

# 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. Categories within the Fund may include an invention, device, technique, or process, that has advanced beyond the theoretical stage and is currently or readily capable of having a commercial application.

Special funding preferences will be given to emerging technologies including semiconductors, nanotechnology, biotechnology and biomedicine, renewable energy, agriculture and aerospace. Additionally, job creation and job retention within Texas will be considered prior to funding.

Benefits of the Texas Product Development Fund:

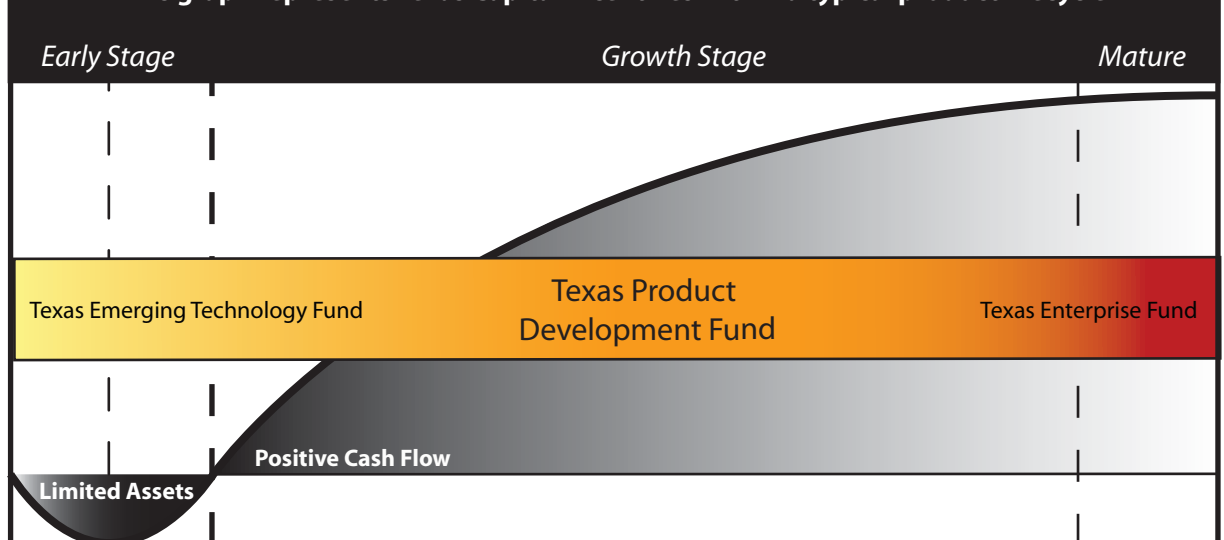
- ★ Ready Source of Capital
- ★ Supports Texas Business
- ★ Helps Medium Sized Companies Succeed
- ★ Increased Accessibility to Other State Programs

Currently, 98% of all capital raised for product development and commercialization in the U.S. market is allocated to companies with annual sales of more than \$50 million. This group accounts for approximately 25% of U.S. companies, leaving only 2% of available capital for 75% of the market. The Texas Product Development Fund was created to address the capital imbalance between medium sized companies and mature companies.

The Fund is designed as 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 question 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 working capital and asset based financing. Businesses must have unencumbered assets that are available for collateral.

**Does my business fit the program criteria?**

Special 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 and the purchase of 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 percentage of collateral will be based on the amount borrowed.

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

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.

**What is my businesses current credit rating if any?**

The business will need to provide a minimum of three years of financial statements or comparable plus a three year proforma.

*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**



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