



# Ohio Third Frontier

## Commercial Acceleration Loan Fund

### Request for Proposals (RFP)

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#### Round 1: 2015

- RFP Released – November 10, 2015
- Form of Intent Submission Deadline – November 20, 2015
- Question & Answers – through December 8, 2015
- Proposal Submission Deadline – December 9, 2015
- Proposal Selection – December 21, 2015
- Due Diligence – January 4, 2016 to April 1, 2016
- Ohio Third Frontier Commission – April 14, 2016

#### Proposed Round 2: 2016

- RFP Released – Spring 2016

#### Proposed Round 3: 2016

- RFP Released – Summer 2016

#### Proposed Round 4: 2016

- RFP Released – Fall 2016

#### **RFP Administered by:**

Ohio Development Services Agency  
Office of Small Business and Entrepreneurship  
77 South High Street, 28<sup>th</sup> Floor  
Columbus, OH 43215

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# Ohio Third Frontier

## Commercial Acceleration Loan Fund

### 1. Ohio Third Frontier Statement of Solicitation

#### 1.1 Background and the Request for Proposals Issuance

Ohio Third Frontier is a \$2.1 billion economic development initiative supporting technology entrepreneurship and growing jobs across the state. Through a statewide network of resources, entrepreneurs have access to the technology, business assistance, capital and talent to turn great ideas into thriving companies. The Ohio Third Frontier is driving this expanding, vibrant community of high-growth technology companies, and making Ohio a leading destination for entrepreneurs. For more information about Ohio Third Frontier, please see [Ohio Third Frontier Website](#).

This Request for Proposals (RFP) is being issued for funds to be awarded by the Ohio Third Frontier Commission (Commission). The RFP will be released by publication on the Ohio Third Frontier website and individuals requesting Commercial Acceleration Loan Fund (CALF) program alerts will receive notice of the Publication. Qualified applicants interested in becoming borrowers under the CALF program are encouraged to timely submit their Form of Intent.

CALF is an Ohio Third Frontier supported loan program that provides funding to early-stage companies commercializing next generation products and services. CALF bridges the gap between an early stage entrepreneur's need for capital and the traditional commercial sources of financing primarily reserved for established businesses. Successful CALF applicants: (i) are categorized within eligible industry sectors and technology commercialization phases; (ii) demonstrate the potential to grow substantially in size and value over a relatively short time-horizon; and (iii) are investment-validated through earlier rounds of professional financing or significant capital infusion from strategic partners. Since the CALF loan approvals began in December 2013, the Commission has approved \$32.8 million in funding to 25 companies.

RFP Website: [Commercial Acceleration Loan Fund Website](#).

The Commission reserves the right to approve any proposal in full or in part, to request additional information to assist in the review process, to reject any or all proposals responding to this RFP and to re-issue the RFP and accept new proposals if the Commission determines that doing so is in the best interests of the State of Ohio (State). Issuing this RFP does not bind the State to make an award of Ohio Third Frontier funds. Any award of Ohio Third Frontier in respect to this RFP will be subject to availability of funds as provided in Section 126.07 of the Ohio Revised Code and to various mandatory provisions set forth in the Appendices hereto.

This RFP is not a contract or binding commitment of Ohio Development Services Agency (DSA). DSA administers this RFP and reserves the right to adjust the dates for this RFP at its sole discretion. DSA's Office of Small Business and Entrepreneurship (SBE) administers funds awarded under this RFP.

## 1.2 The RFP Timeline

The RFP Process will consist of the following steps:

Release of RFP	November 10, 2015
Deadline: Form of Intent (FOI) Submission <i>Required to be able to Submit a Proposal</i>	November 20, 2015 (10:00 AM EST)
Questions & Answers (Q&A) Period	through December 8, 2015
Deadline: Proposal Submission	December 9, 2015 (10:00AM EST)

The Awards Process will consist of the following steps:

Proposal Selection <i>Notified via Email Notification</i>	December 21, 2015
Third-Party Evaluation and Underwriting Period	January 4, 2016 to April 1, 2016
Award Decision – Proposed Presentation to Commission	April 14, 2016
Award Agreement Preparation and Execution	Following Commission and Controlling Board Approval

## 1.3 Engagement with Entrepreneurial Network

The Ohio Third Frontier has made significant investment into fostering a statewide entrepreneurial network. This investment is particularly visible in the Entrepreneurial Signature Program (ESP), a statewide network of regionally-based organizations designed to provide services and capital to help entrepreneurs with start-up technology companies accelerate their growth and get their ideas to market and provide services such as:

- Mentorship by seasoned entrepreneurs and industry professionals;
- Help with business planning and investment pitch preparation;
- Access to investors and capital;
- Business support including legal, tax and accounting services;
- Help recruiting talent; and
- State-of-the-art workspaces at incubators.

While it is not a requirement of proposal submission, CALF Applicants are encouraged to engage with the appropriate regional ESP representatives. Applicants acknowledge that DSA may contact the ESP to verify the level and type(s) of engagement between the ESP and the applicant. Contacts can be found at [ESP and Seed Fund Contact Listing](#).

## 2. Program Guidelines

### 2.1 CALF Loan Description

CALF loans are secured transactions disbursed in tranches as the borrower achieves certain milestones. Loan amounts range from \$500,000 to \$2,500,000 and can be used to finance up to 75 percent of allowable project costs. Loan awards above \$1,000,000 may be limited to borrowers generating revenues, long-term contracts and strategic partnerships, or who have attracted considerable equity capital.

Loan term may not exceed seven (7) years and target a 2x repayment to DSA on the principal amount drawn. Repayment structures may vary according to individual borrower needs, but a standard structure employs a graduated schedule based on 5% projected annual sales paid monthly. See Appendix C (Form of Term Sheet). The CALF loan may offer an early repayment incentive.

## 2.2 CALF Program Eligibility

### 2.2.1 Project Purpose Eligibility

Funds provided by the CALF program are intended to invest in projects moving innovative products/services into meaningful market entry or who are along the regulatory approval path.

Typical CALF loan projects have included:

- Commercial scale validation in market use conditions;
- First production run and manufacturing scale-up beyond pilot or *beta* stages;
- Final customer validation, product certification, and/or regulatory certification;
- Intellectual property development and protection;
- Research and development supporting iterations beyond first version releases;
- Launch of next generation of products, services or processes; and
- Design engineering and packaging.

### 2.2.2 Technology Eligibility

For calendar year 2016, the Commission's industry priorities are:

Primary Focus Industries:

- Medical technology; and
- Software applications for business and healthcare.

Secondary Focus Industries:

- Advanced materials;
- Aerospace-propulsion systems;
- Agribusiness and food processing;
- Fuel cells and energy storage;
- Sensing and automation technologies;
- Situational awareness and surveillance systems;
- Solar photovoltaics; and
- Shale fuel extraction.

### 2.2.3 Technology Commercialization Framework Phase Eligibility

Ohio Third Frontier Programs promote technology based economic development within Ohio by funding activities that move technology from idea to market. Consistent with this goal, the State identifies opportunities using the phases as set forth within the [Technology Commercialization Framework Guidelines](#) (Framework). It is expected that every proposal seeking Ohio Third Frontier funds clearly demonstrates its understanding of the Framework and is able to articulate its scope of work within the Framework's model.

Of the five (5) Framework phases, typical CALF loans support the following phases:

- Demonstrating products and processes in commercial context (medical technology applicants only);
- Market entry to prove commercial viability; and
- Growth and stability to generate financial returns.

Applicants in any industries except medical technology must be generating revenue and qualify in either the “Market Entry” or “Growth & Sustainability” phases (Framework at page 54). For instance, projects at a minimum will support the commercialization of a first version or first production run release. Technologies within either pilot stages or *beta* release versions are not qualified.

Medical technology applicants in the “Demonstrating” phase (Framework at page 49) may be eligible if proposals demonstrate a clear and timely path to regulatory approval and commercialization.

## **2.2.4 Project Cost Eligibility**

Each applicant will present a project outlining the plan of activity or activities that make up the total scope of work for the proposed use of CALF loan proceeds. Allowable project costs include but are not limited to the following:

- Land and/or building purchase;
- Machinery and equipment purchase;
- Building construction and/or renovation costs;
- Long-term leasehold improvements;
- Software development;
- Intellectual property;
- Inventory; and
- Sales, general and administrative costs.

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

## **2.3 CALF Borrower Requirements**

### **2.3.1 Borrower’s Cost Share**

The program requires a 25 percent minimum borrower contribution (Cost Share) to support allowable project costs. Approved sources of Cost Share are equity, convertible debt, current revenue, available cash, or loan proceeds from an unsecured or subordinated commercial credit facility. In-kind contributions, government funds (either grants or loans), or similar items are not acceptable as Cost Share.

### **2.3.2 Term of Project**

The “Project” is the plan of activity or activities that make up the total scope of work for the proposed use of CALF loan proceeds. The Project must be completed within three (3) years from execution of the loan agreement. The Project period should be consistent with applicant’s proposal (Appendix B – Proposal Submission Requirements). DSA reporting obligations continue while the loan is outstanding.

### **2.3.3 Professional Investment Validation**

The CALF program focuses on applications with a minimum of \$1,000,000 of investment-validating capital from professional angel organizations, venture capital funds or strategic investors. Funds derived from government grants or loans, or individual investors who have not completed sufficient and acceptable due diligence will not be considered investment-validating capital.

### **2.3.4 Previous State Assistance**

Prospective borrowers who have received previous State assistance must be in compliance with any outstanding incentives. Moreover, previous or current borrowers of DSA or JobsOhio loans are ineligible for participation. Recommendations will consider performance and compliance with previous government incentives.

### **2.3.5 Job Creation/Retention Requirements**

Participating borrowers are required to commit to create and/or retain jobs within the State. There is not a specified dollar amount per job ratio, but the number of jobs committed as well as the annual payroll will be considered in the evaluation process.

### **2.3.6 Professional Services Required**

The applicant must have qualified support staff or third-party contractors responsible for invoicing, bookkeeping and preparation of the submitted financial statements or the applicant will be disqualified. In addition, the applicant's chief executive or operating officer may not concurrently perform the role of chief financial officer, controller or bookkeeper. Legal counsel (outside) is also required to provide various opinions consistent with the loan documents.

### **2.3.7 Other Requirements**

The entity that submits a proposal will be legally and financially responsible for the administration of any resulting award by the Commission. The eligible applicant's principal place of business must be located in the State or the applicant must anticipate re-locating to the State in connection with the Project. A principal place of business is a facility: located in the State; for an entity registered with the Secretary of State to conduct business in Ohio; where the entity maintains physical operations that are staffed and managed by a senior representative (authorized to make decisions and to obligate the applicant and its resources). This facility must be owned by the applicant or be subject to a long-term lease. The applicant must have a federal tax identification number.

## **2.4 CALF Restrictions and Pledges**

### **2.4.1 Salary and Bonus Limitations**

Compensation may be restricted or the loan may require additional payments of principal during the repayment period when salary increases or bonuses are being paid to managing members or certain shareholders. See Appendix D (Form of Loan Agreement).

### **2.4.2 Security and Collateral**

DSA will typically require a first lien security position on all business assets, including:

- Demand deposit control agreements for financial accounts;
- Intellectual property security and escrow agreements; and
- Pledge and conditional assignments for intellectual property licensed by the borrower.

DSA may also require additional credit support, such as:

- Personal guaranties from founders with significant holdings;
- Corporate guaranty from affiliated entities;
- Life insurance policies on key business owners and/or managers; and
- Other forms of collateral enhancements as deemed necessary by DSA.

### 2.4.3 Other Prohibitions

Applicants' lenders, if any, may have to agree to subordinate to DSA in both payment and priority. In addition, borrower may be restricted or prohibited from incurring or repaying any other financing debt.

DSA requires timely notification of any agreements or potential agreements which will materially affect the borrower's ability to enter into and complete a CALF loan.

The Form of Loan Agreement in Appendix D includes a number of other required provisions, which applicant should review prior to submitting its proposal.

## 2.5 Budget Guidelines

Each applicant will present a budget outlining the uses of funds with their proposal submission. In consultation with the applicant, the budget may be revised during the third party evaluation and underwriting period by DSA and third-party evaluators as necessary.

Standard budget categories include:

- Furniture and fixtures;
- Intellectual property;
- Inventory;
- Land and building;
- Leasehold improvements;
- Machinery and equipment;
- Research and development; and
- Sales, general and administrative expenses.

The approved loan amount divided by the total Project amount (which includes the Cost Share) will determine the loan funding percentage. Disbursement of loan funds will be subject to the loan funding percentage, amount of budget category and milestone achievements. The borrower will be required to submit proof of expenditures corresponding to each budget category for the full Project amount during the Project period, which is defined as the period between the Project start date and the Project completion date. Budget categories may not include any portion of a non-eligible expense, unless approved by DSA in advance. Non-eligible expenses include, but may not be limited to:

- Bank fees and late fees (from any source);
- Gifts;
- Travel;
- Subcontracting work or activities, unless pre-authorized;
- Expenses at a non-approved Project site(s);
- Proposal preparation and/or proposal consultancy costs;
- Bonuses to shareholders or employees;
- Loans to shareholders or employees;
- Consulting fees paid to directors, shareholders and/or members;
- Unemployment insurance;
- Worker's compensation premiums (or payments for self-insured);
- Out of State employee compensation, unless pre-authorized;
- Lobbyists or lobbying related expenses;
- Related entities' expenses, unless pre-authorized;
- Cost Share on any government loans or grants;
- Expenses identified as non-eligible in loan agreement; and
- Expenses not defined by the Project budget.

To receive loan disbursement, the borrower will be required to provide documentation against Project budget category. Loan disbursement will be in accordance with the loan funding percentage.

Example: loan funding percentage is 50%; use category (inventory) amount is \$100,000. Borrower submits receipts for \$100,000 purchased inventory and loan funds disbursed is \$50,000.

Loan funds are disbursed by tranches, which will include at least one (1) milestone requirement per tranche for the borrower to achieve. Loan funds will be released upon DSA's approval of the achievement of such milestone(s).

Appendix C (Form of Term Sheet) and Appendix D (Form of Loan Agreement) set forth the terms, conditions and description of the budget and loan disbursement requirements.

### **3. Form of Intent and Proposal Submission**

#### **3.1 Submission Instructions**

Approval for Application: Applicant must provide affirmation of evidence of authorization to apply (for instance, board resolution authorizing submission of the proposal).

##### **3.1.1 Form of Intent Submission**

Applicant must complete and submit the Form of Intent (FOI) (Appendix A – Preliminary Eligibility Questionnaire and Disclosures) by the deadline to be eligible to submit a proposal. Submissions received after the deadline will not be considered.

After Form of Intent submission and prior to proposal submission, DSA will contact FOI applicants regarding preliminary eligibility.

**DEADLINE FOR SUBMISSION: 10:00 AM EST, NOVEMBER 20, 2015**

To submit the FOI, applicants must go to the [Commercial Acceleration Loan Fund Website](#), and:

- Register and sign on to the submission portal;
- Download and enter information requested in the Form of Intent.pdf;
- Attach and submit the completed FOI within the submission portal; and
- Be sure to save login information, as this is also the place to submit the proposal.

DSA is not responsible for any technological errors resulting in late submissions. If the submission portal is unavailable, FOI's should be submitted *via* email to: [earlystagecapital@development.ohio.gov](mailto:earlystagecapital@development.ohio.gov).

##### **3.1.2 Proposal Submission**

An applicant must prepare and submit (including all required attachments) the proposal (Appendix B) by the deadline. Proposals will not be accepted until after November 20, 2015. Submissions received after the submission deadline will not be considered.

**DEADLINE FOR SUBMISSION: 10:00 AM EST, DECEMBER 9, 2015**

To submit the proposal, applicants must go to the [Commercial Acceleration Loan Fund Website](#), and:

- Sign on to the submission portal;
- Enter requested information;
- Attach and submit the following within the submission portal in **pdf format only, except for items vii & viii**:
  - i. Applicant prepared proposal;
  - ii. Technology development roadmap;
  - iii. Commercialization roadmap;
  - iv. YE Financial Statements (3-Years historical) and current financial statements (YTD);
  - v. Financial projections with descriptive assumptions (2016, 2017, 2018);
  - vi. Current bank statement(s);
  - vii. Capitalization table (DSA required format, Excel format on website); and
  - viii. Intellectual property library (DSA required format, Excel format on website).

DSA is not responsible for any technological errors resulting in late submissions. If the submission portal is unavailable, the proposal should be submitted *via* email to: [earlystagecapital@development.ohio.gov](mailto:earlystagecapital@development.ohio.gov).

It is the responsibility of each applicant to ensure that DSA's Office of Small Business and Entrepreneurship receives the completed proposal before the submission deadline. Late proposals will not be reviewed or considered.

The applicant is solely responsible to ensure its Proposal is complete, accurate and complies with all requirements set forth in this RFP. Applicants are advised to read this RFP in its entirety to ensure a complete understanding of the Proposal requirements. In particular, the form, format and content of all Proposals must follow the directions provided within this Request for Proposals and content contained in Appendix B (Proposal – Submission Requirements).

The applicant must be willing and able to enter into a loan agreement with the State substantially in the form included as Appendix D.

Note: All costs incurred during the preparation, submission and review of a Proposal shall be borne by the Applicant and its team. Proposal preparation costs and/or Proposal consultancy costs are not recoverable from Ohio Third Frontier funds nor will they be considered as Cost Share to the Project. The state shall not otherwise contribute to or be liable for the costs of Proposal preparation.

## **3.2 Page Limitations**

Any pages beyond the page limits set forth in Appendix B will be eliminated from the proposal at the proposal selection stage (before the third party evaluation and underwriting) and may cause the proposal to be eliminated from consideration.

## **3.3 Communications**

### **3.3.1 Question and Answer Period**

Substantive questions and answers will be posted within the link "Frequently Asked Questions (FAQ)" within the [Commercial Acceleration Loan Fund Website](#). DSA reserves the right to edit questions for brevity and clarity. The Question and Answer Period ends at the Proposal Deadline, and thereafter there will be a prohibition on initiating further contact with DSA.

All questions regarding the RFP must be submitted in writing via email ([earlystagecapital@development.ohio.gov](mailto:earlystagecapital@development.ohio.gov)) with the subject line as described below:

CALF Q&A – {Short Description of Question} – {Company Name}

Example: CALF Q&A – Professional Investment Eligibility – ABC Company

### 3.3.2 Communication and Prohibited Contact

After the proposals are submitted for this RFP, the Commission reserves the right to request additional information from any or all applicants to assist in its evaluation process. However, no applicant, or others acting on its behalf, may initiate contact with any Commission member, DSA's external evaluators for this RFP, and/or DSA staff other than the method described in the above section "Question and Answer Period" about the Project during the Proposal period. The Proposal period is considered to be the date of Proposal submission through the date of the Commission's award.

If an applicant, and/or others acting on its behalf makes prohibited contact, DSA may eliminate the proposal from the RFP process.

### 3.4 Awards Process and Execution

Ohio Third Frontier uses a competitive, objective and transparent process to make awards to projects based on proposals that reflect meritorious content, sound outreach plans and high potential for positive impacts on the economic conditions in the State.

The Ohio Third Frontier Advisory Board helps prepare, and the Commission approves in open public meetings, the annual strategic plan providing the Ohio Third Frontier its directional framework and financial allocations. Following the Commission's direction, this RFP establishes specific award criteria and will be subject to a competitive peer review process. Thus, this RFP process complies with Section 184.02(B) of the Ohio Revised Code, which states:

*In addition to the powers and duties under sections 184.10 to 184.20 and 184.37 of the Revised Code, the Commission shall do all of the following: (1) Establish a competitive process for the award of grants and loans that is designed to fund the most meritorious proposals and, when appropriate, provide for peer review of proposals;...*

The Ohio Third Frontier's Awards Process will consist of: 1) proposal review and evaluation; 2) the award; and, 3) award agreement preparation and execution.

#### 3.4.1 Proposal Review and Evaluation Procedures

Only the most meritorious proposals are sought for funding. Proposals will be evaluated based on responsiveness to all the requirements of this RFP. Implicit in those requirements and evaluation criteria is the quality of the statement of work and budget. Upon receipt of proposals, DSA staff will review the proposals to screen for compliance with the RFP's requirements. Examples of proposal elements checked in the screening process include: eligibility, proposal completeness and likelihood to pass third-party evaluation. Proposals found to not comply with this RFP's requirements may be eliminated from the competition and not reviewed further.

Proposals will be scored based on the following criteria:

- Alignment of the proposal with the CALF purposes, goals, objectives, eligibility and funding requirements as described in Sections 2 and 3 of this RFP;

- Quality of the responses to the requirements of this RFP as outlined in Appendix B (Proposal – Submission Requirements);
- Financial review;
- Technology and market review; and
- Benefit to the State.

### **3.4.2 Award Decision**

Proposals recommended for funding will be presented, along with necessary programmatic details including information about funds available and program goals and criteria, at a public meeting (the Commission meeting). If requested, applicants must attend the Commission meeting at which the proposals are considered for funding. Both the external evaluator for this Ohio Third Frontier program and DSA staff will be available to respond to questions from Commission members.

Commission members will deliberate and exercise their independent judgment regarding award decisions based on all the information exchanged. The Commission may approve awards subject to conditions identified during its deliberation. The Commission acts by the affirmative vote of majority of its members. Applicants will be notified of the outcome of their proposals after the Commission makes its funding decisions.

### **3.4.3 Award Agreement Preparation and Execution**

Awards of Ohio Third Frontier funds will be made based on proposals as submitted (including any such modifications that may be identified during the review and evaluation process and as may be agreed by the applicant), the Project budget, and any conditions set forth by the Commission. Following Commission approval, an award must be approved by the State's Controlling Board, a legislative body that reviews appropriation of state funds. DSA will request Controlling Board following the Commission's funding decision. This process typically takes 45 to 60 days or more to complete following Commission approval.

DSA will prepare a loan agreement, substantially in the form of Appendix D, setting forth the terms and conditions upon which Ohio Third Frontier funds are awarded and the respective rights and obligations of the applicant and the State for the Project. The loan agreement will incorporate the proposal and Project budget, as either may have been modified during the RFP process.

A borrower is required to complete the Project as described in the borrower's Proposal as submitted, and with only those modifications as agreed by the borrower and DSA in finalizing the Loan Agreement. DSA will assign a program manager who will work with the borrower throughout the Project period. DSA staff and the borrower will develop performance metrics that will be used to measure progress of the Project consistent with the Loan Agreement.

Borrowers will be required to submit to DSA quarterly progress and metrics reports, as well as invoices and expenditures reports, to document achievement of Project milestones, to report Project-related success stories, and to submit post-Project completion annual reports for a period of time to be determined by DSA. All reports and invoices will be submitted in the form and format required by DSA, which are subject to change.

The applicant must be willing and able to enter into a loan agreement with the State of Ohio substantially in the form included in Appendix D (Form of Loan Agreement). Applicants that become borrowers must maintain eligibility while the loan is outstanding. A borrower that is no longer eligible or relocates out of the State forfeits its award and may be required to immediately

repay the State in the full amount of monies borrowed, plus all additional amounts required under the loan agreement.

### 3.5 Trade Secret Information

Applicants are strongly discouraged from including any information that is considered to be “trade secret,” as that term is defined in Section 1333.61(D) of the Ohio Revised Code. All information submitted in response to this RFP is public information unless a statutory exception exists that exempts it from public release under the Ohio Public Records Act in Section 149.43 of the Ohio Revised Code, such as Section 122.36 of the Ohio Revised Code. If any information submitted is to be treated as a trade secret, it must:

- Identify each and every occurrence of the information within the proposal with an asterisk before and after each line containing trade secret information and underline the trade secret information itself;
- Check the “does include” information considered a “trade secret” box within the FOI; and
- Identify “Does include information considered a Trade Secret” on the cover of the applicant’s proposal, and include a summary page immediately after the cover listing each page in the proposal that includes trade secret information and the number of occurrences of trade secret information on that page.

To determine what qualifies as trade secret information, refer to the definition of “trade secret” in Section 1333.61(D) of the Ohio Revised Code, which is reproduced below for reference:

*(D) “Trade Secret” means information, including the whole or any portion or phase of any scientific or technical information, design, process, procedure, formula, pattern, compilation, program, device, method, technique, or improvement, or any business information or plans, financial information, or listing of names, addresses, or telephone numbers, that satisfies both of the following:*

*(1) It derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use.*

*(2) It is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.*

DSA requires non-disclosure agreements from all non-DSA persons who may have access to proposals containing trade secret information, including evaluators.