

Commercial Acceleration Loan Fund

Background

The Commercial Acceleration Loan Fund (CALF) assists active Ohio companies to develop next generation products and services. The program addresses an identified need in the funding continuum by providing competitive terms on loans, financing projects that when successfully commercialized will have a positive economic impact on the state. The program is intended to supply capital (including working capital) and operational funds to early-stage businesses, which traditionally have difficulty securing funds from conventional sources due to technical and commercial risk factors associated with the development of a new product or service.

Targeted Industry Sectors

Technology Focus Areas:

- Advanced Materials
- Aeropropulsion Power Management
- Agribusiness and Food Processing
- Fuel Cells and Energy Storage
- Medical Technology
- Software Applications for Business and Healthcare
- Sensing and Automation Technologies
- Shale
- Situational Awareness and Surveillance Systems
- Solar Photovoltaics

Clusters:

- Biomedical (pediatrics, neuromodulation)
- Consumer Products
- Information Technology (data management)
- Unmanned Aerial Vehicles

Investment Requirements

Companies applying must have (a) an operating history for a minimum of two years and (b) professional investment(s) from an Ohio Third Frontier pre-seed, or a professional angel group, capital firm, or other professional investor that validates the opportunity.

Eligible Projects

Funds provided by the CALF are intended to invest in projects moving innovative products/services into meaningful market entry and to prove commercial viability. Typical projects may include but are not limited to:

- Commercial scale demonstrations in market use conditions
- Manufacturing scale-up beyond pilot plant
- Final customer validation, product certification, and/or regulatory certification
- Acquisition of exclusive Intellectual Property rights
- Launch of next generation of products, services, or processes
- Design engineering/packaging

Allowable Project Costs

Allowable project costs include but are not limited to:

- Acquisition
- Land and/or building purchase; if the project involves the purchase of an existing building, the business must occupy at least 51% of the premises
- Machinery and equipment purchase
- Building construction and/or renovation costs; if the project involves new construction the business must occupy at least 60% of the premises
- Long-term leasehold improvements
- Software development
- Creating and protecting intellectual property including cost of securing appropriate patent, trademark, trade secret, trade dress, copyright or other forms of intellectual property;
- Inventory
- Working capital

Allowable project costs do not include tax payments, refinancing, reimbursement of owner loans or purchasing and portion of ownership interest from a current owner.

Available Funding

A CALF loan may finance up to 75 percent of allowable project costs for eligible projects with loans ranging in size from \$500,000 to \$2.5 million.

Repayment Terms

The CALF loan will target a 2x return on the maximum principal amount of the loan. The loan will include a royalty on sales, ranging from 4 to 7 percent based on the industry sector. This royalty payment will be paid on a quarterly basis. At the end of the term, a balloon payment will be due to settle the difference. Loan terms will range between 5 and 10 years based on industry sector.

Job Creation/Retention

The program requires a commitment to create and/or retain jobs to the State of Ohio. While there is not a specified dollar amount per job ratio, the number of jobs committed as well as the annual payroll will be considered in the competitive evaluation and in determining the funding amount.

Applicant Contribution

The program requires a 25 percent minimum contribution from the applicant in the allowable project costs/uses. In-kind contributions of labor, equipment or similar items are not acceptable as the applicant's contribution.

Security and Collateral

The Ohio Development Services Agency (Development) may require a first and/or shared first priority position on all business assets including intellectual property. At a minimum, the program will require a senior position on all project costs/uses financed with CALF loan proceeds. Development may require the following additional collateral or credit enhancements:

- Personal guarantees from owners with more than 50 percent ownership in the company;
- Corporate guarantees from related companies;
- Life insurance on key business owners and/or managers; or
- Other types of collateral enhancements if necessary.

Prepayment

The program imposes no pre-payment penalty.

Program Process

Application Process

- **Intake and Interface** – The CALF Loan Prospect (company) will contact the Capital and Talent Manager, within Development’s Office of Technology Investments (OTI) to manage intake for CALF projects.
- **Phase I Due Diligence** – The Capital and Talent Manager will meet/communicate with the company to determine whether the applicant understands the intent and eligibility requirements. This stage of the review will focus on whether the investment opportunity meets the target profile, provides a compelling business case, and demonstrates a high likelihood of passing subsequent due diligence and completing the proposed project.
- **CALF PowerPoint Template Distribution** – Upon successful completion of Phase I due diligence, the Capital and Talent Manager will send a CALF sample PowerPoint template to the company, in preparation of a company presentation before the Technology Loan Review panel.
- **Technology Loan Review** – A panel of investment and technology experts from Development will meet to evaluate Phase I due diligence, as well as hear the presentation from the company. If the panel agrees, the project will then pass to Phase II due diligence.
- **Financial Assistance Application** – The company will submit a completed Financial Assistance Application along with other requested material for Phase II due diligence.

Approval Process

- **Phase II Due Diligence** – The Financial Assistance Application and other material will be reviewed by an external evaluator in concert with Development through the Phase II due diligence process. The external evaluator has a blanket Non-Disclosure of Confidential Information Agreement with Development. The external evaluator will submit a report on the company to Development.
- **CALF Project Review Meeting** – The CALF Project Review Team will meet to review applications and discuss Phase II due diligence and consider which projects to submit to the Offer Group for review.
- **Draft Project Term Sheet** – A preliminary/draft project term sheet will be created by the Ohio Development Services Agency staff and provided to the Offer Group for review.
- **Offer Group Review** – Proposed CALF loans will be presented to the Offer Group for recommendation on which loans to present to the Ohio Third Frontier Commission. The Offer Group is composed of members from Development.
- **Final Project Term Sheet** – The Final Term Sheet is prepared by Development staff for presentation to the Ohio Third Frontier Commission and the State Controlling Board.
- **Presentation to Ohio Third Frontier** – Proposed CALF loans will be presented to the Ohio Third Frontier Commission for recommendation.
- **Presentation to State Controlling Board** – Following Ohio Third Frontier Commission approval, the proposed CALF loans will be presented to the State Controlling Board for final approval.
- **Formal CALF Loan Approval** – A loan approval, confirmation and commitment letter will be issued by Development upon approval by the State Controlling Board and Ohio Third Frontier Commission.

Closing Process

- **Loan Closing Document Prepared** – Loan closing documents are prepared upon receipt of a signed loan approval confirmation and commitment letter.
- **CALF Document Loan Closing** – Upon full execution of the loan documents and the Borrower meeting the funding conditions, the loan proceeds are disbursed to the Borrower.

Evaluation Criteria

CALF applications, due diligence documents and other materials relating to the proposed CALF loan will be reviewed by Development and outside reviewers. Factors that will be considered include, but are not limited to:

- Number of high-value jobs to be created as a result of the successful commercialization of a new product;
- Degree to which applicant demonstrates the soundness, relevance and maturity of its technology to address the identified market need.
- Degree to which the applicant demonstrates it has proprietary knowledge, and technology ownership that provide significant barriers to competitor entry.
- 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.