



Innovation Ohio Loan Fund

Overview

The Innovation Ohio Loan Fund Program was created to assist existing Ohio companies develop next generation products and services within certain Targeted Industry Sectors by financing the acquisition, construction and related costs of technology, facilities and equipment. The Innovation Ohio Loan Fund can finance up to 75% of a project's qualifying costs through loans in the range of \$500,000 to \$1.5 million.

Benefits

Provides financial resources for product commercialization for leading technology companies. The IOF is intended to supply capital to established Ohio companies having difficulty securing funds from conventional sources due to technical and commercial risk factors associated with the development of a new product or service.

Eligibility

Allowable costs include the acquisition, construction, renovation or improvement of facilities and the acquisition and installation of equipment for innovative projects that create new products and services.

Targeted Industries Sectors:

The IOF will target industry sectors involving the production or use of:

- Advanced Materials;
- Instruments, Controls and Electronics;
- Power and Propulsion;
- Biosciences; and
- Information Technology.

Rate/Terms

Loan terms will be individually negotiated.

Rates will be fixed at or below private sector loans for comparable level of risk and the loan term will be in the range of 4 to 7 years. See additional information on back. >>

Additional fees will bring the total cost of funds to an effective rate of 8% to 12%.

The applicant must fund, either directly or through third-party financing (or some combination thereof), at least 25 percent of the project's allowable costs. The following are not acceptable as the applicant's contribution: Expenditures made by or on behalf of the applicant prior to receiving approval from the ODOD or submission of an IOF application; and In-kind contributions of labor, equipment or similar items.

Innovation Ohio Loan Fund program requires a commitment to create or retain jobs.

Ohio prevailing wage is required for construction, renovation and installation of machinery and equipment.

The loan must be approved by the Development Financing Advisory Council and the State Controlling Board.

Contact

Youngstown/Warren Regional Chamber at (330)392-6140.

Office of Financial Incentives at (800) 848-1300.

This summary is prepared as a reference, and should not be construed as the actual law. For more information, contact the Youngstown/Warren Regional Chamber.

Additional Eligibility Requirements

The IOF is intended to support the capital needs of established Ohio companies that have:

- A recent history of positive cash flow;
- A minimum of three years of operating history; and
- Attracted or are likely to attract additional third party capital to the project.

Under limited circumstances, a company that does not have a recent history of positive cash flow may be considered if it has:

- Developed a proven product for a proven market;
- Significant customer orders and reasonable prospects for rapid sales growth; and
- Obtained the financial backing of professional investors and has reasonable prospects of continued backing from such investors. The Ohio Department of Development may require additional equity investment in the company as a condition to granting a loan.

Eligible Innovation Costs

Eligible costs include the cost of acquisition, construction, renovation, expanding or improving project facilities and the acquisition and installation of equipment for eligible innovation projects. Additionally, loan funds may assist with software development, and the cost of creating and protecting intellectual property including costs of securing appropriate patent, trademark, trade secret, trade dress, copyright or other forms of intellectual property protection for an eligible innovation project or related products or services. Allowable costs are limited to costs that can be capitalized under applicable generally accepted accounting principles (GAAP). The IOF will not provide funding for working capital or other operating costs. The IOF may not be used to refinance existing debt obligations.

Evaluation Criteria

Applications will be reviewed by both the ODOD and an outside reviewer as outlined in the IOF Loan Application. Factors that will be considered include:

- Number of high-value jobs to be created as a result of the successful commercialization of a new product;
- Level of risk associated with the commercialization of the new product or service;
- Degree to which the applicant has attracted or will be able to attract additional third party capital;
- Degree to which the company's business plan identifies the market need and demonstrates a feasible plan for serving that need; and
- Level of financial risk and ability of the borrower to repay the loan.

Program Fees

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- A \$1,500 non-refundable application fee is required upon submitting an IOF Loan Application.
 - A processing fee of two percent of the principal of the loan, due upon receipt of the signed Commitment Letter.
 - An annual servicing fee of one percent of the outstanding principal balance of the loan, prorated and payable monthly.
 - A participation fee equal to 10 percent of the maximum drawn principal will be payable upon maturity of the loan. This fee is in lieu of the ODOD's ability to take an equity position in the applicant company.
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