

ANNEXURE B: PRE - SEED FUND INVESTMENT FRAMEWORK

1. Purpose

This Pre-Seed Fund Investment Framework – sets out the TIA Seed Fund Rules in respect of offerings, criteria and decision-making processes for selecting investments and specifies the procedures for monitoring and evaluation.

2. Introduction

The purpose of the TIA Pre-Seed Instrument is to assist innovators university-based researchers and small medium, micro-sized enterprises (SMMEs) in bridging financial requirements to translate their research outputs into fundable ideas for further development. Fundamentally, the Fund is expected to increase the quality and quantity of project proposals to other TIA funds and improve the commercialisation probability of South African technologies that emanate from innovators.

The Pre-Seed instrument is a limited resource made available to the TIA Seed Fund Programme (SFP) implementing partners (the Institution). Assistance is being provided for an agreed set of focused activities with clear deliverables, at least one of which should be a viable plan for taking the idea forward, which can be considered by other possible funders including TIA.

3. Selection Criteria

Qualifying applicants will include inventors and intellectual property (IP) custodians who aim to further develop their IP or opportunities.

The following criteria apply to the selection of fundable applications as part of the SFP:

- a) Under-developed ideas that, when properly prepared and presented, hold significant potential for further investment by TIA or other investors.
- b) Proof of principle established.
- c) Protected or protectable intellectual property is required;

- d) Competitive intellectual property position where the applicants have the freedom to operate and commercialise their proposed opportunity. Attention should be given to applications where the IPR Act may restrict the investee from its freedom to operate.
- e) Opportunities that involve technology development, customization, localization, enhancement, integration and/or validation.
- f) Investee businesses and/or individuals must have a valid tax clearance certificate at the time of the application and award.
- g) Investee businesses and/or individuals shall not be insolvent, under debt counselling or black-listed before or at the time of investing.

3.2 TIA Pre-Seed Fund Fundable Activities

The following is a list of fundable activities that the applicants may undertake to bring them closer to proof-of-concept (fundable activities can be outsourced to a service provider):

a) List of fundable activities:

- development of initial product, process (comprehensive technology package) and prototype development;
- sourcing of intellectual property opinions;
- refining and implementing designs;
- conducting field studies to test the assumptions made about the technology, market and/ or customer needs;
- detailed primary market research

b) List of non-fundable activities:

- salary contributions to the SFP Implementing Partner's staff members who are key investigators on the project and/or who form part of the general operating budget staff;
- early-stage research projects;
- equipment, except for specialized equipment that is within the budget constraints and required to enable qualifying activities;
- working capital; and
- operational costs not associated with the project.

3.3 The investment parameters for Pre- Seed Funding are as follows:

- **Instrument:** Grant
- **Stage of development:** from TRL3 to TRL4
- **Funding limit:** Up to R1,000,000 (One Million Rands), 80% towards project related activities and 20% towards enabling activities
- **Funding duration:** projects must be for a duration of up to 12 (twelve) months and can be extended to a maximum of 18 (eighteen) months; and
- **Valuable rights:** TIA reserves the first right of refusal to fund further development of the outputs of the project.

3.4 Enabling Activities

Support provided to Implementing Partners with value adding pre and post investment activities and support. This will allow partners to supplement their expertise, resources, and capabilities by outsourcing to experts in areas lacking capacity and capability.

Up to Twenty percent (20%) of the project budget will be allocated towards supporting an implementing partner with the following pre and post investment activities and support:

- Management fee
- Due diligence
- Project definition-technology road mapping
- Industry collaborations: (industry expert opinions and engagements)
- Mentorships
- Fundraising-pitch deck preparations

These enabling activities, needs to be clearly indicated in the project plan with clear deliverables and evidence will be required that substantiate the work done.

3.5 Management fee guidelines

Implementing Partners are allowed to levy a management fee of up to twelve percent (12%) in the funding request to TIA for its role in the management of projects. This fee is included in the total project cost limited to TIA contribution of the project.

3.6 Expected outputs and outcomes

To measure success of the funded projects, the following outputs will be measured:

- Prototypes developed: technical feasibility report
- New IP created and protected, including an IP strategy developed
- Technology regulatory framework
- Market report: proof of industry engagements, can be through an industry opinion on the need of technology in their field.
- Technology roadmap to commercialization
- Amount of funding leveraged through partnerships
- Student supported

4. Application Process

- 4.1. The SFP Implementing Partner should issue calls for applications as widely as possible and or TIA's referral network to source the best applications that meet the SFP mandate and selection criteria while assisting TIA to achieve its outputs and objectives.
- 4.2. Complete application packs must be submitted to the designated TIA SFP email address, namely: seed.fund@tia.org.za.
- 4.3. Application packs must include fully executed copies of completed application forms received by the SFP Implementing Partner and a letter indicating the Partner's priority list of applications together with the SFSC minutes.
- 4.4. Each project seeking funding must duly complete and sign a TIA Seed Fund application form. Incomplete application forms will not be assessed.
- 4.5. In reference to the application form sent with every call, applicants should be advised that the application form has mandatory sections that have to be completed to aid in TIA's assessment and monitoring. The SFP Implementing Partners may customize section of the application form, excluding the mandatory sections, to meet their own requirements. Applicants are therefore advised to engage the SFP Implementing Partner.
- 4.6. Please ensure that A TIA representative must form part of the SFSC during this stage of evaluation.

4.7. Pre-assessment Process

- a) Implementing Partners receives application for funding

- b)** Implementing Partner conducts pre-screening of received application, ensuring that they meet minimum requirements as described in section 3.1 above.
 - c)** Send the applications that meet the minimum criteria to the SFSC
 - d)** The SFSC will evaluate the screened applications, decide to award funding to qualifying applicants,
 - e)** Make a priority list according to the applications that have met the criteria and make recommendations regarding the applicant's execution plans and decision milestones.
 - f)** The Implementing Partners will submit to TIA the application pack: applications approved, priority list, SFSC minutes and priority list.
 - g)** Once application packs are received, the TIA SFP Unit will assess the basic requirements of the fund that have been met by reviewing the applications in the order of the partner's priority list.
- 4.8. Application packs received after the due date will not be considered. The SFP Implementing Partner should ensure that the project's budget does not exceed the amounts per project stipulated in the investment parameters provided above.
- 4.9. The TIA SFP Unit may engage with the SFP Implementing Partner representatives who in turn will engage with the applicant if any queries arise in their review of the application. Any recommendations that the TIA SFP Unit will make after their assessment will be noted in the award letter to the Implementing Partner.
- 4.10. TIA will make a decision as to whether to provide funding and intends to formally notify the SFP Implementing Partners of their funding decision. TIA will endeavor to provide notification at least 4 (four) weeks after the submissions of applications.
- 4.11. The funding decision may include suggested revisions to the applications from the SFP Implementing Partner which have been noted by the SFSC and the TIA SFP Unit during assessments. The SFP Implementing Partners is responsible to follow up with the applicants to incorporate the revisions before contracting.

5. Funding Restrictions

- 5.1. Provisions for Intellectual Property must be in compliance with the Intellectual Property Rights from Publicly Financed Research and Development Act 2008 (Act No. 51 of 2008).
- 5.2. As contractually agreed, recipients of TIA funds may not encumber, assign, hypothec, or cede the rights, title or interest in the intellectual property without the prior written approval of TIA.

5.3. In cases where primary technology development and/or Innovation Enabling activities are to be carried out outside of South Africa, TIA approval should be obtained as per Delegation of Authority.

5.4. The following will not be eligible for applying to TIA for financial assistance:

- a)** Any business where trade is forbidden by law ;
- b)** Any political organisation;
- c)** Innovations that are intended to cause harm to life;
- d)** Any juristic persons having directors and/or shareholders who are in contravention of any provisions of the Companies Act (Act No 71 of 2008);
- e)** Restricted suppliers and tender defaulters on National Treasury's list;
- f)** Any business not in good standing with the South African Revenue Service;
- g)** Parties that have previously misused or defrauded TIA, and where applicable, other related government departments and / or agencies;
- h)** Applicants seeking funding for co-funding from another government agency which has/is undertaken/ing the same project costs (double dipping); and
- i)** Political exposed individuals as per the FICA.

ANNEXURE B

SEED FUND INVESTMENT FRAMEWORK RULES

1. Purpose

This Seed Fund Investment Framework sets out the TIA Seed Fund Rules in respect of offerings, criteria and decision-making processes for selecting investments and specifies the procedures for monitoring and evaluation.

2. Introduction

The purpose of the TIA Seed instrument is to assist innovators university-based researchers and small medium, micro-sized enterprises (SMMEs) to complete product design and optimise prototypes based on market feedback and including meeting regulatory requirements. This will enable innovators to reach a minimum viable product that is ready for piloting and market testing.

3. Rules

3.1. Selection criteria

Qualifying applicants will include inventors and intellectual property (IP) custodians who aim to further develop their IP or opportunities.

The following criteria apply to the selection of fundable applications as part of the SFP:

- a) Technical feasibility achieved: there must be a functional prototype supported by a technical report
- b) Technology roadmap – with regulatory requirements mapped
- c) There must be a market need – industry engagements i.e. can be through an industry expert opinion on the need of the technology in their field.
- d) Competitive intellectual property – A clear intellectual property strategy
- e) Show collaborations with an Industry Partner. The areas of collaboration and activities must be clearly defined in the project plan.
- f) Investee businesses and/or individuals must have a valid tax clearance certificate at the time of the application and award.

- g) Investee businesses and/or individuals shall not be insolvent, under debt counselling or black-listed before or at the time of investing.
- h) Strong team composition with relevant expertise and experience and clearly assigned roles and responsibilities.
- i) Clearly explain the potential socio-economic benefits of the technology

3.2. TIA Seed Fund Fundable Activities

The following is a list of fundable activities that the applicants may undertake to enable them to have Minimum Viable Product, a clear regulatory pathway and clear route to market strategy. (fundable activities can be outsourced to a service provider):

a) List of fundable activities:

- Technology optimization;
- sourcing of intellectual property opinions;
- production of market samples and/or associated testing;
- conducting field studies to test the assumptions made about the technology, market and/ or customer needs;
- supporting of certification activities and specification sheet development;
- small batch piloting, and technology scale-up;
- techno-economic evaluation studies;
- business case development (including pitch deck)

b) List of non-fundable activities:

- Technologies at TRL 3 and TRL 4
- Early-stage research projects;
- Operational costs not associated with the project.

3.3 The investment parameters for Seed Funding are as follows:

- a) Instrument:** Conditional grants up to 1.5X the initial capital invested, SAFE and convertible notes, discounting measures to apply for transformation agenda and high socio-economic impact target;(appendix 5). The levy is charged on the total project developmental budget excluding management fee and pre-investment activities.

- b) **Stage of development:** TRL5 and TRL6
- c) **Funding limit:** up to R1,500 000 (One Million Five Hundred Thousand Rands) 80% towards project related activities and 20% towards enabling activities
- d) **Second round funding:** To be considered on a case-by-case basis
- e) **Project duration:** 12-24 months

3.4 Enabling Activities

Support provided to Implementing Partners with value adding pre and post investment activities and support. This will allow partners to supplement their expertise, resources, and capabilities by outsourcing to experts in areas lacking capacity and capability.

Up to twenty percent (20%) of the project budget will be allocated towards supporting an implementing partner with the following pre and post investment activities and support:

- Management fee
- Due diligence
- Project definition-technology road mapping
- Industry collaborations -industry expert opinions and engagements, including technology showcasing
- Mentorship
- Market activities (customer engagement)
- Fundraising-pitch deck preparations
- Spinout formation

These enabling activities, needs to be clearly indicated in the project plan with clear deliverables and evidence will be required that substantiate the work done.

3.5 Management fee guidelines

Implementing Partners are allowed to levy a management fee of up to twelve percent (12%) in the funding request to TIA for its role in the management of projects. This fee is included in the total project cost limited to TIA contribution of the project.

3.6 Expected outputs and outcomes

To measure success of the funded projects, TIA will measure the following outputs and outcomes:

Outputs	Outcomes
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New IP created and protected	Follow-on funding leveraged by projects
Technology demonstration	Commercialisation: <ul style="list-style-type: none"> Technologies licensed Spinoff companies formed
Regulatory approval/certification	Number of start-ups and spin-offs generated from the projects
Commercialisation strategy/route to market	
Collaboration with industry/letters of intent secured	
Student supported	

4 Application Process

5.1 The SFP Implementing Partner should issue calls for applications as widely as possible and or TIA's referral network to source the best applications that meet the SFP mandate and selection criteria while assisting TIA to achieve its outputs and objectives.

5.2 Complete application packs must be submitted to the designated TIA SFP email address, namely: seed.fund@tia.org.za.

5.3 Each project seeking funding must duly complete and sign a TIA Seed Fund application form. Incomplete application forms will not be assessed.

5.4 Application packs must include fully executed copies of completed application forms and project plan received by the SFP Implementing Partner, technical report, including summary of results achieved, IP Strategy report, market needs analysis report/industry expert opinion, complete and signed due diligence checklist, due diligence supporting documents together with the SFSC minutes.

5.5 In reference to the application form sent with every call, applicants should be advised that the application form has mandatory sections that have to be completed to aid in TIA's assessment and monitoring. The SFP Implementing Partners may customize section of the application form, excluding the mandatory sections, to meet their own requirements.

5.6 A TIA representative must form part of the SFSC during this stage of evaluation.

5.7 Pre- Assessment Process

- 4.2.1 Implementing Partners receives application for funding
- 4.2.2 Implementing Partner conducts pre-screening of received application, ensuring that they meet minimum requirements as described in section 3.1 above.
- 4.2.3 Send the applications that meet the minimum criteria to the SFSC. Application packs received after the due date will not be considered.
- 4.2.4** The SFSC will evaluate the screened applications, approve projects that will undergo Due Diligence (DD), make recommendations regarding the applicant's execution plans and decision milestones.

5.8 Projects that have been selected by the SFSC to proceed for due diligence will be sent to TIA for approval.

5.9 TIA will approve projects to go through DD, and issue a letter to Implementing Partners communicating projects that proceed to DD. This allows TIA to plan accordingly as per budget availability.

5.10 Due Diligence Process by Implementing Partners

- a)** Conduct the due diligence based on the DD scope to be provided by TIA
- b)** Implementing Partners will therefore submit to TIA the application pack containing the completed DD report, project plan.
- c)** Once application packs are received, the TIA SFP Unit will assess the DD report and if the recommendations and outcome is positive,
- d)** Implementing Partner together with TIA will conduct a Project Definition Workshop (PDW) to define the scope of work and agree on the term sheet.

5.11 Due diligence by TIA

- a)** TIA will conduct the due diligence for the selected projects, the due diligence report will be shared with the implementing partner.
- b)** SF will review the submitted due diligence report and if the DD report recommendations are positive and the project is fundable, Implementing Partner with TIA will conduct a Project Definition Workshop (PDW) to define the scope of work and agree on the term sheet.

5.12 The SFP Implementing Partner should ensure that the project's budget does not exceed the amounts per project stipulated in the investment parameters provided above.

5.13 The TIA SFP Unit may engage with the SFP Implementing Partner representatives who in turn will engage with the applicant if any queries arise in their review of the application. Any

recommendations that the TIA SFP Unit will make after their assessment will be noted in the award letter to the Implementing Partner.

5.14 TIA will decide as to whether to provide funding and to formally notify the SFP Implementing Partners of their funding decision. TIA will endeavor to provide notification at least 8 weeks after the submissions of applications.

5.15 The funding decision may include conditions and recommendations as per the outcome the DD assessments.

5 Funding Restrictions

5.2 Provisions for Intellectual Property must be in compliance with the Intellectual Property Rights from Publicly Financed Research and Development Act 2008 (Act No. 51 of 2008).

5.3 As contractually agreed, recipients of TIA funds may not encumber, assign, hypothec, or cede the rights, title or interest in the intellectual property without the prior written approval of TIA.

5.4 In cases where primary technology development and/or Innovation Enabling activities are to be carried out outside of South Africa, TIA approval should be obtained as per Delegation of Authority.

5.5 The following will not be eligible for applying to TIA for financial assistance:

5.5.1 Any business where trade is forbidden by law ;

5.5.2 Any political organisation;

5.5.3 Innovations that are intended to cause harm to life;

5.5.4 Any juristic persons having directors and/or shareholders who are in contravention of any provisions of the Companies Act (Act No 71 of 2008);

5.5.5 Restricted suppliers and tender defaulters on National Treasury's list;

5.5.6 Any business not in good standing with the South African Revenue Service;

5.5.7 Parties that have previously misused or defrauded TIA, and where applicable, other related government departments and / or agencies;

5.5.8 Applicants seeking funding for co-funding from another government agency which has/is undertaken/ing the same project costs (double dipping); and

5.5.9 Political exposed individuals as per the FICA.

