

# REQUEST FOR PROPOSALS (RFP)

**RFP Number: DEV13SBI01**

The Ohio Development Services Agency's Business Services Division, Office of Strategic Business Investments and the Office of Technology Investments (on behalf of the Ohio Third Frontier Commission) are requesting proposals for:

**External Evaluators to Conduct Due Diligence Reviews for:**

**The Innovation Ohio Loan Fund (IOF);  
The Commercial Acceleration Loan Fund (CALF); and,  
The State Small Business Credit Initiative Targeted Investment Program (TIP)**

RFP Issued: June 24, 2013  
Inquiry Period Begins: June 24, 2013  
Inquiry Period Ends: July 16, 2013  
Proposals Due: July 19, 2013 at 2:00 p.m.

Submit Proposals via e-mail to:

David Jende, Agency Procurement Officer  
Ohio Development Services Agency  
Budget & Finance Office  
[Procurement@development.ohio.gov](mailto:Procurement@development.ohio.gov)  
(614) 466-0419

**This RFP consists of five parts (totaling sixteen pages) and four appendices. Please verify that you have a complete copy.**

**Please submit all inquiries about this RFP through the State Procurement web site at [www.ohio.gov/procure](http://www.ohio.gov/procure). Please refer to Part Three of this RFP, for instructions on submitting inquiries through the State Procurement web site. All responses to inquiries submitted by Proposers will be posted on the State Procurement website for viewing by all prospective Proposers.**



**Development  
Services Agency**

## **PART ONE: SERVICES REQUESTED INFORMATION**

### **PURPOSE**

The Ohio Development Services Agency's (ODSA) Business Services Division Office of Strategic Business Investments and the Office of Technology Investments (on behalf of the Ohio Third Frontier Commission) are requesting proposals from contractors to provide due diligence consulting services and other forms of technical assistance related to prospective and active projects that may be financed under the following loan financing initiatives:

- Innovation Ohio Loan Fund (IOF)
- Commercial Acceleration Loan Fund (CALF)
- Targeted Investment Program (TIP)

ODSA is requesting proposals to provide these services in State fiscal years (FY) 2014 and 2015, which are to be quoted separately.

### **BACKGROUND**

**The Innovation Ohio Loan Fund (IOF)** provides financing up to 75 percent of eligible project costs for acquisition, construction, and related capital costs of technology, facilities, and equipment purchases. The fund was created to assist existing Ohio companies in developing next-generation products and services within the following targeted industry sectors:

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

IOF provides competitive financing for projects that will create high-value jobs, increase tax revenues and improve the economic welfare of the state. IOF is intended to supply capital to Ohio companies having difficulty securing sufficient funds from conventional sources due to technical and commercial risk factors associated with the development of a new product or service. Additional information is available at: [http://jobs-ohio.com/images/innovation\\_ohio\\_loan\\_program.pdf](http://jobs-ohio.com/images/innovation_ohio_loan_program.pdf)

**The Commercial Acceleration Loan Fund (CALF)** is an Ohio Third Frontier program providing early-stage funding to investment-validated Ohio companies developing next generation products and services. The program seeks to support companies and technology platforms that represent a potential path to growth, market entry and/or entering the regulatory approval process within three to five years. CALF addresses an identified need in the funding continuum by providing competitive terms on loans, financing projects that, when successfully commercialized, will have a positive, measurable economic impact on the State. The program is intended to support 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 and Clusters.** The CALF program gives preference to the following growth opportunities (aka "Technology Focus Areas") identified in the November 2011 Battelle report *Making an Impact: Targeting Growth Opportunities for the Next 3-5 Years* and Third Frontier Commission-identified clusters and areas:

#### Clusters:

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

#### Focus Areas:

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

For additional information about the CALF program, please visit the following websites: <http://development.ohio.gov/files/otf/2013%20CALF%20Notice%20of%20Funds.pdf> and [http://development.ohio.gov/bs\\_thirdfrontier/default.htm](http://development.ohio.gov/bs_thirdfrontier/default.htm).

**The Targeted Investment Program (TIP)** was created as part of the State Small Business Credit Initiative and was designed to support Ohio small businesses operating in the following areas:

- Manufacturing
- Production
- Logistics
- Agribusiness
- Food Processing

TIP provides financing to targeted small businesses that have received first or second round equity investments, are active within a high priority sector value chain, and are pursuing new high economic value activities. The TIP addresses an identified need for access to capital by providing a flexible loan program that can strategically support growth and expansion of targeted small businesses. Targeted companies are raising capital to support new demand, creating new product lines or entering new value chains. Loan proceeds may be used for business purposes including, but not limited to working capital, business procurement, equipment, machinery, research and development, and inventory. A business purpose may also include the purchase, construction, renovation or tenant improvements of an eligible place of business that is not for passive real estate investment purposes. For additional information, please see [http://development.ohio.gov/bs/bs\\_tip.htm](http://development.ohio.gov/bs/bs_tip.htm)

### **SCOPE OF WORK – PROVIDE DUE DILIGENC EVALUATIONS**

ODSA may receive inquiries for its financial incentives programs either externally from the JobsOhio network or internally through the Ohio Third Frontier Commission and/or State Small Business Credit Initiative. After an initial consultation, many of these businesses are invited to submit a preliminary application for assistance. At this point, a due diligence contractor is engaged to assist in evaluating the suitability of the project for public financial assistance.

#### **Phase I - Preliminary Due Diligence Screening**

A preliminary due diligence review serves several key functions for ODSA including:

- To assist with screening projects for fit with the IOF, TIP, and CALF programs in terms of whether an eligible innovation project is supporting the commercialization of an innovative technology with eligible costs within a targeted industry.
- To help determine whether the project is ready for financing.
- To help prioritize projects and project flow while providing tangible targets to companies for projects not ready for an application.

Preliminary requests for ODSA programs will typically include a business plan, executive summary of the project as well as historical and proforma financial statements. Preliminary applications are reviewed by ODSA and/or JobsOhio staff based on the source of the original referral. Prospective borrowers are invited to present an overview of their business plan, product and/or service to ODSA and JobsOhio representatives and then are matched to potential incentive programs. Preliminary due diligence may be completed by JobsOhio representatives, ODSA staff, or by external evaluators if a project requires special knowledge or is particularly complex. Preliminary screenings typically consist of a two to three page project overview with a description of the company, technology and market as well as a recommendation as to whether the proposed project is a fit for the respective incentive program(s) and whether ODSA should proceed with a Phase II Business and Technology Due Diligence Review.

Content areas and questions to be answered during the preliminary due diligence phase include, but may not be limited to the following:

**Company Description.**

- Solution/benefit the product provides to the consumer.
- Value proposition of the innovative product/service.

**Market Profile**

- Total market
- Total addressable market
- Targeted market
- Current market share
- Projected market share

**Competition**

- Specifically identified and/or difference in market positioning
- Competitive advantages and disadvantages.

**Operations and Commercialization**

- Intellectual Property (IP) claimed by the company.
- New product/service or updating existing product/service.
- First time or experienced team.
- Development roadmap and commercialization plan.
- Current operations and/or complement to commercialization efforts.

**Business Model**

- Company's path to profitability and information about revenue, pricing, sales strategies.
- Established customer base and sales pipeline.

**Organization**

- Type of entity and reasons for the selection.
- Cap table and ownership.
- Management team experience and role of inventor/founder.
- Recent changes in senior leadership and presence of a board of advisors/directors.
- Current number of employees and projected job growth in the next three years.

**Financials**

- Three years of historical, interim and three years projected financials.
- Major issues or concerns with the income statement.
- Major issues or concerns with the balance sheet.

**Project**

- Sources of funds (equity, loans) and what is committed.
- Uses of funds (equipment, development).
- Timeframe to complete.

- Job commitments and wage rate.

**Barriers to Entry**

- Required approvals/certifications needed to enter market (i.e. FDA) and status of such.

**Litigation**

- Any significant pending litigation for company and owners.

**Phase II – Business and Technology Due Diligence Review**

A Phase II Business and Technology Due Diligence Review serves several key functions for ODSA. The first is to reassess and build upon the initial findings of the preliminary due diligence review. The second function is to determine whether the borrower is ready for financing and can demonstrate a viable market, business model and reasonable capacity for repayment. The third function is to identify and clearly state risks to commercial success and suggest risk mitigating steps when appropriate. The fourth function is to help prioritize projects and provide objective targets for moving to approval or disbursement of funds. The fifth is to put a personal touch on ODSA's review process and demonstrate our willingness to engage and fairly evaluate every investment opportunity.

Evaluators will prepare an extensive business and financial, technology, and industry analysis which typically includes one or more meetings with the applicant at their facility, the reviewer's office, or at ODSA. An evaluator's final report shall contain a recommendation of whether to provide a loan award supported by an in-depth review of the project, company, management, business model, industry sector, product/service, IP, technology, market, key suppliers, client base, competition, financial position and SWOT analysis. The report should include appropriately-sized insightful summaries of strengths, weaknesses, and commercial risks for applications recommended for funding. One or more third-party evaluators may be retained to complete all or independent areas of the business and financial or technology and industry analyses. **The report will be shared with the Ohio Third Frontier Commission, other appropriate oversight entities, and are also considered to be public documents. The summaries should be of high-quality and suitable for publication to a broad, diverse audience.**

Standard Phase II Business and Technology Due Diligence Reports shall include, but may not be limited to, the following content areas:

**Cover Page.**

- Company, name, date, reviewer name/company
- Preliminary Due Diligence review, schema ranking

**Company and Project Information**

- Company and Background Information
- Entity Type, Contact, Phone, E-mail, Web
- History of Operations
- Overall caliber, quality and timeliness of preliminary application materials
- Proposed Project
  - Technology commercialized, value added, necessity of funding
  - Loan requested, job commitments
  - Commitment of matching/other project funds

### **Business Analysis**

- Stage (mature, growth, early, startup).
- Management team, boards, etc.
- Financial backing, professional investors.
- Profits/losses, trend, cash, path to profit.
- Typically requires one or more validating customer.
- Business model/company's plan to succeed, exit.

### **Technology and Product Analysis**

- IP types, sources, coherent plan, value.
- Development - commercialization status; pre/post market.
- Proven or new; risks to commercialization.
- Other unique factors; basis for innovative niche; etc.

### **Market and Industry Analysis**

- Size and number of competitors.
- Market clarity - new, well/poorly defined, addressable.
- Viability - market/model is sufficient opportunity.
- Sales - existing contracts, sales, commitments, etc.
- Other - barriers to entry, sales strategy, supply chain, partnerships, distribution, etc.

### **Investment Focus**

- Proven Product or Service
- Established Sales
- Demonstrated Financial Support

### **Recommendations and Ranking**

## **Phase III - Portfolio Review**

After a loan agreement is executed, ODSA may, in its discretion, request an external evaluator to conduct a Portfolio Review of the loan recipient in accordance with standard due diligence practices. The evaluator will coordinate with ODSA's financial incentives staff during the review in conducting the analysis over a period up to 8 weeks, which may include a site visit depending on the status of the company and reviewer's familiarity with the project. The Portfolio Review includes standardized financial statements, a brief summary suitable for a portfolio report, and analysis of the status of the project and changes in the company's finances, management, operations, sales, and competitive positioning along with a brief recommendation for additional action if warranted. ODSA may separately request additional analysis and technical services, such as potential credit actions initiated by ODSA or a review of loan modifications requests submitted by the borrower.

### **Technical Services**

At the direction of ODSA, the selected contractor(s) may also be retained to provide additional analysis and technical services:

- Prepare written statements about modifications to applications and/or loan agreement issues. The evaluators may recommend funding for a project contingent upon a change to

the application or contingent upon a condition to the loan to be included in the loan agreement.

- Prepare written suggestions for improving the Financial Assistance Application and evaluation processes. This task is to be performed upon request and is included in the planned technical assistance hours. If a recommendation for improvement is identified in the review process, ODSA will request that it be presented in writing.
- Provide technical assistance to ODSA potentially related to technologies, commercialization process, entrepreneurship, program design, market research, technology-based business attraction, industry and sector analysis, portfolio management consulting, financial statement analysis, and any other related assistance requested by ODSA.

## **PROPOSAL REQUIREMENTS**

Evaluators responding to this RFP are asked to format their proposal(s) within the following order and content:

1. Provide a general description of the respondent's background, nature of business activities, and experience related to the program being addressed and substantiating the company's qualifications to provide the requested services.
2. The Proposer's plan should respond to each evaluation factor in Part Four: Evaluation of Proposals and describe or demonstrate the following:
  - The approach that will be used to evaluate applications and conduct reviews.
  - The management plan that describes the steps involved in the reviews and how quality control will be achieved. Describe the process for managing the reviews and how problems will be resolved, if encountered, to ensure deadlines are met.
  - Describe the qualifications of the team, both organizational experience and individuals who will be assigned to the project.
  - Demonstrate the evaluator's ability and experience valuing early-stage companies and the ability to accurately evaluate new technologies projects and services.
  - Demonstrate the evaluator's entrepreneurship expertise, start-up experience, and project management experience.
3. ODSA will award a cost-incurred contract to the contractor(s) selected through this RFP based on the Fee Structure provided on page 9. Proposers are to acknowledge their acceptance of this fee structure.
4. Letters from individuals who are familiar with the Proposer's relevant experience and qualifications including early-stage technology evaluation experience, entrepreneurship expertise, start-up experience, and project management experience. No more than five (5) letters to be included.
5. Confirm that the Proposer(s) is able to sign a Non-Disclosure Agreement prior to conducting the evaluation.
6. Confirm that the Proposer(s) has the resources necessary to evaluate applications/conduct reviews during FY2014 and FY2015.

7. Proposers must detail the process they will use to identify, disclose to ODSA and manage conflicts of interest with proposals forwarded to them by ODSA for review or requests from ODSA for technical assistance.

The following guidelines are to be used in identifying a conflict of interest. Conflicts of interest extend to immediate family members of the principals of the firm and employees of the firm assigned to the project. The identification of a conflict of interest needs to take into account:

- All names under which the firm, employees of the firm, or immediate family do business.
- All fee simple and leasehold interests to which the firm or employee of the firm holds legal title to or a beneficial interest in real property located within the state.
- Any business relationship or investment that the firm, employee of the firm, or anyone else for the benefit of the firm or employee of the firm had during the preceding year (from the contract date) that is valued at greater than one thousand dollars.
- Any office or fiduciary relationship held by the firm or employee of the firm during the year preceding the contract date.
- Income that the firm or employee of the firm receives or expects to receive from an applicant for an ODSA program for which the firm has been engaged to evaluate proposals, whether or not the applicant was previously funded by a ODSA program, and/or any of identified collaborators of any program applicant.

Applicants must provide affirmation that they understand that if selected to perform evaluations, and a conflict of interest arises that they cannot manage internally, the applicant(s) will be required to train a secondary contractor, selected by ODSA, in the use of the applicant's evaluation tool(s) and methodology. The secondary contractor will evaluate the proposal and submit the result of its evaluation to be incorporated into the rank-ordered listing. The secondary contractor may be required to perform the appointed services as appropriate. The secondary contractor selected by ODSA will be required to sign a non-disclosure agreement with ODSA's proposal evaluation contractor to help protect trade secret information of ODSA's proposal evaluation contractor.

Proposers must provide affirmation that they will comply with Ohio Ethics Laws to the extent applicable and will not provide services in connection with grant proceeds that result from a proposal evaluated by the proposer(s). **Proposers must also provide a signed Affirmation and Disclosure form included in Appendix 2 of this RFP.**

## **FEE STRUCTURE**

Development has designed a fee structure based upon current budget allocations for the State of Ohio for fiscal years 2014 and 2015. Proposers shall accept this fee structure. Each contract shall be for a period of two (2) fiscal years (July 1, 2013 through June 30, 2015). ODSA anticipates having the need to contract for multiple projects in each targeted industry under this agreement.

The fee structure for Due Diligence and Technical Services to be provided under this RFP are as follows:

<b>Review</b>	<b>Fee Amount</b>	<b>Unit</b>
<b>Phase I - Preliminary Screening</b>	\$2,000.00	Per Project
<b>Standard Phase II – Complete</b>	\$6,000.00	Per Project
Business and Financial Review Only	\$2,000.00	Per Project
Market and Industry Review Only	\$2,000.00	Per Project
Technology and Product Review Only	\$2,000.00	Per Project
<b>Phase III - Portfolio Review</b>	\$3,000.00	Per Project
Technical Services	\$150.00	Per Hour
Pricing structure may be adjusted under extraordinary circumstances on a per project basis upon request and with prior ODSA approval.		

## **PART TWO: STRUCTURE OF THIS RFP**

### **PARTS**

Part One	Services Requested Information
Part Two	Structure of this RFP
Part Three	General Instructions
Part Four	Evaluation of Proposals
Part Five	Contract Award

### **ATTACHMENTS**

#### Appendix 1 – ODSA’s Standard Agreement for Services

ODSA’s standard, or boilerplate, personal service contract document, including terms and conditions. This sample document is provided only for convenience and the terms and conditions contained therein are subject to change without notice

#### Appendix 2 – Standard Affirmation and Disclosure Form, Standard Terms and Conditions

Standard Affirmation and Disclosure Form must be signed by an authorized official of Proposer’s organization and must be included for any proposal to be scored

#### Appendix 3 – Sample reports for illustration of end product

#### Appendix 4 – Executive Order 2011-12K

Executive Order 2011-12K “Governing the Expenditure of Public Funds for Offshore Services” prohibits the use of any public funds within the control of an executive agency to purchase services which will be performed outside of the United States.

## **PART THREE: GENERAL INSTRUCTIONS**

The following sections provide a calendar of events, details on how to respond to this RFP and how to get more information about this RFP. All responses must be complete and in the prescribed format.

### **CALENDAR OF EVENTS & ON-LINE INFORMATION**

The schedule for this RFP is given below and is subject to change. ODSA may change this schedule at any time. If ODSA changes the schedule before the Proposal Due Date, it will do so through an announcement on the State Procurement web site area for this RFP at the following link: <http://procure.ohio.gov/proc/index.asp>. The web site announcement will be followed by an addendum to this RFP, which also will be made available through the same State Procurement web site.

It is each prospective Proposer’s responsibility to check the State Procurement web site’s question-and-answer area for this RFP for current information and the calendar of events scheduled through award of any contract.

Other than by adherence to the RFP Inquiry process, set forth below, no contact related to this RFP shall be made with ODSA until a contract award is announced. Notwithstanding this prohibition, ODSA, at its sole discretion, may request additional information as part of the review process outlined below.

Firm Dates

RFP Issued:	June 24, 2013
Inquiry Period Begins:	June 24, 2013
Inquiry Period Ends:	July 16, 2013
Proposal Due Date:	July 19, 2013 at 2:00 p.m.

Estimated Dates

Contract Award Notification:	July 2013
Issuance of Purchase Order:	To be determined

**PROPOSAL SUBMITTAL**

Proposals must be submitted in the following manner:

- **Proposals must be submitted via e-mail by no later than July 19, 2013 to [Procurement@development.ohio.gov](mailto:Procurement@development.ohio.gov).**
  - Proposals are to be submitted on 8.5 x 11-inch paper.
  - Margins must not be less than ¾ of an inch on all sides.
  - Font must be 10 point or larger with no more than 6 lines of text per inch.
  - Proposals should be no more than 30 pages in length.
  - All pages must be numbered consecutively using the format "Page [#] of [total number of pages]" (e.g., Page 2 of 20).

Proposers are advised there will be no opportunity to correct mistakes or deficiencies in their submitted materials after the Proposal Due Date. Proposals that are incomplete or otherwise missing required information may not be evaluated.

It is the Proposer's responsibility to ensure timely submission of a complete Proposal. Late Proposals will not be scored. ODSA is under no obligation to consider a Proposal which is received after the Proposal Due Date or that is incomplete. Proposals that are not submitted in the format requested will not be scored.

No supplementary or revised materials will be accepted after the Proposal Due Date unless specifically requested by ODSA.

All costs incurred in the preparation of the Proposal shall be borne by the Proposer alone, and ODSA shall not contribute, in any way, to the cost of the preparation of the Proposal.

Any and all documents developed by the Proposer during the course of this project will be provided to ODSA upon request and will become the property of ODSA, and the Proposer shall not assert any claims arising under copyright or otherwise inconsistent with the transfer of ownership of such documents.

All information submitted in response to this RFP shall be a public record unless a statutory exception exists that would protect the information from release to the public. Any information submitted with the

Proposal which the Proposer reasonably believes to be a trade secret, as that term is defined in Section 1333.61 of the Ohio Revised Code, may be designated as such by marking the information as follows: the phrase "trade secret," marked with two asterisks on each side, must be placed at the beginning and end of the trade secret information (example: \*\* TRADE SECRET \*\*). In addition, the trade secret information shall be underlined. Information determined to be a trade secret under the laws of the State of Ohio may be protected as trade secrets by ODSA in accordance with Ohio law.

ODSA reserves the right to:

- Accept or reject any and all Proposals and/or bids if ODSA determines that it is in the best interests of the State to do so.
- Rebid this RFP, requesting new Proposals from qualified firms.
- Waive or modify minor irregularities in Proposals received.
- Negotiate with Proposer(s), within the requirements of this RFP, to best serve the interests of the State of Ohio.
- Require the submission of modifications or additions to Proposals as a condition of further participation in the selection process.
- Fund any Proposal in full or in part; any assignments of work by ODSA under the scope of this RFP will be made dependent on need and the availability of adequate, specific funding.
- Not make an award at the end of the evaluation process; this RFP is not to be interpreted or construed to guarantee that one or more Proposers submitting responses will be awarded contracts.
- Adjust the RFP Calendar of Event dates for whatever reason it deems appropriate.
- Contact Proposer to clarify any portion of the Proposer's submittal.

If, during the review process, ODSA determines that it is necessary to make further distinctions between certain Proposers, ODSA may request certain selected Proposers to make a presentation to staff and reviewers.

In accordance with federal and state statutes and ODSA policy, no person shall be excluded from participation or subject to discrimination in the RFP process on the basis of race, color, age, sex, national origin, military status, religion, or disability.

## **INQUIRIES**

Prospective Proposers may make inquiries or seek clarifications regarding this RFP any time during the inquiry period listed in the RFP Calendar of Events. To make an inquiry, prospective Proposers must use the following process:

1. Access the State Procurement web site at <http://www.ohio.gov/procure>.
2. From the Navigation Bar on the left, select "Find it Fast".
3. Select "Doc/Bid/Schedule #" as the Type.
4. Enter the RFP Number found on Page 1 of this document.
5. Click the "Find It Fast" button.
6. On the document information page, click the "Submit Inquiry" button.
7. On the document inquiry page, complete the required "Personal Information" section by providing the following:

- a. First and last name of the prospective Proposer's representative who is responsible for the inquiry;
  - b. Name of the prospective Proposer;
  - c. Representative's business phone number; and
  - d. Representative's e-mail address.
8. Type the inquiry in the space provided, making certain to include the following:
- a. A reference to the relevant part of this RFP;
  - b. The heading for the provision under question; and
  - c. The page number of the RFP where the provision can be found.
9. Click the "Submit" button.

Prospective Proposers submitting inquiries will receive an immediate acknowledgement by e-mail that their inquiry has been received. **The prospective Proposer who submitted the inquiry will not receive an e-mail response to the question, but will need to view the response on the State Procurement web site where it will be posted for viewing by all prospective Proposers.**

Prospective Proposers may view inquiries using the following process:

1. Access the State Procurement web site at <http://www.ohio.gov/procure>.
2. From the Navigation Bar on the left, select "Find it Fast".
3. Select "Doc/Bid/Schedule #" as the Type.
4. Enter the RFP Number found on Page 1 of this document.
5. Click the "Find It Fast" button.
6. On the document information page, click the "View Q & A" button to display all inquiries with responses submitted to date.

**Development will try to respond to all properly posed inquiries within 48 hours, excluding weekends and state holidays. Development will not respond to any inquiries received after 8:00 a.m. on July 16, 2013.** Prospective Proposers who attempt to seek information or clarifications verbally will be directed to reduce their questions to writing in accordance with the terms of this RFP and state purchasing policy. No other form of communication is acceptable, and use of any other form of communication or any attempt to communicate with ODSA staff or any other agency of the State to discuss this RFP may result in the Proposer being deemed ineligible.

**PART FOUR: EVALUATION OF PROPOSALS**

**EVALUATION PROCESS**

ODSA’s evaluation process of responses submitted to this request may consist of up to four distinct phases:

1. ODSA’s initial review of all proposals for timely submission;
2. An evaluation committee review of the proposals for defects and scoring;
3. ODSA’s request for more information (clarifications, interviews, presentations, and/or demonstrations); and,
4. Negotiations or best offer requests.

At its sole discretion, ODSA will determine whether phases three and/or four are necessary under this RFP, reserving for itself the ability to eliminate or add phases three or four at any time during the evaluation process. ODSA may add or remove sub-phases to phases two through four at any time if ODSA believes doing so will improve the evaluation process.

**PROPOSAL EVALUATION CRITERIA**

In the proposal evaluation phase, ODSA staff or reviewers selected by ODSA (the committee) will rate the proposals submitted in response to this RFP based on the following criteria and weight assigned to each criterion.

The evaluation process will be separated into two (2) parts.

Part 1 of the evaluation process will consist of organizing all proposals based upon targeted industry expertise. If a Proposer submits a response that includes an industry not within the Innovation Ohio Loan Fund, the Commercial Acceleration Loan Fund, and/or the Targeted Investment Program approved targeted industries, the proposal will not be reviewed in part 2 of the evaluation process.

<b>All Targeted Industries</b>
Advanced Materials related to advanced polymers, ceramics, composites, carbon fibers and nanotubes, and specialty metals and alloys
Aeropropulsion Power Management
Agribusiness and Food Processing
Fuel Cells and Energy Storage
Medical Technology related to imaging, surgical instruments/equipment, implant devices, and regenerative medicine
Software Applications for business and healthcare
Sensing and Automation Technologies
Situational Awareness and Surveillance Systems
Solar Photovoltaics
Biosciences

Information Technologies
Manufacturing
Logistics
Production

Part 2 of the evaluation process will consist of competitively scoring proposals within specific targeted industries based upon the number of points assigned to each criterion. In the case of overlapping targeted industries within proposals, the proposal will be assessed within each of the overlapping targeted industries. The highest scored proposal within each targeted industry will be awarded the scope of work.

Evaluation Criteria	Weight
<p>Experience and qualifications of proposed project manager and other key staff. This includes the breadth and depth of staff knowledge and capabilities in the following areas:</p> <ul style="list-style-type: none"> <li>• Early-stage technology experience</li> <li>• Early-stage capital</li> <li>• Start-up business evaluation</li> <li>• Entrepreneurial expertise</li> <li>• Company financial analysis</li> <li>• Technology commercial markets</li> <li>• Technology product or process expertise</li> </ul> <p>Demonstrated knowledge of technology-based economic development, the Ohio Third Frontier, the Innovation Ohio loan program, the State Small Business Credit Initiative (TIP), and other Ohio technology-based economic development programs.</p>	45 points
<p>The thoroughness and appropriateness of the approach outlined in the work plan to be used to evaluate applications/conduct reviews. This includes:</p> <ul style="list-style-type: none"> <li>• Method for evaluating applications and managing and tracking progress.</li> <li>• Feasibility of schedule for performing the application reviews.</li> <li>• Capabilities in technical writing and document preparation.</li> <li>• Contractor’s ability to adapt readily to changes initiated by ODSA to tasks or instructions, or increases or shifts in workload.</li> </ul>	35 points
<p>Recognition of the importance of protecting against potential conflicts of interest and protecting confidentiality of materials received from applicants and methods for doing so.</p>	20 points
<b>Total:</b>	<b>100 points</b>

## **PART FIVE: CONTRACT AWARD**

### **CONTRACT AWARD PROCESS**

It is ODSA's intention to award one or more contracts under the scope of this RFP and as based on the RFP Calendar of Events schedule, so long as ODSA determines that doing so is in the State's best interests.

Any award decision by ODSA under this RFP is final. After ODSA makes its decision under this RFP, all Proposers will be notified (in writing or by phone, at ODSA's discretion) of the final evaluation and determination as to their Proposals.

ODSA will issue a notice of contract award to the selected Proposer(s), and finalized contract terms and conditions will be forwarded for signature. Once two executed copies of the contract are submitted by the Proposer(s), and pending any further approvals that may be required (e.g., State Controlling Board), ODSA will fully execute the contract.

Once the contract is fully executed, ODSA will issue to the Proposer(s) one (1) copy of the signed instrument for its/their files.

Unless otherwise negotiated and included in the executed contract/scope of work, the selected vendor(s) shall be bound by all outlined services, policies and procedures as contained in the vendor's submitted and evaluated proposal.

### **NUMBER OF AWARDS**

ODSA anticipates making at least one award depending on the needs of the programs and the fit of the Proposer(s) to the scope of this RFP.

### **FUNDING APPROVAL THRESHOLD**

In the event that contractual expenditures with the selected Proposer(s) will exceed \$50,000 in spending under any contract that results from this RFP, or that otherwise exceed \$50,000 in aggregate spending across all contracts between the contractor and ODSA created or paid upon during the State fiscal year, the contract will be subject to the approval of the State of Ohio Controlling Board.

# Appendix 1:

## Development's Standard Agreement for Services

*This sample document is provided only for convenience and the terms and conditions contained herein are subject to change without notice.*

## AGREEMENT FOR SERVICES

This Agreement for Services (“**Agreement**”) is made and entered into by and between the **State of Ohio, Development Services Agency** (“**Sponsor**”), and \_\_\_\_\_ (“**Contractor**”). This Agreement shall have Ohio Development Services Agency Agreement Control Number of \_\_\_\_\_

1. Statement of Work. Contractor shall undertake and complete the work and activities set forth in Exhibit I, “Scope of Work,” which is attached hereto, made a part hereof, and incorporated herein by reference as if fully rewritten herein. Contractor shall consult with the personnel of Sponsor and with other appropriate persons, agencies, or instrumentalities as necessary to ensure a complete understanding of the work and satisfactory completion thereof.

2. Sponsor’s Instructions. Sponsor may, from time to time as it deems appropriate and necessary, communicate specific instructions and requests to Contractor concerning the performance of the work described in this Agreement. Upon such notice and within a reasonable time, Contractor shall comply with such instructions and fulfill such requests to the satisfaction of Sponsor. It is expressly understood by the parties that the instructions and requests are for the sole purpose of performing the specific tasks requested and to ensure satisfactory completion of the work described in this Agreement. However, they are not intended to amend or alter the terms of this Agreement or any part thereof.

3. Term and Location of Performance.

(a) Term. This Agreement shall be binding upon both parties, and the work described in this Agreement shall commence on \_\_\_\_\_ and all activities under this Agreement shall be completed not later than \_\_\_\_\_, on which date this Agreement shall expire. In the event that the work hereunder is to be done in separate phases, each phase shall be completed within the time prescribed in Exhibit I.

(b) Location of Performance. Contractor affirms that it has read and understands Executive Order 2011-12K issued by Ohio Governor John R. Kasich, that it shall abide by those requirements in the performance of this Agreement, and that it shall perform no services required under this Agreement outside of the United States. This Executive Order can be found online at:

<http://www.governor.ohio.gov/Portals/0/pdf/executiveOrders/EO%202011-12K.pdf>.

(c) Change of Performance Location. Contractor also affirms, understands, and agrees to immediately notify Sponsor of any change or shift in the location(s) of services performed by Contractor or its subcontractors under this Agreement, and no services shall be changed or shifted to a location(s) outside of the United States.

4. Compensation. In consideration of the promises of Contractor herein, Sponsor agrees to pay Contractor at the rates set forth in Exhibit I on a reimbursement basis upon Sponsor’s receipt and approval of proper invoices. Contractor shall not be compensated for services rendered hereunder except as expressly set forth herein. The total compensation to be paid to Contractor under this Agreement shall not exceed \_\_\_\_\_ Thousand and No/100 Dollars (\$\_\_\_\_\_,000.00).

5. Proper Invoicing Method. Contractor shall be required to submit proper invoices that are itemized and show all of the following:

- (a) Performance of the service described in Exhibit I;
- (b) Date or dates of the rendering of the service;

- (c) An itemization of the things or service done, the material supplied or the labor furnished; and
- (d) The sum due pursuant to that invoice in relation to the total compensation owed under the Agreement.

The adequacy and sufficiency of such invoices shall be determined solely by Sponsor. If Sponsor determines that an invoice is inadequate or insufficient, or determines that further documentation or clarification is required for a particular invoice, the burden of providing the required information or documentation is on Contractor. Costs incurred by Contractor which are associated with providing the required additional information or documentation and costs which are related to defending an inadequate or insufficient invoice shall not be charged to Sponsor and shall not be considered an allowable expense under this Agreement. Failure to comply with this section shall delay payment to Contractor under this Agreement.

6. Contractor's Expenses. Contractor shall solely be responsible for all office, business, and personnel expenses associated with the performance of this Agreement.

7. Permissible Expenses. If "travel expenses," as defined in Ohio Administrative Code Section 126-1-02, are a cost of the Project eligible for reimbursement, Contractor shall be reimbursed for those permissible travel expenses in amounts in accordance with Ohio Administrative Code Section 126-1-02, as updated from time to time (the "Expense Rule) and Contractor agrees that it shall not be reimbursed and Sponsor shall not pay any items that are deemed to be "non-reimbursable travel expenses" under the Expense Rule, whether purchased by the Contractor or Sponsor or their respective employees or agents.

#### 8. Termination.

(a) General. Sponsor may terminate this Agreement upon thirty (30) days written notice to Contractor if Sponsor determines that the product or services to be provided as further described in Exhibit I is inadequate for the intended use or cannot be feasibly adapted for the intended use. In addition, either Sponsor or Contractor may terminate this Agreement for just cause upon thirty (30) days written notice to the other party. Upon notice of termination, Contractor shall cease all work under this Agreement and shall take all necessary or appropriate steps to limit disbursements and minimize costs in ceasing all work. Contractor shall be required to furnish a report setting forth the status of all activities under the Agreement including, but not limited to, the work completed and the payments received by Contractor and such other information as Sponsor may require. Subject to any claim for damages arising from Contractor's breach, Contractor shall be entitled to compensation for work completed through the date Contractor received notice of termination upon submission and approval of proper documentation or invoices.

#### (b) Services Performed Outside the U.S.

(i) Sponsor is not obligated and shall not pay for any services provided under this Agreement that Contractor or any of its subcontractors performed outside of the United States. If services are performed outside of the United States, such activities will be treated as a material breach of this Agreement, and Contractor shall immediately return to Sponsor all funds paid for those services.

(ii) In addition, if Contractor or any of its subcontractors perform any such services outside of the United States, Sponsor may, at any time after the breach, terminate this Agreement for such breach, upon written notice to Contractor. If Sponsor terminates the Agreement, Sponsor may buy substitute services from a third party, and Sponsor may recover the additional costs associated with acquiring the substitute services.

(iii) If Contractor or any of its subcontractors prepares to perform services or changes or shifts the location(s) of services performed by Contractor or its subcontractors under this Agreement to a location(s) outside of the United States, but no services are actually performed outside of the United

States, Contractor shall promptly, but in no event later than 10 days, change or shift the location(s) of services performed to location(s) within the United States. Sponsor may recover liquidated damages in the amount of 1% of the value of the contract for every day past the time permitted to change or shift the location(s) to the United States.

9. Records Maintenance and Access.

(a) Maintenance of Records. Contractor shall establish and maintain for at least three (3) years after the last day of the Term of the Agreement or earlier termination of this Agreement its records regarding this Agreement, including, but not limited to, financial reports, job creation and retention statistics, and all other information pertaining to Contractor's performance of its obligations under this Agreement. Contractor also agrees that any records required by Sponsor with respect to any questioned costs, audit disallowances, litigation or dispute between Sponsor and Contractor shall be maintained for the time needed for the resolution of such question or dispute.

(b) Inspection and Copying. At any time during normal business hours and upon not less than twenty-four (24) hours prior written notice, Contractor shall make available to Sponsor, its agents or other appropriate State agencies or officials all books and records regarding this Agreement which are in the possession or control of Contractor, including, but not limited to, records of personnel. Sponsor, its agents and other appropriate State agencies and officials may review, audit and make copies of such books and records, and any such inspection of books and records will be undertaken in such a manner as not to interfere unreasonably with the normal business operations of Contractor. Contractor shall, at its own cost and expense, segregate records to be made available for inspection pursuant to this Section 9(b) from Contractor's other records of operation.

10. Certification of Funds. It is expressly understood by the parties that none of the rights, duties, and obligations described in this Agreement shall be binding on either party until all applicable statutory provisions of the Ohio Revised Code, including but not limited to section 126.07, have been complied with and until such time as all necessary funds are made available and forthcoming from the appropriate state agencies, and, when required, such expenditure of funds is approved by the Controlling Board of the State of Ohio, or in the event that federal funds are used, until such time that Sponsor gives Contractor written notice that such funds have been made available to Sponsor by Sponsor's funding source. Sponsor shall provide Contractor with written evidence of the Controlling Board action within 30 days after the date on which the Controlling Board considered the appropriation request.

11. Equal Employment Opportunity. Pursuant to Ohio Revised Code Section 125.111, Contractor agrees that Contractor, any subcontractor, and any person acting on behalf of Contractor or subcontractor, shall not discriminate, by reason of race, color, religion, sex, age, disability, military status, national origin, or ancestry against any citizen of this state in the employment of any person qualified and available to perform the work under this Agreement. Contractor further agrees that Contractor, any subcontractor and any person acting on behalf of Contractor or subcontractor shall not, in any manner, discriminate against, intimidate, or retaliate against any employee hired for the performance of work under this Agreement on account of race, color, religion, sex, age, disability, military status, national origin or ancestry. Contractor represents that it has a written affirmative action program for the employment and effective utilization of disadvantaged persons and will file a description of that program and a progress report on its implementation with the equal employment opportunity office of the Ohio department of administrative services.

12. Indemnification. Contractor agrees to indemnify and to hold the Sponsor and State of Ohio harmless and immune from any and all claims for injury or damages arising from this Agreement and Contractor's performance of the obligations or activities in furtherance of the Project which are attributable to the Contractor's own actions or omissions or those of its trustees, officers, employees, subcontractors, suppliers, third parties utilized by the Contractor, or joint venturers while acting under this Agreement. Such

claims shall include, but are not limited to, any claims made under the Fair Labor Standards Act or under any other federal or state law involving wages, overtime, or employment matters and any claims involving patents, copyrights, and trademarks. Contractor shall bear all costs associated with defending the Sponsor and the State of Ohio against any claims. Notwithstanding the foregoing, Contractor's obligation to indemnify and hold Sponsor and the State of Ohio harmless shall be limited to actions and omissions which constitute gross negligence or violations of law and in no event shall the aggregate liability of the Contractor to the Sponsor or the State of Ohio for indemnification under this Agreement exceed the amount of compensation paid to the Contractor hereunder.

13. Conflict of Interest. No personnel of Contractor or personnel of any subcontractor, and no public official who exercises any functions or responsibilities in connection with the review or approval of any work completed under this Agreement, shall, prior to the completion of such work, voluntarily or involuntarily acquire any personal interest, direct or indirect, which is incompatible or in conflict with the discharge or fulfillment of his or her functions or responsibilities with respect to the completion of the work contemplated under this Agreement. Contractor shall immediately disclose in writing to Sponsor any such person who, prior to or after the execution of this Agreement, acquires any personal interest, voluntarily or involuntarily. Sponsor shall cause any such person who, prior to or after the execution of this Agreement, acquires any personal interest, voluntarily or involuntarily, to immediately disclose such interest to Sponsor in writing. Thereafter, such person shall not participate in any action affecting the work under this Agreement unless Sponsor determines that, in light of the personal interest disclosed, his or her participation in any such action would not be contrary to the public interest.

14. Drug-Free Workplace Compliance. In the event that work performed pursuant to the terms of this Agreement will be done while on state property, Contractor hereby certifies that all of its employees, while working on state property, will not purchase, transfer, use or possess illegal drugs or alcohol or abuse prescription drugs in any way.

15. Adherence to State and Federal Laws, Regulations.

(a) General. Contractor agrees to comply with all applicable federal, state, and local laws related to the Contractor's performance of the obligations of this Agreement. The Contractor accepts full responsibility for payments of all unemployment compensation, insurance premiums, workers' compensation premiums, all income tax deductions, social security deductions, and any and all other taxes or payroll deductions required for all employees engaged by Contractor in the performance of the requirements of this Agreement.

(b) Ohio Ethics Laws. In accordance with Executive Order 2011-03K, Contractor, by its signature on this document, certifies: (1) it has reviewed and understands Executive Order 2011-03K, (2) has reviewed and understands the Ohio ethics and conflict of interest laws including, without limitation, Ohio Revised Code §§ 102.01 *et seq.*, §§ 2921.01, 2921.42, 2921.421 and 2921.43, and §§ 3517.13(I) and (J), and (3) will take no action inconsistent with those laws and the order, as any of them may be amended or supplemented from time to time. Contractor understands that failure to comply with the Ohio ethics and conflict of interest laws, is in itself, grounds for termination of this Agreement and the grant of funds made pursuant to this Agreement and may result in the loss of other contracts or grants with the State of Ohio.

(c) Ohio Elections Law. Contractor affirms that, as applicable to Sponsor, no party listed in Division (I) or (J) of Section 3517.13 of the Ohio Revised Code or spouse of such party has made, as an individual, within the two previous calendar years, one or more contributions totaling in excess of \$1,000.00 to the Governor or to his campaign committees.

16. Unresolved Findings. Contractor warrants that it is not subject to an unresolved finding for recovery under O.R.C. 9.24. If this warranty is deemed to be false, this Agreement is void *ab initio* and the

Contractor must immediately repay to the Sponsor any funds paid under this Agreement.

17. Employees Not State Employees/Employee Acknowledgements. Contractor acknowledges and agrees that, consistent with the provisions of ORC Sections 124.01(F) and 145.012, its employees are not and shall not be deemed to be "public employees" as defined in ORC Section 145.01(A). In furtherance thereof, if Contractor has less than 5 employees, Contractor agrees to have each of its employees execute an acknowledgement in the form attached hereto as Exhibit \_\_\_\_\_ (the "OPERS Acknowledgement") and submit them to Sponsor within ten (10) business days of signing this agreement.

18. Confidentiality. As used herein, "Confidential Information" means any and all information **provided in any form from one party to the other party which is, by its nature, information that a prudent** business person would maintain as confidential. Such information includes proprietary information, trade secret information and "Personal information" as described in Ohio Rev. Code Sec. 1347.01(E). Ohio Rev. Code Sec. 1347.01(E) provides: "Personal Information means any information that describes anything about a person, or that indicates actions done by or to a person, or that indicates that a person possesses certain personal characteristics, and that contains, and can be retrieved from a system by, a name, identifying number, symbol, or other identifier assigned to a person." Each party to this Agreement shall use Confidential Information only in connection with the purposes set forth herein. Each party agrees to use reasonable efforts to safeguard Confidential Information. Each party acknowledges that Confidential Information may include personal or proprietary information relating to businesses or individuals. Each party shall use Confidential Information only in connection with the purposes set forth herein. Each party agrees to use reasonable efforts to safeguard Confidential Information and to prevent the unauthorized, negligent or inadvertent disclosure of Confidential Information. "Reasonable efforts" means efforts not less than those the one party employs to protect its own Confidential Information and, in any event, efforts not less than those a prudent business person would take to protect his or her own confidential and proprietary information. No Party shall, without the prior written approval of the other Party, directly or indirectly disclose Confidential Information to any person or business entity except to its own employees and representatives, including, without limitation, attorneys, accountants and financial advisors on a need-to-know basis for the purposes contemplated by this Agreement. Without limiting the generality of the foregoing, if either Party experiences any breach of data security that exposes the Confidential Information to disclosure or unauthorized use, that Party agrees to bear all costs to notify every individual whose Confidential Information may have been compromised and in cases where Grantee experiences that breach of data, Grantee agrees that it shall also hold Grantor harmless from any claim arising from or related to such breach, subject to the limits of liability already set forth in this Agreement.

19. Miscellaneous.

(a) Governing Law. This Agreement shall be governed by the laws of the State of Ohio as to all matters, including but not limited to matters of validity, construction, effect and performance.

(b) Forum and Venue. All actions regarding this Agreement shall be forumed and venued in a court of competent subject matter jurisdiction in Franklin County, Ohio.

(c) Entire Agreement. This Agreement and its exhibits and any documents referred to herein constitute the complete understanding of the parties and merge and supersede any and all other discussions, agreements and understandings, either oral or written, between the parties with respect to the subject matter hereof.

(d) Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions of this Agreement.

(e) Conflict of Provisions. Should it be determined that a provision within this Agreement conflicts with a provision set forth in Exhibit I, then the language of Exhibit I shall control as being the more specific terms and conditions of the Agreement.

(f) Notices. All notices, consents, demands, requests and other communications which may or are required to be given hereunder shall be in writing and shall be deemed duly given if personally delivered or sent by United States mail, registered or certified, return receipt requested, postage prepaid, to the addresses set forth hereunder or to such other address as the other party hereto may designate in written notice transmitted in accordance with this provision.

In case of Sponsor, to:

Ohio Development Services Agency  
Office of  
P.O. Box 1001  
Columbus, Ohio 43216-1001  
Attention:  
Fax No.:  
With a copy to Chief Legal Counsel, Ohio Development Services Agency

In case of Contractor, to:

[ADDRESS]  
Attention: \  
Fax No.:

Notwithstanding the foregoing, ordinary communications regarding the status of services being provided by Contractor may be sent by electronic mail to the designated representatives of Sponsor and Contractor.

(g) Amendments or Modifications. Either party may at any time during the term of this Agreement request amendments or modifications. Requests for amendment or modification of this Agreement shall be in writing and shall specify the requested changes and the justification of such changes. Should the parties consent to modification of the Agreement, then an amendment shall be drawn, approved, and executed in the same manner as the original agreement.

(h) Forbearance. No act of forbearance or failure to insist on the prompt performance by Contractor of its obligations under this Agreement, either express or implied, shall be construed as a waiver by Sponsor of any of its rights hereunder.

(i) Pronouns. The use of any gender pronoun shall be deemed to include all the other genders, and the use of any singular noun or verb shall be deemed to include the plural, and vice versa, whenever the context so requires.

(j) Headings. Section headings contained in this Agreement are inserted for convenience only and shall not be deemed to be a part of this Agreement.

(k) Assignment. Neither this Agreement nor any rights, duties, or obligations described herein shall be assigned or subcontracted by Contractor without the prior express written consent of Sponsor.

**IN WITNESS WHEREOF**, the parties have executed this Agreement For Services on the last day and year set forth below.

CONTRACTOR:

SPONSOR:

**[CONTRACTOR]**

**State of Ohio  
Development Services Agency**

David Goodman  
Director  
Ohio Development Services Agency

By: \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

# **Appendix 2:**

## **Standard Affirmation and Disclosure Form and Standard Terms and Conditions**

*The Standard Affirmation and Disclosure Form must be filled out and returned with a bid response in order for it to be eligible for scoring.*

STANDARD AFFIRMATION AND DISCLOSURE FORM  
EXECUTIVE ORDER 2011-12K

Governing the Expenditure of Public Funds on Offshore Services

All of the following provisions must be included in all invitations to bid, requests for proposals, state term schedules, multiple award contracts, requests for quotations, informal quotations, and statements of work. This information is to be submitted as part of the response to any of the procurement methods listed.

---

By the signature affixed hereto, the Contractor affirms, understands and will abide by the requirements of Executive Order 2011-12K. If awarded a contract, both the Contractor and any of its subcontractors shall perform no services requested under this Contract outside of the United States.

The Contractor shall provide all the name(s) and location(s) where services under this Contract will be performed in the spaces provided below or by attachment. Failure to provide this information may subject the Contractor to sanctions. If the Contractor will not be using subcontractors, indicate "Not Applicable" in the appropriate spaces.

1. Principal location of business of Contractor:

\_\_\_\_\_  
(Address) (City, State, Zip)

Name/Principal location of business of subcontractor(s):

\_\_\_\_\_  
(Name) (Address, City, State, Zip)

\_\_\_\_\_  
(Name) (Address, City, State, Zip)

2. Location where services will be performed by Contractor:

\_\_\_\_\_  
(Address) (City, State, Zip)

Name/Location where services will be performed by subcontractor(s):

\_\_\_\_\_  
(Name) (Address, City, State, Zip)

\_\_\_\_\_  
(Name) (Address, City, State, Zip)

3. Location where state data will be stored, accessed, tested, maintained or backed-up, by Contractor:

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(Address, City, State, Zip)

Name/Location(s) where state data will be stored, accessed, tested, maintained or backed-up by subcontractor(s):

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Address, City, State, Zip)

Contractor also affirms, understands and agrees that Contractor and its subcontractors are under a duty to disclose to the State any change or shift in location of services performed by Contractor or its subcontractors before, during and after execution of any Contract with the State. Contractor agrees it shall so notify the State immediately of any such change or shift in location of its services. The State has the right to immediately terminate the contract, unless a duly signed waiver from the State has been attained by the Contractor to perform the services outside the United States.

On behalf of the Contractor, I acknowledge that I am duly authorized to execute this Affirmation and Disclosure form and have read and understand that this form is a part of any Contract that Contractor may enter into with the State and is incorporated therein.

By: \_\_\_\_\_  
Contractor

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

STANDARD TERMS AND CONDITIONS

EXECUTIVE ORDER 2011-12K

Governing the Expenditure of Public Funds on Offshore Services

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The Contractor affirms to have read and understands Executive Order 2011-12K and shall abide by those requirements in the performance of this Contract. Notwithstanding any other terms of this Contract, the State reserves the right to recover any funds paid for services the Contractor performs outside of the United States for which it did not receive a waiver. The State does not waive any other rights and remedies provided the State in this Contract.

# **Appendix 3:**

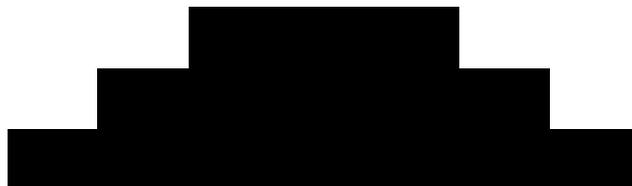
## **Sample Reports for Illustration of End Product**

# **Phase II Evaluation and Due Diligence Report for**



**Submitted to  
The Ohio Department of Development  
Economic Development Division  
Office of Financial Incentives  
77 South High Street, 28<sup>th</sup> Floor  
Columbus, Ohio 43215**

**June 15, 2009**

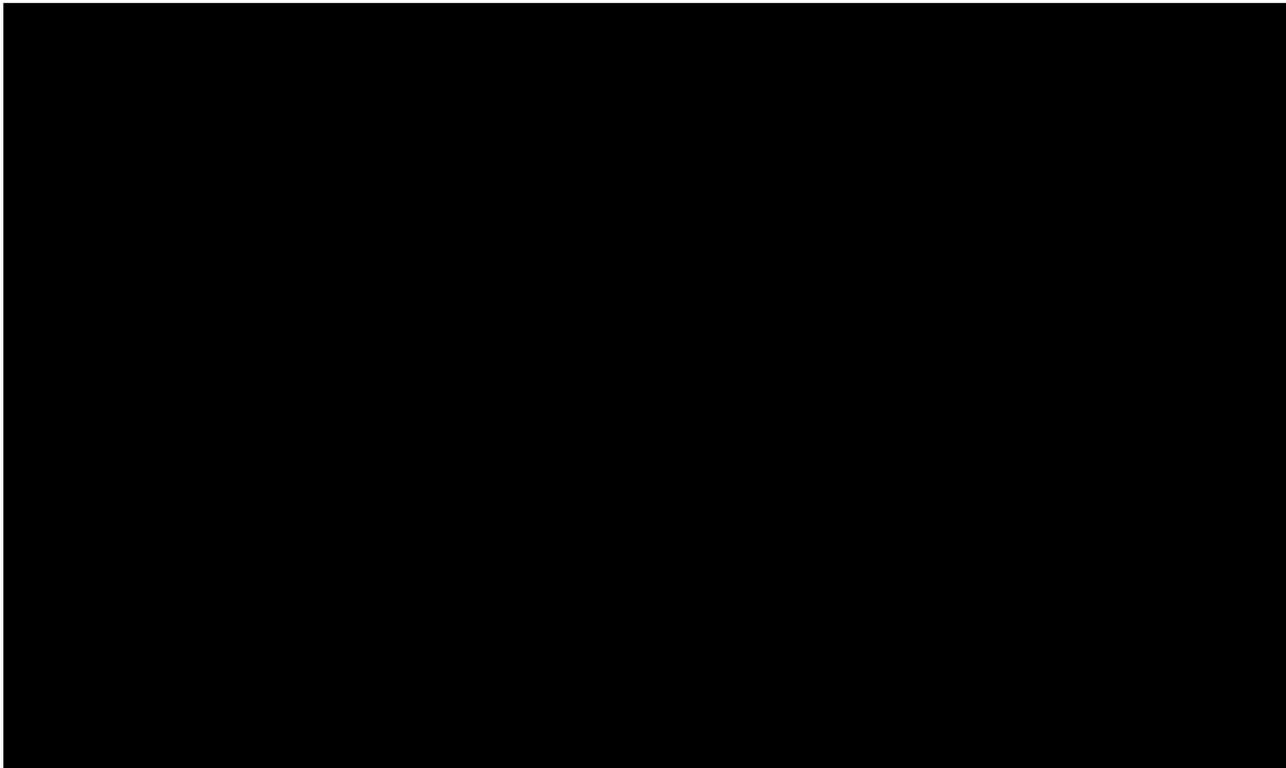


## Company Background

[REDACTED]. They employ sixteen people and they have been in business nine years. [REDACTED] was founded by [REDACTED] and he remains the CEO today. [REDACTED] has an extensive background in advanced data analytics and strategic marketing, and has taught both at the college level.

[REDACTED] is a provider of marketing simulation and optimization technology & services. They help businesses maximize the impact of marketing, media mix & advertising across all channels, including word-of-mouth. [REDACTED] provides an advanced simulation platform and advanced data analytics to leading marketers, such as [REDACTED], and others. Figure 1 below shows a sampling of the total list. [REDACTED] utilizes a simulation technique [REDACTED]

**Figure 1: A Sampling of Companies [REDACTED] Has Helped**



## Product Description

██████████ markets a product called the ██████████ is a computer-based environment that simulates the clients' markets, enabling them to test "what if" scenarios with greater accuracy, speed, and cost-effectiveness than traditional techniques allow. ██████████ is a marketing application that helps businesses identify and maintain the right balance of marketing, media mix and advertising across both traditional and non-traditional media, closing pertinent gaps that exist with classical approaches. A simulation environment replicates, *simulates*, a whole marketing ecosystem – its customers, products, marketing messages, and virtually anything else a client deems important. It replicates the way the market operates, the way the "agents" (customers, competitors, etc.) in it behave and react to changes we impose.

██████████ uses a technique called ██████████, a marketing planning and simulation application that allows businesses to look into the future and predict how consumers will behave. ██████████ has been around for more than sixty years and has its roots in military and tactical planning. ██████████ is one of a handful of companies utilizing ██████████ to look into the future and predict what will happen before decisions are made and funds are allocated. ██████████ is the best known method for understanding what scientists call "complex adaptive systems". ██████████ allows marketers to test "what-ifs" and reliably and efficiently spot "emergent behavior" – the unprecedented reactions of consumers. ██████████ developed ██████████ on the ██████████ framework to give marketers a platform to capture consumer behavior dynamics before the fact, turning hindsight into foresight.

## Business Model

██████████

██████████ has performed extensive research on distribution partners who have reach and positioning that work to their advantage, and who can be potential acquirers. Currently negotiations are underway with ██████████, and ██████████, all very large media companies. ██████████ is close to the size of ██████████ and ██████████ is part of ██████████, one of the world's largest media companies.

Plans for international are to partner with local suppliers for distribution and product expertise.

██████████

With [REDACTED] is transitioning from a consulting to a solutions play, wherein clients pay annually for subscriptions to applications and, if they wish, for service contracts under which [REDACTED] operates the applications for them. Subscriptions to a single application will be priced at \$ [REDACTED] per year, and will include constantly updated environments and support. Service contracts will be priced according to usage tiers, averaging \$ [REDACTED] a year.

[REDACTED] will augment recurring revenue with custom work, both within the simulations business and within the ongoing marketing science business, which will continue to provide advanced analytics, economics and pricing strategy, decision support tools, etc. The plan is to leverage the custom work to strengthen overall client acquisition and retention, underwrite product development, and contribute high-margin revenue.

Within five years, [REDACTED] is targeting a revenue mix of [REDACTED]

### Technology Analysis

The [REDACTED] technology platform is Intel/Microsoft based and was developed using the Windows/Linux based toolset of .Net with an SQL backend database. .Net and SQL are industry leading development platforms and will allow [REDACTED] flexibility in maintaining a development staff and growing the staff. The chosen development platform allows for rapid development and quick turnaround on modifications. By standardizing on a Linux/Windows operating platform and development platform, they will be able to take advantage of new capabilities offered. Many technology shops utilize .Net which will enhance the sale of the product.

[REDACTED] uses [REDACTED] for their hosting services and backup services. [REDACTED] has its primary data center [REDACTED].

### Competitive Analysis

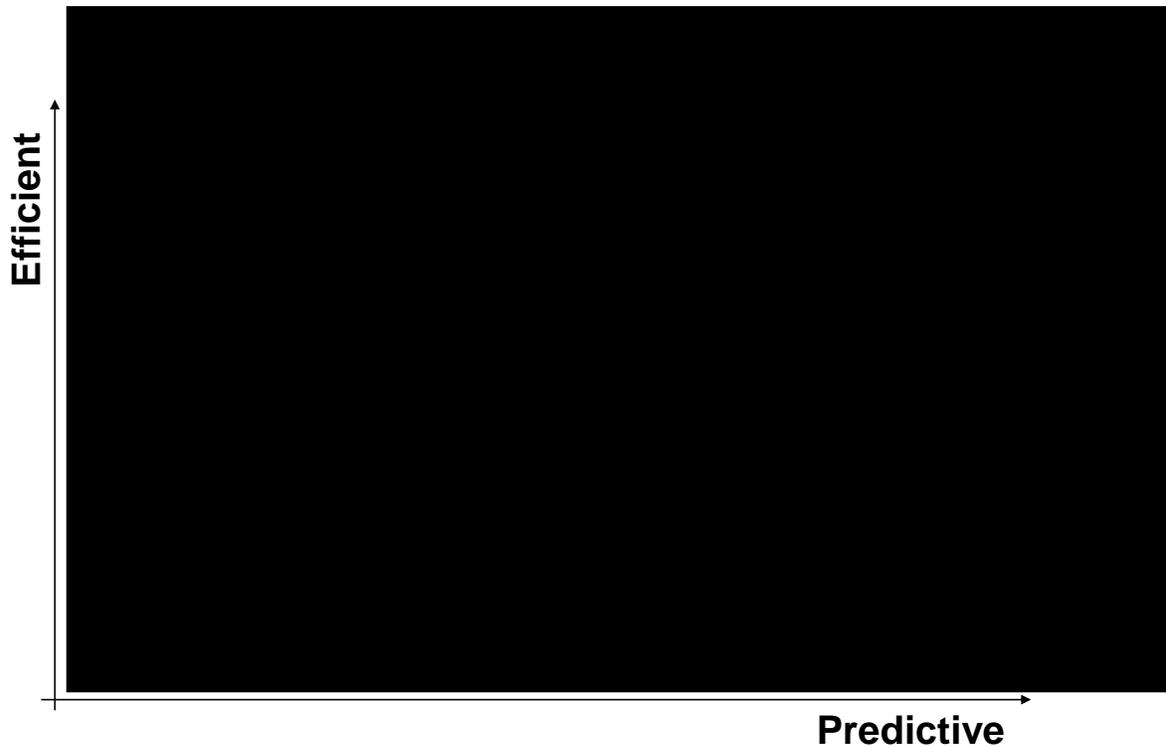
There are a significant number of competitors in the marketing analysis and planning space but only a couple of suppliers in the world that offer marketing simulations. [REDACTED] also is the only simulations company that specializes in media planning, media selling, advertising, and retailing. Direct competitors include [REDACTED] and to a lesser extent [REDACTED], which focuses on operations, not marketing. [REDACTED] is the only company that has utilized [REDACTED] successfully even though others have tried but with very little success. [REDACTED]

Suppliers that could become competitors are now providers of:

- Modeling & predictive analytics [REDACTED]
- Business intelligence & customer relationship management [REDACTED]
- Statistical analysis software [REDACTED]

Figure 2 shows where [REDACTED] simulations stand next to other existing offerings.

**Figure 2: [REDACTED] Simulations in the Marketplace**



## **Management Team/Board of Director Analysis**

### **Management Team**

[REDACTED], CEO, has put together a management team who are leaders in their fields with winning track records in the competencies they will need to be successful: advanced marketing science; software development and marketing; subscription business building; retailing and advertising. [REDACTED] has used his extensive contact list to assemble the team he needs to be successful.

- [REDACTED], Founder and CEO – [REDACTED] has spent the last 20 years pioneering, developing and delivering [REDACTED], statistical analysis and decision support applications for many of the world's most respected companies. A frequent guest speaker on advanced Marketing techniques and a former faculty member on the [REDACTED] Research Program, [REDACTED] was selected by the [REDACTED] to give regular lectures at both Marketing Bootcamps and Marketing Research Bootcamps. [REDACTED] holds degrees in Business Administration and Psychology with emphasis on quantitative studies from [REDACTED] and he has conducted advanced studies in both Business Administration and Computer Science.

- [REDACTED], CFO; Extensive background in corporate financial governance and leadership; [REDACTED].
- [REDACTED] VP, Marketing; 13 years technology and analytics marketing leader; corporate marketing experience at [REDACTED]
- [REDACTED] VP, Marketing Science; formerly Senior VP of Marketing Science and Forecasting at [REDACTED]
- [REDACTED] VP, Analytic Services; 17 years marketing, consulting, and teaching; former Director at [REDACTED]
- [REDACTED] VP, Product Development; Technology entrepreneur, corporate strategy at [REDACTED], complexity sciences;
- [REDACTED], VP, Software Development; Mathematician, developer ([REDACTED]) of leading research reporting & analysis package, [REDACTED]; former Director, [REDACTED]

### Board of Directors

[REDACTED] has recruited two board members that have experience in building companies and in raising capital, and one board member that has extensive experience in brand management and building companies.

[REDACTED] – [REDACTED] has a wealth of experience as CEO, COO, Strategist, Change Agent, and Serial Entrepreneur. He has been a Fixer a Builder and Trusted Leader for top-tier companies in software, retail, manufacturing, consumer goods, and telecommunications. Rob's career started at [REDACTED] spanning Strategy, Brand, and Operations in the U.S and Europe; leading initiatives to accelerate the effectiveness of new plant startups and transform legacy plants, launching integrated brand and category business teams, corporate efforts to accelerate speed to market from R&D to the shelf. Rob launched [REDACTED] a Strategic Management Consulting firm in 1980 focused on the Fortune 100, providing Change Strategy, Executive Development, and shop floor Transformation, driving notable results with: [REDACTED]

- [REDACTED] – [REDACTED] is a Managing Director of [REDACTED]. [REDACTED] is a successful entrepreneur with extensive experience in creating and managing early stage companies. Prior to joining [REDACTED] had been involved in many entrepreneurial ventures. Most recently he was part of the [REDACTED] management team that successfully merged with [REDACTED] creating [REDACTED]. [REDACTED] also founded [REDACTED] in 1997, raising \$40 million in VC funding. He grew the company to a size of more than 130 employees in four cities serving over 80 customers. Previously, [REDACTED] worked with [REDACTED] in the Silicon Valley, from early stage through post-IPO. He also was one of the early employees [REDACTED], an early 90s technology pioneer in Silicon Valley that merged with [REDACTED].
- [REDACTED] is a founder and managing director of [REDACTED], which manages the [REDACTED] Venture Funds. He currently manages the firm's investments in [REDACTED]



## **Revenue**

First quarter 2009 was somewhat sluggish but second quarter picked up nicely. 2009 is on track for revenues of \$ [REDACTED] around \$ [REDACTED] short of budget.

## **Financial Summary**

[REDACTED] has done an outstanding job of raising outside capital. Their original intent was to raise [REDACTED] and would have had the market not tightened due to the downturn in the economy. They did however raise \$ [REDACTED] and therefore came to the ODOD for the shortfall. The pipeline has picked back up substantially and the hiring of sales people is a priority. [REDACTED] has done a good job of managing the budget and is poised to experience significant growth. The current valuation of [REDACTED] is \$ [REDACTED].

*Disbursement of any IOF loan funds should be contingent upon [REDACTED] receiving an unqualified audit from [REDACTED]; an outside audit firm hired by the Series B investors.*

## Strengths/Weaknesses/Opportunities/Threats (SWOT) Analysis

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Early and successful adopters of [REDACTED]</li> <li>• Strong mix of nationally known clients (i.e.- [REDACTED])</li> <li>• Appear to have an 18 month lead on competitors</li> <li>• [REDACTED], Founder and CEO; experienced entrepreneur</li> <li>• All employees sign contracts covering IP, confidentiality, and non-competes</li> <li>• Strong channel partners (i.e.- [REDACTED])</li> <li>• IP protection pending</li> <li>• Strong sales pipeline</li> <li>• Strong board of directors</li> <li>• Strong sales pipeline</li> <li>• \$ [REDACTED] of investment closed in past 12 months</li> </ul>	<ul style="list-style-type: none"> <li>• No IP protection (yet)</li> <li>• No corporate deep pockets to defend IP</li> </ul>
<ul style="list-style-type: none"> <li>• [REDACTED] has not been battle tested over the years</li> <li>• Impact from declining economy not yet known</li> <li>• Numerous competitors operating in this space</li> <li>• Deep pocket company could attempt to develop competing product</li> <li>• Knowing and identifying all the possible competitors that are currently ‘flying under the radar’</li> <li>• IP protection not granted</li> </ul>	<ul style="list-style-type: none"> <li>• [REDACTED] has only been rolled out to a small percentage of [REDACTED]’s customers</li> <li>• Declining economy will cause companies to fine tune marketing dollars</li> <li>• Pricing strategy could move to value-based model thus increasing revenue</li> <li>• [REDACTED] becomes more widely accepted</li> </ul>
<b>Threats</b>	<b>Opportunities</b>

## Summary Analysis

█████ enjoys several barriers to entry. They appear to have built an estimated 18-month head-start in █████ software development and know-how. They have also protected their intellectual property as corporate trade secrets with assiduous use of legal contracts, copywriting of code, and intend to patent their turn-key solutions if doing so proves advantageous, as a search has found no such patents exist.

█████ has a long list of companies that it has done business with over the past eight plus years. Not all have been introduced to the █████ platform but most of these companies are possible candidates for using █████ from █████.

Below is a summary analysis rating seven categories on a scale of 1-5 with 5 being high.

Category	Rating	Highlights/Issues
<b>Product</b>	4.0	The █████ product, based on █████ appears to be unique in the industry. █████ has been around for 60 years but only in the last 15 years has it been used extensively. This application of █████ is leading edge and based on the client set, competitive advantage appears to be there.
<b>Market</b>	4.5	\$4.8B is spent annually across all testing and predictive methods. The predictive modeling used today by most of █████'s competitors is most often outdated on arrival. █████ is able to predict emergent behavior (no other technique can), is highly specific (conclusive at the individual or segment-level), and it realistically reflects market complexities.
<b>Sales/Marketing</b>	4.0	█████ has a two pronged sales strategy, one direct and one through strong channel partners. █████ has an impressive list of existing and past customers (Figure 1 above) and plans to sell █████ to those customers as sales time permits and staff is added. Channel partners █████ are strong players with worldwide reach.
<b>Competition</b>	3.5	There are a significant number of competitors in the marketing analysis and planning space but very few in the █████ space. █████ is the only █████ company that specializes in media planning, media selling, and retailing. █████ appears to be ahead of the competition by around 18 months. They have applied for IP protection, and if granted, their lead could be longer than 18 months. They have also protected their intellectual property as corporate trade secrets with assiduous use of legal contracts and the copy writing of code. All employees sign contracts which contain confidentiality agreements and non-competes. Knowing and identifying all the possible competitors that operate in this space is very difficult. There are probably several competitors that are currently 'flying under the radar' that are not yet identified. As these competitors come onto the radar, it

		will be clearer what their capabilities are and it will become clearer as to their threat to [REDACTED].
<b>Technology</b>	4.0	[REDACTED] has been developed in a Windows environment using the industry standard Microsoft .Net platform with an SQL backend database. The hosting of the site is done by MaxASP in Louisville.
<b>Management</b>	4.5	[REDACTED], Founder and CEO, is an experienced entrepreneur with 19 years marketing science consulting and software development & marketing. [REDACTED], VP of Marketing has 13 years technology and analytics marketing experience with corporate marketing experience at [REDACTED]. The management staff has been supplemented by five addition industry professionals that bring significant experience to [REDACTED].
<b>Financial</b>	4.0	[REDACTED] raised \$ [REDACTED] of capital in the first half of 2009 in an economy where investment money has dried up. The first quarter was somewhat sluggish but second quarter came back nicely and the pipeline indicates 2009 will be a good year.
<b>Overall</b>	4.07	This rating is outstanding and is one of the highest given to any company by this author.

This author was quite impressed with both the business model and the management team of [REDACTED] and believes the ODOD should move forward with making a loan to [REDACTED]. If I could, I would personally invest and would recommend others invest as well.



Department of  
Development

[REDACTED]  
Phase III Review

# Innovation Ohio Loan Fund

November 6, 2012

Prepared by [REDACTED]

Ranking: IV – Underperforming/Distressed

# Innovation Ohio Loan Fund

Phase III Loan Review –

November 6, 2012

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November 6, 2012

### Company Background

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[REDACTED] was founded in [REDACTED] by [REDACTED], a practicing optometrist who recognized the value of creating a machine that could [REDACTED] eyeglass [REDACTED] blanks, and [REDACTED] then President of a [REDACTED]. From its founding through [REDACTED], [REDACTED] built [REDACTED] prototype systems, including its initial complete "proof of concept" platform, filed its initial patent application and refined its business model to focus on delivering an affordable machine to [REDACTED].

[REDACTED] and its wholly-owned subsidiary, [REDACTED] (collectively "[REDACTED]") are engaged in the manufacture and design of automated machinery for the production of [REDACTED] – the [REDACTED]. [REDACTED] is a leasing company that will purchase [REDACTED] systems from [REDACTED] and generate revenue by leasing [REDACTED] systems to customers.

[REDACTED] is developing a set of [REDACTED] making systems, a low cost set of machines that are capable of performing the tasks currently executed in [REDACTED] by skilled technicians who use at least five high cost machines. One unskilled operator can operate any of the [REDACTED]. The [REDACTED] require a fraction of the space needed for traditional systems. When provided with a factory mounted [REDACTED] can be produced in less than 20 minutes. These [REDACTED] may be simple or incorporate the sophisticated designs needed to produce [REDACTED] as well as [REDACTED] ([REDACTED] with complex surface profiles [REDACTED]). [REDACTED] has concurrently developed a high-speed surfacing only machine [REDACTED]. This machine has been designed to utilize the laboratories capital equipment as much as possible while maximizing surfacing throughput. It is intended for use by small laboratories that desperately need the latest technology but cannot afford other more expensive machines. The [REDACTED] machines' substantially decreases the cost of producing complex [REDACTED] designs, as well as the amount of inventory that has to be maintained to produce these [REDACTED].

## Innovation Ohio Loan Fund

Phase III Loan Review – [REDACTED]

November 6, 2012

### Current Business Status

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Since inception, [REDACTED] has received \$ [REDACTED] of capital from a Series A and Series B Preferred Stock Offerings. The Company's financial condition has been under significant stress since revenue has not been generated as anticipated. The Company is taking steps to manage its cash flow and extend its ability to remain solvent. The management team of [REDACTED] has accepted salaries substantially below market. Since early [REDACTED], [REDACTED] has been seeking to raise \$ [REDACTED] through an offering of Series C Convertible Preferred Stock, which will be used to add sales personnel and an additional programmer, to provide capital to build [REDACTED] for lease to [REDACTED] and for working capital purposes. The Company is currently working with manufacturing partners that have agreed to defer a significant portion of their costs until funds are available.

The Company is currently focused on launching its beta product in [REDACTED] and is in the final debugging stage of developing this product. In preparation for the beta launch, the Company has built [REDACTED] beta products. The Company is currently building the product internally, but has received assistance from a potential long-term partner in [REDACTED]. The Company has recently been in discussions with potential partners that would represent [REDACTED] in the [REDACTED] market when [REDACTED] is ready for a full commercial launch of its product. Management anticipates this will occur in the first half of [REDACTED].

### Financial Analysis

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For the year ended [REDACTED], the Company recorded consolidated revenue of \$ [REDACTED] and its gross margin was \$ [REDACTED]. Operating expenses for the same period were \$ [REDACTED] and the Company's net loss for the year was \$ [REDACTED]. For the six months ended [REDACTED], the Company recorded consolidated revenue of \$ [REDACTED] and its gross margin was \$5 [REDACTED]. Operating expenses for this six month period were \$ [REDACTED] and the Company's net loss for the six month period was \$ [REDACTED]. The Company had cash on hand on [REDACTED] of \$ [REDACTED].

The Company's [REDACTED] consolidated balance sheet and statement of income have been reviewed by an accounting firm and its [REDACTED] consolidated balance sheet and statement of income have been compiled by an accounting firm. Given this fact, the Reviewer still has concerns about proper classification of capitalized items on the balance sheet. The Company currently has \$ [REDACTED] of capitalized costs labeled "R&D" on the balance sheet. These costs are generally not capitalized unless they are purchased through acquisition, which the Company hasn't done.

The Company has prepared limited financial projections (revenue projections with COS) for review. Using the revenue and COS projections provided by the Company, the Reviewer developed a forecast using the historical operating expenses and terms of the IOLF loan. Based on this forecast, and assuming the Company meets its revenue and gross margin forecast and draws down on the remaining \$ [REDACTED] loan proceeds from the IOLF Program, the Company will have sufficient cash to repay the loan.

## Innovation Ohio Loan Fund

Phase III Loan Review – [REDACTED]

November 6, 2012

### Management Analysis

[REDACTED] management team has substantial experience in building and managing innovative businesses from start-up through successful exit, in developing, marketing and selling new technologies in the [REDACTED] industry. That team includes:

Chief Executive Officer, Chief Engineering Officer and Director. – Provide brief write up

President and Director. – Provide brief write up

Chief Technology Officer and Director– Provide brief write up

General Manager– Provide brief write up

Director and General Counsel. – Provide brief write up

Director. – Provide brief write up

### Conclusion and Recommendation

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The Company has four full-time employees and has not met its hiring objectives. The Company has previously requested [REDACTED] loan modifications primarily to accommodate its persistent cash flow problems. The cash flow problems have been created by its inability to successfully launch its products. With the Company's beta launch scheduled for December [REDACTED], management believes it will know whether the launch is successful soon thereafter. If successful, commercial launch will follow in the spring of [REDACTED]. Given the concerns about the proper capitalization of costs on the Company's balance sheet previously mentioned in the Financial Analysis section, it is recommended that prior to further distribution of IOLF loan proceeds, that DOD receive confirmation from management that the costs that are being used for the project are capitalized properly according to GAAP.

This reviewer recommends that DOD grant the request to [REDACTED] and provide it with the greatest chance of success for the beta launch of its product in the next few months. The reviewer is making the following recommendations with respect to management's specific requests:

1. The Loan Agreement and Note be amended to provide [REDACTED] with 1% interest only on the second \$ [REDACTED] disbursement which is to occur by [REDACTED] for a one-year period ([REDACTED]). The reviewer recommends that DOD allow [REDACTED] to pay 1% interest only for the remaining \$ [REDACTED] through [REDACTED]. The Company is at a critical point and leveraging the cash for operations is better utilization of resources and will support a successful commercial product launch effort.
2. The 5-year amortization of the full \$ [REDACTED] to begin at the end of [REDACTED]. The reviewer confirmed with management that they are also requesting to have the second year of the 7 year term be interest only at 7% for the entire \$ [REDACTED]. The Company's cash flow forecast would not support earlier payment of principle. During [REDACTED], the Company anticipates its cash flow from operations will significantly improve and will be able to support the repayment of the loan, including interest and principle.

### Notes during discussion

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## Innovation Ohio Loan Fund

Phase III Loan Review – [REDACTED]

November 6, 2012

### Request for documents:

1. Discuss [REDACTED] and [REDACTED].
2. Projections – 5 years
3. Financial statements – audited, reviewed?
4. Tax returns?
5. Business Plan?
6. Current ownership of the business – Cap table
7. Management changes /current team
8. [REDACTED] – [REDACTED]

### History:

[REDACTED] began with an [REDACTED] recognizing [REDACTED]. A machine could be built that had multiple function – 1) surfacing ([REDACTED]) and 2) edging ([REDACTED]) 3) coating. Working models have been developed to do these, but they didn't have the capability to do all of these functions – [REDACTED]. Machines that can do this are very expensive. Most small manufacturers that have these capabilities are being bought out. [REDACTED] has developed a machine that can do the [REDACTED] for small laboratories to get in this technology at a fraction of the cost – leasing company.

### Challenges:

1. Personnel challenges – Software engineer that developed the technology was released and set them back. Designers/programmers are in high demand and hard to find.
2. Machine capability – The marketing of this machine is for small laboratories. Marketing to small labs is very cost efficient. Support is more efficient. Labs make a decision about which [REDACTED] they are going to carry. Different machine for this market. Removed capability of the product (versus the IEP market) to meet this need. Lab owner wants a cost effective machine that is fast – can keep up with workflow and can produce [REDACTED]. Had to develop capabilities in the machine to address some of the complex needs required by the lab owners – free form frames. [REDACTED] believes they have a distinct advantage with their design.
3. Original vision was to market the product to [REDACTED]. This market does not provide an adequate market because of the technicians and support necessary for this market. Currently they can go to any [REDACTED] lab to get the type of [REDACTED] they want. [REDACTED] would have to connect with all the [REDACTED] in the world to be able to produce these [REDACTED].

### Product launch:

1. Speaking to company next week about representing [REDACTED] in the market.
2. September launch is expected of beta product – [REDACTED] products have been built.
3. State requires [REDACTED] orders in order to release remaining \$[REDACTED].

### Manufacturing issues:

1. Final debug stages of developing product. Wringing out final issues of beta product.
2. Manufacturing internally – with the help of a company in [REDACTED].

## Innovation Ohio Loan Fund

Phase III Loan Review – [REDACTED]

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3. Drawings, documents, QC procedures are being developed. Production group will use assembly instructions from engineering group.
4. [REDACTED] need to build more polishers to sell product.
5. Expect to be able to be building these systems in early [REDACTED].

**Follow-up call with [REDACTED] at 3 PM on Friday [REDACTED].**

Forecast shows a request of \$[REDACTED]. He will increase the request to \$[REDACTED].

Heavy competition in the [REDACTED] market. The industry [REDACTED] is very sensitive to disruption in the supplier market. The Company decided to pursue another market that should be easier to exploit. Continuing to develop.

Review Cap table:

- Note due in June 2013 – Convertible Note (Bridge Money) is subject to the Series C round. [REDACTED] will provide a copy of the note.

Review Cash projections: First installation in next two weeks [REDACTED]. Quarterly financial statements will be ready in next two weeks.

Business Model: Gross revenue per system (cost to build) – early machines need only modification. Later the \$[REDACTED] is cost to build new systems.

In – house represents [REDACTED] manufacturing for some clients - \$[REDACTED].

Click fees – represent lease fees for [REDACTED] that is produced they would be paid – charging [REDACTED] - \$[REDACTED] per month. Large labs will do [REDACTED]/day. Over [REDACTED] of small labs that do [REDACTED]/day.

Anticipate most clients will have 2 machines. Maint contract will be required but has not been included in the revenue projections.

[REDACTED] believes the funds will help with the launch and reduce the risk associated with the launch.

Need [REDACTED] orders in house to meet State requirements.

**[REDACTED] Will send over full excel spreadsheet with projections.**

Discussion of Competition:

- Most competitors sell machines to practices – costing them \$[REDACTED] at the low end. Need to purchase peripheral equipment as well - \$[REDACTED], power supply required. Maint fees required.
- Market research shows that cost less than \$[REDACTED] make it feasible for practices to purchase their own equipment.
- Most laboratory systems will also put a rider (click fee) on their equipment.
- License fee represents upfront fees (one-time fee) to install equipment. Takes approximately [REDACTED] mos. to build and install equipment.

Status of Series C round:

- Trying to raise \$[REDACTED] – will support the roll-out much quicker. Currently raised \$[REDACTED] toward the Series C – see convertible note in cap table. Convertible note from current employees/investors.

## Innovation Ohio Loan Fund

Phase III Loan Review – [REDACTED]

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- [REDACTED] is participating as a C investor. He is providing labor and material and [REDACTED] will compensate him in the form of the Convertible note. He is finishing off a part of the machine – he is developing and designing the polisher. Being done for equity. Reimbursing him for his materials only.
- No machines in the field previously to support value proposition. They believe getting product in the field in the next few months will support the interest in the C round.

### Manufacturing issues:

[REDACTED] has agreed to form an alliance with [REDACTED] under which [REDACTED] will work with [REDACTED] to complete and refine the design and engineering of the [REDACTED].

Company has done what it has needed to do, in order to stay in business over the years. Cutting salaries, reducing costs.

### Follow-up – November 2009

Originally approved for financing, the process was not well defined (request, transfer to escrow, transfer to Co's account). However, \$[REDACTED] was placed into escrow immediately. [REDACTED] states that the DOD released funds prematurely. See Loan Action Request # [REDACTED]. Money has remained in escrow. Similar problem with current \$[REDACTED].

1. Need to understand the request by the Company and the impact of the following issues:
  - a. Funds that have been released to the Company.
  - b. Funds that are still in escrow and
  - c. Funds that still need to be released to escrow for use by the Company

### Request by Co.

Since funds were deposited into escrow prematurely (deposited into escrow several years ago). Co. is requesting that the repayment schedule begin in December when the funds are requested – not when they were deposited (several years ago).

Criteria for requesting funds are 6 orders for systems.

[REDACTED] has 4 FTE currently:

- [REDACTED] – President (not full-time)
- [REDACTED] – CTO (full-time)
- [REDACTED] – General Manager (full-time)
- [REDACTED] – CEO (full-time)
- [REDACTED] – Chief Programmer (contractor)
- [REDACTED] - Office Manager (part-time)

2. What is the affiliate relationship referred to in the consolidated financial statements? Is this a wholly-owned subsidiary of [REDACTED]?
3. What is the equipment for \$[REDACTED] on Leasing's balance sheet?
  - Transfer of five machines into Leasing from [REDACTED]. This transaction occurred several years ago when the loan was put into place.

## Innovation Ohio Loan Fund

Phase III Loan Review – [REDACTED]

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- Investment in subsidiary - \$ [REDACTED] – represents the loan proceeds that were moved to Optical Solutions through contracts.
  - R&D costs - \$ [REDACTED] – represent modifications to machines that are going to be used for leasing for the new market. Development of an additional machine/fabrication of a polishing machine.
  - Set-up legal fees -
4. What are the following items on the balance sheet?
- a. Development Costs - \$ [REDACTED]
  - b. Setup Legal fees - \$ [REDACTED]
  - c. Note Receivable Leasing - \$ [REDACTED]
  - d. Investment in Subsidiary - \$6 [REDACTED]
  - e. Intercompany eliminations - \$ [REDACTED]?

# Appendix 4:

## Executive Order 2011-12K

### **No Contract Funds May be Spent Offshore**

Executive Order 2011-12K “Governing the Expenditure of Public Funds for Offshore Services” prohibits the use of any public funds within the control of an executive agency to purchase services which will be performed outside of the United States.

To be considered by the Ohio Development Services Agency, a bid response must be accompanied by an Affirmation and Disclosure in the form attached to this RFP and a signed Standard Terms and Conditions Form (Appendix 2). Both of these forms must be signed at the end by an authorized representative of the proposer. Any bid response received that does not include a completed, signed copy of this form will be immediately disqualified.

A copy of the Executive Order and the Affirmation and Disclosure form are included in this RFP on the following pages. Additional information about the Executive Order is posted on the Department of Administrative Services State Procurements Help & Reference page at [http://procure.ohio.gov/pdf/EO201112K/EO201112K\\_Announcement.pdf](http://procure.ohio.gov/pdf/EO201112K/EO201112K_Announcement.pdf).



**JOHN R. KASICH**  
GOVERNOR  
STATE OF OHIO

## **Executive Order 2011-12K**

### Governing the Expenditure of Public Funds for Offshore Services

**WHEREAS**, State of Ohio officials and employees must remain passionately focused on initiatives that will create and retain jobs in the United States in general and in Ohio in particular, and must do so especially during Ohio's continuing efforts to recover from the recent recession.

**WHEREAS**, allowing public funds to pay for services provided offshore has the potential to undermine economic development objectives in Ohio.

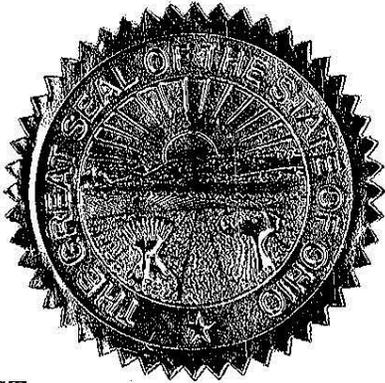
**WHEREAS**, the expenditure of public funds for services provided offshore may deprive Ohioans and other Americans of critical employment opportunities and may also undermine efforts to attract businesses to Ohio and retain them in Ohio, initiatives in which this State has invested heavily.

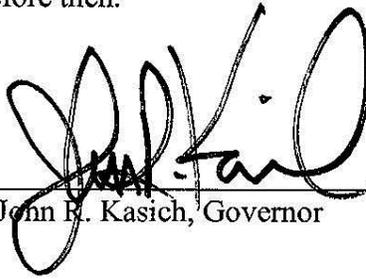
**NOW THEREFORE**, I, John R. Kasich, Governor of the State of Ohio, by virtue of the authority vested in me by the Constitution and the laws of this State, do hereby order and direct that:

1. No State Cabinet Agency, Board or Commission ("Executive Agency") shall enter into any contract which uses any public funds within its control to purchase services which will be provided outside the United States. This Executive Order applies to all purchases of services made directly by an Executive Agency and services provided by subcontractors of those providing services purchased by an Executive Agency.
2. This Executive Order will be personally provided, by the Director, Chair or other chief executive official of each Executive Agency, to the Chief Procurement Officer or other individual at that entity responsible for contracts for services.
3. The Department of Administrative Services, through Ohio's Chief Procurement Officer, shall have in place, by July 1, 2011, procedures to ensure all of the following:
  - a. All agency procurements officers (APOs), or the person with equivalent duties at each Executive Agency, have standard language in all Executive Agency contracts which:
    - i. Reflect this Order's prohibition on the purchase of offshore services.

- ii. Require service providers or prospective service providers to:
    - 1. Affirm that they understand and will abide by the requirements of this Order.
    - 2. Disclose the location(s) where all services will be performed by any contractor or subcontractor.
    - 3. Disclose the locations(s) where any state data associated with any of the services they are providing, or seek to provide, will be accessed, tested, maintained, backed-up or stored.
    - 4. Disclose any shift in the location of any services being provided by the contractor or any subcontractor.
    - 5. Disclose the principal location of business for the contractor and all subcontractors who are supplying services to the state under the proposed contracts.
  - b. All APOs confirm that all quotations, statements of work, and other such proposals for services affirm this Order's prohibition on the purchase of offshore services and include all of this Order's disclosure requirements.
    - i. Any such proposal for services lacking the affirmation and disclosure requirements of this Order will not be considered.
    - ii. Any such proposal where the performance of services is proposed to be provided at a location outside the United States by the contractor or any subcontractor will not be considered.
  - c. All procurement manuals, directive, policies, and procedures reflect the requirements of this Order.
  - d. All APOs have adequate training which addresses the terms of this Order.
4. Nothing in this Order is intended to contradict any state or federal law. In addition, this Order does not apply to:
- a. Services necessary to support the efforts of the Department of Development to attract jobs and business to the state of Ohio;
  - b. Academic, instructional, educational, research or other services necessary to support the international missions of Ohio's public colleges and universities; or
  - c. Situations in which the Director of the Department of Administrative Services, or the Director's designee, shall determine that it is an emergency or that it is necessary for the State to waive some or all of the requirements of this Order. The Director shall establish standards by which Executive Agencies may request a waiver of some or all of the requirements of this Order and by which such requests will be evaluated and may be granted.
5. Executive Order 2010-09S is hereby rescinded.

I signed this Executive Order on June 21, 2011 in Columbus, Ohio and it will expire on my last day as Governor of Ohio unless rescinded before then.



  
\_\_\_\_\_  
John R. Kasich, Governor

ATTEST:

\_\_\_\_\_  
Jon Husted, Secretary of State