument, Deposit Account, Accounts Receivable, documents, Payment Intangibles, Software, General intangibles (other) Real Property: Land, Buildings
	PERCENTAGE OF COLLATERAL*	1.0x-1.5x
Fee Structure	APPLICATION FEE*	\$500
	BREAK UP FEE*	up to \$25,000
	CLOSING COST*	1% with a minimum of \$5,000

*** Recommendations are not final for all applicants. Applicants will be evaluated on a case by case basis. The recommendations are guidelines and/or benchmarks from which to start, and are subject to further discussion based on applicants special situation.**

**Office of the Governor
Economic Development and Tourism**

Small Business Fund

Draft

	Category	Small Business Fund
Use of Funds	USE OF LOAN FUNDS *	Asset Based Lending: Machinery, Equipment, Furniture & Fixtures, Leashold Improvements, Copyrights, Patents, Trademarks, Computer Programs, Capitalized Advertising Costs, Organization Costs, Licenses, Leases, Permits
	BORROWING AMOUNT *	Minimum: \$500,000 Maximum: \$10 million
	LENDING RATE*	LIBOR +2%*
Repayment Structure	MATURITY*	2-7 YEARS*
	PAYMENTS*	Monthly Principal plus Interest
Collateral	TYPE OF COLLATERAL*	Goods: Consumer Goods, Inventory, Equipment, Farm Products, Fixtures Intangible Personal Property: Investment Property, Commercial Tort Claim, Letter of Credit, Chattel Paper, Instrument, Deposit
	PERCENTAGE OF COLLATERAL*	1.0x-1.5x
Default	DEFAULT RATE ON LOAN (BORROWER)*	3%-5%
Fee Structure	APPLICATION FEE*	\$500
	BREAK UP FEE*	up to \$25,000
	CLOSING COST*	1% with a minimum of \$5,000

*** Recommendations are not final for all applicants. Applicants will be evaluated on a case by case basis. The recommendations are guidelines and/or benchmarks from which to start, and are subject to further discussion based on applicants special situation.**



OFFICE OF THE GOVERNOR
ECONOMIC DEVELOPMENT & TOURISM

Texas Economic Development Bank

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