

# Gulf Coast RCIC

## Applicant Due Diligence Instructions

Applicants requesting Commercialization Awards will undergo due diligence review by the RCIC and the State. This diligence will be in two phases:

1. After the RCIC Board has selected an application for State submission, the RCIC will:
  - a. Research the company, management team and board of directors in the State's database to identify potential, outstanding tax forfeitures, which would need to be addressed before the State would be able to approve an award
  - b. Provide the company with this document and associated template documents, and request the first set of diligence documents, which will be submitted along with the company's application documents to the State
2. After the Advisory Committee has endorsed the application, the State will begin their due diligence research on the company. The second set of more detailed diligence documents will be requested by the State's diligence team. The company's application will be on hold until the State is provided all of these documents, and has successfully reviewed them. Companies can avoid lengthy delays in having their applications submitted to the State Leadership for final approval, by being ready to submit these documents, when requested by the State.

## **Diligence documents submitted with applications submitted to the State:**

After a company has been selected by the Gulf Coast RCIC Board for submission to the State, the RCIC will begin the first phase of due diligence of the company's application. The RCIC will research the company in the State's databases and identify any potential, outstanding tax forfeitures which must be addressed before the State will consider the company's application.

The company is also requested to provide the following information, using the provided template documents. NOTE all templates are to be maintained in their original formats (the documents are not to be reformatted or converted to pdf).

- Provide a ONE PAGE summary of your project using the template – “#1 – One Page Project Description.doc”
- Document the members of your management team, board of directors and board of advisors by completing the spreadsheet – “#4 – Management & Board Table”.
- Document the status of your IP by completing the spreadsheet – “#5 – Project IP Status”.
- Document project license status by completing the spreadsheet – “#5 – Project License Status”.
- Verify IP ownership by:
  - For US patents, verify USPTO ownership by submitting a printout for the patent from <http://www.uspto.gov/patft/index.html>.
  - For provisional US patents or International IP, please provide other documentation to confirm their existence.
  - For patents without clear ownership to the Applicant, please verify your ability to use the patents by providing a copy of license or assignment agreements transferring the right to use the patent by your company.
  - For patents developed by company employees, please provide documentation verifying your company has rights to use this patent, and the timeframe of those rights.
- Complete the Capitalization Table in the spreadsheet – “#6 – Cap Table”
- Document any existing financial terms & agreements – “#7 – Financial Terms & Agreements”
- Document your existing and planned financial transactions for funding by completing the spreadsheet – “#7 – Capital Sources & Uses”
- Document your project milestones by completing the spreadsheet – “#8 – Project Milestone Analysis”
- Document the capital use for each of your project milestones by completed the spreadsheet – “#8 – Projected Contract Milestones” – this is for the six month project described in your application

NOTE that should you be approved by the State Leadership for an ETF award, the #8 spreadsheets will be used as the basis for the milestones that will be put into your contract.

Please send as much information as possible electronically to [diligence@gulfcoastrcic.org](mailto:diligence@gulfcoastrcic.org). For information that you cannot send via e-mail, please FAX to 866-341-0998. For e-mail, please include your company name in the Subject line. For FAXes, please provide a cover page with your company name, and that the information is for Gulf Coast RCIC Due Diligence.

The above documents will be included with your official application documentation submission, that will be sent by the Gulf Coast RCIC to the State. This is only the first step in the State's diligence process.

## Documents required by the State during the State's diligence:

Should your application be endorsed by the Advisory Committee, you will be requested to submit the following documents in order to complete the State's due diligence on your award:

- Articles of Incorporation and all amendments to date
- Bylaws, as currently in effect
- Stock records and transfer books
- Any offering circulars (PPMs, prospectuses, et cetera)
- Loan Agreements (including promissory notes)
- Subscription Agreements and/or Stock Purchase Agreements
- Resumes (to include biographical data and work history) for all management team members
- All employment agreements
- All consulting agreements
- All license and assignment agreements
- All development agreements
- Letters of intent
- Most recent financial statements
- Most recent financial models (to include budgets and projections)
- Provide detailed information about the Applicant's corporate structure, including subsidiaries, parents companies, and any other affiliated companies
- Any other documents or information, which are significant with respect to any portion of the business of the Company

The following additional documents will also be requested for each principal of your company. A "principal" is defined as an officer of the company, or any person who has at least 10% ownership of the company.

- Federal criminal history background check
  - For instructions: [http://www.fbi.gov/about-us/cjis/background-checks/background\\_checks](http://www.fbi.gov/about-us/cjis/background-checks/background_checks)
- State criminal history background check
  - For instructions: <http://www.txdps.state.tx.us/internetforms/Forms/CR-63.pdf>
- Credit check
  - Must be obtained from Experian, Equifax or TransUnion
- Copy of a government-issued form of photo identification
- Information regarding whether the applying company or a principal have ever been subject to a sanction imposed by the Securities and Exchange Commission for a violation of applicable federal law

You should be prepared to submit these documents to the State (possibly as early as the day AFTER the Advisory Committee votes to endorse your application). NOTE that some of the above items may require up to 90 days to acquire, so you may wish to start collecting these items in advance, so you'll be ready to provide them, when requested, by the State.

If you are unable to provide these documents when requested by the State, the processing of your application will be delayed. The State will not submit your application to the Leadership for final approval, until after they've been able to review all of the diligence documentation.

If any problems are encountered during the review of your diligence documents, those problems must be resolved before your application would be submitted to Leadership for their approval.

The State will likely request that all of the above documents be sent to the RCIC. The RCIC will forward the documents to the State for their review.