



**Department of
Development**

Ted Strickland, Governor
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**Ohio Third Frontier
Pre-Seed Fund Capitalization Program
Fiscal Year 2011
Request for Proposals (RFP)**

- RFP Released – August 19, 2010
- Bidder's Conference – September 10, 2010 at 10:30 a.m.
TechColumbus, 1275 Kinnear Rd., Columbus, OH 43212
- Letters of Intent due by 2:00 PM – September 24, 2010
- Written Questions – through October 7, 2010
- Proposals due by 2:00 PM – October 22, 2010
- Review and Award approximately – January 2011



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TABLE OF CONTENTS

1	OHIO THIRD FRONTIER STATEMENT OF SOLICITATION	3
1.1	Background	3
1.2	Request for Proposals Issuance	4
1.3	The RFP Process	4
1.3.1	Release of RFP	5
1.3.2	Bidder's Conference (Optional)	5
1.3.3	Letter of Intent	5
1.3.4	Questions and Answers	5
1.3.5	Submittal of Proposal	6
2	PROGRAM DESCRIPTION	6
2.1	Purpose	6
2.2	Goal and Objectives	7
2.3	Eligibility	7
2.3.1	Subject Matter	7
2.3.2	Lead Applicant	8
2.3.3	Collaborators (including Limited Partners / Private Investors)	8
2.4	Funding and Cost Share	9
2.5	Term of Project	9
2.6	Major Changes from FY10 RFP	9
3	GENERAL PROPOSAL REQUIREMENTS	10
3.1	General Instructions	10
3.2	Trade Secret Information	11
3.3	Order and Content of Proposal Sections	11
3.3.1	Application Information Page	11
3.3.2	Trade Secret Information	12
3.3.3	Lead Applicant and Collaborator Information	12
3.3.4	Abstract	12
3.3.5	Table of Contents	12
3.3.6	The Opportunity	12
3.3.7	Operations	13
3.3.8	Success and Track Record	14
3.3.9	Projected Economic Impacts and Regional Priorities	15
3.3.10	Experience and Qualifications	15
3.3.11	Budget	16
3.3.12	Collaborator Information/Letters of Commitment	18
3.4	Page Limitations	19
4	AWARD PROCESS	19
4.1	Proposal Review and Evaluation Procedures	19
4.2	Evaluation Criteria	21
4.3	Award Decision	22
4.4	Award and Grant Agreement Preparation and Execution	22
4.5	Mandatory Compliance	23
4.5.1	Human and Animal Research	23
4.5.2	Obligations to the State; Compliance with Laws	24
4.5.3	Compliance with EO2010-09S	24
4.5.4	Other Compliance	25
5	APPENDICES	25
6	ATTACHMENT EO	25

Ohio Third Frontier Pre-Seed Fund Capitalization Program

Fiscal Year 2011 Request for Proposals (RFP)

1 Ohio Third Frontier Statement of Solicitation

1.1 Background

The Ohio Third Frontier (OTF) represents an unprecedented and bipartisan commitment to expand Ohio's technological strengths and promote commercialization that leads to economic prosperity throughout Ohio. Designed to build world-class research programs, nurture early-stage companies, and foster technology development that makes existing industries more productive, OTF creates opportunity through innovation. In targeted areas of technology, the multi-year, State of Ohio initiative supported with over \$2 billion is catalyzing the growth of existing and emerging industry clusters by:

- Increasing the quantity of high-quality research that has commercial relevance to Ohio companies;
- Expanding access and availability of investment capital to create, grow, and attract technology-based enterprises;
- Growing and nurturing an increasingly experienced pool of entrepreneurial management talent;
- Addressing the technical needs of existing companies pursuing new products and production processes; and,
- Contributing to the expansion of a technologically proficient workforce.

Consistent with the strategic goals, OTF investments represent a balanced portfolio of programming that proactively identifies opportunities throughout the Technology Commercialization Framework (Framework). As a result, all OTF Programs share a common goal — to promote technology-based economic development within Ohio by funding activities that move technology from idea to market. This goal requires the State to design programs, evaluate proposals and projects, leverage resources, and provide management oversight within the context of the Framework.

Adopted early in the life of OTF, the Framework is a commonly accepted model and language for representing how a technology moves from the laboratory through various stages of commercialization and into the marketplace. The Framework facilitates strategic and programmatic planning, communication of expectations to program applicants and award recipients, and the development of meaningful metrics.

The ultimate utility of the Framework is that it aids understanding of the real world market gaps that hinder the commercialization process for companies and industries in Ohio. Historically, new technologies and companies are most at risk in the incubating and demonstrating phases of the Framework, commonly called the "Valley of Death." Therefore, a significant portion of Ohio Third Frontier resources has gone to programs that directly address those stages.

It is expected that every proposal seeking OTF funding will clearly demonstrate its understanding of the Framework, and will be able to articulate its scope of work within the Framework's model. To learn more about the guiding principles contained within the Framework, please see [Appendix A](#).

1.2 Request for Proposals Issuance

This Request for Proposals (RFP) is being issued for grants to be awarded under OTF. The Ohio Third Frontier Commission (OTFC) reserves the right to fund 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 OTFC determines that doing so is in the best interests of the State of Ohio. Issuing this RFP does not bind the State to make an award of Grant Funds. Any award of Grant Funds in respect to this RFP will be subject to availability of funds as provided in Ohio Revised Code Section 126.07.

All capitalized words and phrases not otherwise defined in this RFP have the meanings given them in [Appendix B – Definitions](#).

All costs incurred in preparation of a Proposal shall be borne by the Lead Applicant and its team. Proposal preparation costs and/or proposal consultancy costs are not recoverable from Grant 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.

If requested, Lead Applicants must attend the OTFC meeting at which proposals will be considered for funding. The funding decisions of OTFC are final. All Lead Applicants will be notified of the outcome of their applications after OTFC makes its funding decisions. Award of Grant Funds is subject to approval of the State's Controlling Board. If requested, Lead Applicants selected by OTFC for funding must attend the Controlling Board meeting at which their applications for funding are to be considered.

The Ohio Department of Development (Development) administers this RFP. Development reserves the right to adjust the dates for this RFP for whatever reason it deems appropriate. Development's Technology and Innovation Division will administer all Grants made under this RFP.

1.3 The RFP Process

The RFP process will consist of the following steps:

- Release of RFP
- Bidder's Conference (Optional)
- Letter of Intent
- Questions & Answers (Q&A)
- Submittal of Proposals

Each of these steps is discussed below.

1.3.1 Release of RFP

This RFP will be released by publication on the OTF website:
www.thirdfrontier.com

1.3.2 Bidder's Conference (Optional)

A Bidder's Conference will be held regarding this RFP. Attendance is encouraged, but is not mandatory. The conference will include a presentation by Development covering the intent and purpose of this RFP, the requirements of this RFP, and the evaluation process that will be used to determine awardees. Prospective Lead Applicants may submit written questions regarding this RFP to Development staff at the Bidder's Conference. Answers to such questions will be provided at the Bidder's Conference and posted on the OTF website.

1.3.3 Letter of Intent

A prospective Lead Applicant must submit a Letter of Intent (LOI) as a condition to submitting a Proposal. The LOI must include the following information: the prospective Lead Applicant's name, address, phone number, contact person, including email address for the contact, proposed Project title, estimated Grant Funds to be requested, known Collaborators, and a one page summary of the proposed Project. Please note, no proprietary or trade secret information may be included in the LOI as these records will be posted on the internet in their original format. Submitting an LOI does not obligate the prospective Lead Applicant to submit a Proposal. A Proposal will not be reviewed unless an LOI for such Proposal has been submitted by the LOI deadline.

Development will issue to each prospective Lead Applicant that submits an LOI an identification number for the anticipated Proposal. The identification number must appear on the Application Information Page of the Proposal. See Appendix C – Forms. Those submitting an LOI will be notified of their LOI number when the full text of the LOI and its respective assigned number is posted to the RFP website. The posting will occur within one week of the LOI submission deadline.

The LOI must be submitted by e-mail and received before the LOI deadline. The e-mail should be addressed to OTFPFCP2011@development.ohio.gov with "2011 OTFPFCP LOI" appearing in the subject line. Development is not responsible for any technological errors that result in a late submission, and any late LOI submissions will not be considered.

1.3.4 Questions and Answers

All questions regarding this RFP must be submitted in writing via email. Substantive questions and answers will be posted in a Frequently Asked Questions section on the OTF website. Questions should be sent to OTFPFCP2011@development.ohio.gov with a subject line "OTFPFCP Q&A." Development reserves the right to edit questions for brevity and clarity and to consolidate the same general question if received from more than one individual.

1.3.5 Submittal of Proposal

It is the responsibility of each Lead Applicant to ensure that Development's Technology and Innovation Division receives Proposals at the prescribed place and by the submission deadline. Late Proposals will not be reviewed.

A Lead Applicant must ensure that a Proposal submitted in response to this RFP complies with all the requirements set forth in this RFP. All Lead Applicants are advised to read this RFP carefully to ensure a complete understanding of the Proposal requirements. In particular, the form, format, and content of all Proposals must follow the directions provided in Sections 2, 3 and 4 and use the forms presented in [Appendix C](#).

The Lead Applicant is solely responsible to ensure its Proposal is complete, accurate, responsive to the requirements of this RFP, and received by Development's Technology and Innovation Division on time. Upon timely receipt of the Proposal, Development staff will conduct an administrative review using an established written protocol to screen proposals for compliance with the objective content requirements defined in this RFP. Examples of proposal elements checked in the screening process include missing or incorrect budget forms, insufficient documentation of cost share, and failure to include letters of commitment from collaborators. Proposals complying with the RFP requirements are forwarded to an external evaluator for technical review. Proposals found to not comply with this RFP's requirements may be eliminated from the competition and not reviewed further.

2 Program Description

2.1 Purpose

Entrepreneurship is a driving force of innovation and economic growth, yet entrepreneurs face significant challenges in transforming a commercial opportunity into a viable business. It has long been recognized that risk capital is the lifeblood of technology-based ventures. In response to the need for increasing the availability of risk capital at all stages of company development, the State of Ohio has created a number of programs via OTF and related initiatives to catalyze investments.

Specifically, to date, OTF has helped establish Ohio as a leading location for early-stage risk capital investment through the capitalization of 50 Pre-Seed Funds. By providing Pre-Seed Fund Capitalization Grants, OTF has successfully expanded the number of professionally managed, pre-seed/seed investment funds to support promising start-up technology companies. Through these investments, OTF has stimulated the growth of emerging technology start-up companies and is catalyzing the conversion of the State's economy through new, innovative, and successful opportunities for economic growth.

2.2 Goal and Objectives

The goal of the Ohio Third Frontier Pre-Seed Fund Capitalization Program (OTFPFCP) is to increase the number of professionally managed Pre-Seed Funds investing throughout Ohio that in turn:

- Increases the amount of early stage capital being invested in technology-based start-up Ohio companies in the Imagining, Incubating, or Demonstrating phases of commercialization;
- Creates a risk capital climate that supports the development, retention, and attraction of investable technology companies in Ohio; and,
- Builds a pipeline of technology company deal flow that increasingly attracts the resources of venture capital firms both within and outside of Ohio.

The specific objectives of the FY2011 OTFPFCP are to:

- Provide investment capital to new Pre-seed Funds that will provide capital to early-stage technology companies; and,
- Provide investment capital to proven existing Pre-Seed Funds and/or to the management teams of existing Pre-Seed Funds that will provide capital to its' existing portfolio companies in addition to new early stage technology companies.

It is the expectation that Proposals selected for award will invest the vast majority of its Pre-Seed Fund in Ohio technology companies that are primarily in the Imagining, Incubating, or Demonstrating phases of commercialization. As is characteristic of businesses in one of these three phases of commercialization, the companies will, in almost all cases, not be sufficiently mature to attract venture capital funds or other forms of commercial financing.

2.3 Eligibility

2.3.1 Subject Matter

OTF has determined that OTFPFCP will fund only the highest scoring grant proposals in which a Fund is structured to:

- Invest in the following technology areas: Biomedical, Advanced/Alternative Energy, Instruments-Controls-Electronics, Advanced Materials, and Advanced Propulsion. Information Technology is considered an enabling field that supports research and commercialization in all technology areas, and hence, is eligible as long as the IT applications or ultimate customers of the IT business are consistent with the key industry sectors identified within the Ohio Department of Development Strategic Plan;
- Invest either in new opportunities or to provide follow-on funding to existing portfolio companies that need additional financing;
- Invest in existing Ohio companies or in companies that will relocate to Ohio as a condition of the investment; and,

- Have a formal relationship with the regional ESP involving deal sharing, an exchange of services, and established processes for the commitment of resources to joint opportunities. If not, the Pre-Seed Fund must establish such a relationship. All Proposals must provide evidence of the relationship.

2.3.2 Lead Applicant

The Lead Applicant should have relevant investment and financial experience with technology commercialization start-up companies.

Eligible Lead Applicants for this program are organizations (for-profit or not-for-profit) based in Ohio or with a Principal Place of Business in Ohio. The Lead Applicant must have a federal tax identification number and be registered to do business in Ohio.

Each Proposal must designate one Lead Applicant, which will be responsible for the administration of any Grant Funds awarded. The Lead Applicant must also serve as both administrative and business director of the Project. Each Lead Applicant must retain a significant amount of funding with which it will provide value added services. That is, proposals that contain Lead Applicants that only pass the funding through to partners will not be deemed competitive. Each Proposal must include at least one Collaborator.

All Lead Applicants for Pre-Seed Funds must prepare and submit an Ethics Policy relative to its investment activities and conflicts of interest. Content of this policy should meet the minimum requirements as defined in Appendix B. The Ethics Policy to be adopted and enforced by the Applicant must be included as an Exhibit in the Proposal.

Lead Applicants that become Grantees must maintain eligibility while the grant is open. A Grantee that loses eligibility forfeits its award and may be required to repay the State of Ohio the full amount of the monies it has received, plus interest.

There is no limit to the number of proposals that an eligible organization may submit.

2.3.3 Collaborators (including Limited Partners / Private Investors)

All proposals for OTFPFCP must contain at least one Collaborator.

Lead Applicants may obtain the assistance of Collaborators to provide services or to provide Cost Share, as needed. All Collaborators must submit either or both of a Collaborator Commitment Form and Cost Share Commitment Letter, as described in section 3.3.12 of this RFP, signed by a representative authorized to commit the Collaborator to the proposed Project. The Lead Applicant should only include a Collaborator Commitment Form from Collaborators who will provide a substantial, well-defined commitment of resources critical to the success of the Project or will be providing significant services with a sub-award of Grant Funds. If a Collaborator will provide Cost Share, the Lead Applicant should submit both a Collaborator Commitment Form and a Cost Share Commitment Letter. The Cost Share Commitment

Letter should clearly indicate whether the Cost Share is a Current Commitment or a Future Commitment.

2.4 Funding and Cost Share

Development anticipates awarding up to \$10 million in grants through the FY11 OTFPFCP. Grant requirements are outlined below:

- The Lead Applicant's plan must be based on a grant in the range of \$500,000 - \$2 million;
- The Lead Applicant may use up to 10% of Grant Funds awarded for Due Diligence;
- The Lead Applicant may use up to 10% of Grant Funds awarded for Enhanced Management Services;
- The Lead Applicant must meet or exceed the Cost Share requirement of \$1 of Cost Share for every \$1 of Grant Funds (i.e., a ratio of 1:1). The Lead Applicant is ultimately responsible for insuring that all proposed Cost Share is met, regardless of the original planned Cost Share providers, and that all reporting requirements are met; and,
- The Lead Applicant may draw on the Grant Funds to make investments in Ohio technology companies or to reimburse itself or collaborators for approved Due Diligence or Enhanced Management Services expenses. However, before reimbursements will be authorized, the Grantee must present to Development proof that the Grantee has current access to Cost Share in an amount dictated by the Cost Share ratio contained in the Proposal.

2.5 Term of Project

Access to capital is a major hurdle for most entrepreneurial ventures, currently being compounded by the fact that the early-stage, high-risk capital markets have not recovered from the global economic crisis. Applicants are therefore encouraged to invest expeditiously while still maintaining appropriate levels of diligence. But in no case, can the applicant's investment period be longer than three (3) years. Therefore, the term of OTFPFCP Grant Agreements will be a maximum of three (3) years. The Project Period will extend from the Effective Date through the Project Completion. Proposals that put the Grant Funds to use over a shorter time frame will be viewed favorably.

2.6 Major Changes from FY10 RFP

Differences between the FY 2011 OTFPFCP and the FY 2010 Third Frontier Success & Pre-Seed Fund Initiative are that:

- There is no requirement for Lead Applicants to have been a previous fund manager under a grant to the Ohio Third Frontier; and,

- Proposals will not be accepted that will provide both investment capital and entrepreneurial services in one proposal.

3 General Proposal Requirements

3.1 General Instructions

- Submit Letter of Intent and receive a Letter of Intent ID Number from Development.
- Submit separate Proposals for each proposed Project.
- Proposals must be submitted in the following manner:
 - One original paper copy marked as “Original”, three additional paper copies marked “Copy” and two CDs each containing a complete single, unlocked PDF file of the Proposal.
- Proposals must be received at the location specified below before the RFP closes. Proposals may not be submitted by fax or email.

Ohio Department of Development
 Technology and Innovation Division, Attention: OTFPFCP
 77 South High Street, 25th Floor
 Columbus, OH 43215

- Proposals are to be submitted on 8.5 x 11-inch paper.
- Margins must not be less than $\frac{3}{4}$ of an inch on all sides, with the exception of forms found in [Appendix C](#) of this RFP.
- Font must be 11 point or larger with no more than 6 lines per inch.
- All pages must be numbered consecutively using the format “Page [#] of [total number of pages]” (e.g., Page 2 of 25).
- The Proposal title, Lead Applicant name, and Letter of Intent number must appear at the bottom of each page.
- Proposals should not include color figures that cannot be understood when photocopied in black and white.
- The first page of the Proposal must be the Application Information Page.
- Do not include a cover or cover letter other than the Application Information Page.
- Proposals must be stapled once in the upper left hand corner and must not be bound.

3.2 Trade Secret Information

All Lead Applicants are strongly discouraged from including in a Proposal any information that the Lead Applicant considers to be a “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. If any information in the Proposal is to be treated as a trade secret, the Proposal 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 “This Application Does include information considered a ‘trade secret’” box on the Applicant Information Page.
- Include a page immediately after the Application Information Page that lists 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 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.

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

3.3 Order and Content of Proposal Sections

3.3.1 Application Information Page

The first page of the Proposal must be the completed Applicant Information Page found in [Appendix C](#) to this RFP.

3.3.2 Trade Secret Information

This section of the Proposal must disclose any trade secret information included in the Proposal. This page is only required and must be included if there is any information to be treated as a trade secret in the Proposal. Follow the instructions in Section 3.2 of this RFP.

3.3.3 Lead Applicant and Collaborator Information

Complete and include the Lead Applicant Contact Information Page. One individual may serve in more than one capacity.

Complete and include the Collaborator Information Form for each Collaborator. Include the lead individual for each Collaborator on this form. Additionally, for each Collaborator organization, a Letter of Commitment must appear in an Appendix to the Proposal and Budget Form 3 must be included.

3.3.4 Abstract

Prepare an Abstract that summarizes the proposed Project and its expected commercial and economic outcomes. This section should minimize use of jargon and technical language and be written so that a non-technical person can understand it. This section will be used in public documents, including press releases, and must be understandable by the general public. The Abstract may not contain any trade secret information.

3.3.5 Table of Contents

Prepare a Table of Contents with detail for three levels of headings in the Proposal. All Lead Applicants must use the requirements in this section of this RFP for the level 1 and 2 headings. This section should also include a list of Charts, Figures, and Tables that appear in the Proposal with a page number for each.

3.3.6 The Opportunity

Briefly summarize the opportunity to invest the vast majority of its Grant Funds in Ohio technology companies that are primarily in the Imagining, Incubating, or Demonstrating phases of commercialization. In other words, describe the opportunity to invest in Ohio companies that are well-positioned to attract follow-on funding and advance to the next phase of commercialization. In this section, the Lead Applicant should address in as specific and quantitative terms as possible, the following:

- The Lead Applicant's focus in terms of geography, technology and/or market, investment structure (e.g. equity, grant, convertible debt, etc.), investment size, investment phase, and investment use (see bullets below for additional details);
- The ideal opportunity or company the Lead Applicant will target for investment (e.g. industry, phase of commercialization, company size, etc.);
- The outcomes the Lead Applicant intends to generate;

- To the extent applicable, the exit timing and mechanisms;
- Evidence of a high quality and ongoing source of quality deal flow at the applicable phase of investment; and,
- In the communities and geographic areas to be served by the Lead Applicant, address the following as they relate to the Lead Applicant's intended focus and deal flow: (1) existing technology-based companies; (2) an active investment community seeding technology-based companies; and (3) private and public economic development entities encouraging business formation and growth. Identify those activities and resources most likely to have a material and positive impact on the activities of the Lead Applicant.

3.3.7 Operations

Briefly describe how the Lead Applicant will manage the proposed project. In this section, the Lead Applicant should address in as specific and quantitative terms as possible, the following:

- Identify each of the Cost Share providers and specifically indicate the amount, timing and terms of their commitments. Indicate whether the commitment is a Current Commitment or a Future Commitment. If the Proposal includes a Future Commitment (in whole or in part), describe the plan and related timing to secure the required Cost Share. Provide a completed Cost Share Commitment Letter from each Cost Share provider.
- Explain the primary components of the investment process, including, but not limited to, opportunity identification, opportunity qualification, investment decision-making (for investing capital or providing services), and investment management. Especially in the cases of Lead Applicants proposing Not-for-Profit Funds, describe how the Lead Applicant will introduce private sector judgment, influences and incentives into the investment decision-making process.
- Describe the Lead Applicant's process and mechanism for tracking and reporting to Development the information necessary to provide Development with reports that are consistent with the Framework and the ABC Metrics.
- Describe the Lead Applicant's history of collaboration with the ESP, previous OTF-funded Pre-Seed Funds, regional organizations, or other state-supported organizations in connection with the commercialization of technology-based opportunities in the Imagining, Incubating, or Demonstrating phases of commercialization. In the case of existing Pre-Seed Funds that are not part of the ESP, the Lead Applicant should provide evidence of prior collaborations with the ESP and other recipients of OTF grants.
- Whether or not the Lead Applicant plans to use up to 10% of the Grant Funds to perform necessary Due Diligence services, the Lead Applicant should describe in detail its approach to performing Due Diligence. The description should cover staffing, process, access to required expertise,

reporting, and the source of resources (financial and other) required to perform Due Diligence. If the Fund plans to use a portion of the Grant Funds (up to 10%) to fund Due Diligence expenses, the Lead Applicant must explain the need to use the Grant Funds for Due Diligence rather than investment and then detail the use of such funds as well as other resources available to perform the specific Due Diligence described in response to the first sentence of this paragraph.

- If the Lead Applicant plans to use up to 10% of the Grant Funds to fund Enhanced Management Services, the Lead Applicant should describe in detail the specific types of Enhanced Management Services it believes are necessary, its approach to providing or securing such services, and an explanation for the need to use Grant Funds for Enhanced Management Services rather than investment. The description should also summarize the terms of any service relationships and how the Lead Applicant will allocate the services and assess their impact.

3.3.8 Success and Track Record

Lead Applicants must provide the following additional information regarding the performance of each prior grant from the OTF, if applicable. This separate narrative section is limited to 5 pages, and shall include:

- A written explanation that is similar to a “Management Discussion and Analysis” section in a company annual report summarizing the success and track records of previous funds.
- An explanation of material successes and failures highlighting information from historical financials of any earlier Pre-Seed Fund(s) (e.g. income statement, balance sheet, cash flow statement, and distributions and calculated IRR in accordance with GAAP). Financial statements/spreadsheets can be attached as appendices and will not count against the five (5) page limit.
- Detailed existing Pre-Seed Fund performance data in a form that is consistent with the Semi-Annual Metrics Reports, Quarterly Reports, and the Final Report for every prior OTF Grant(s). The performance data should include:
 - Deal flow (number and disposition of all deals).
 - A list of investments including dates, amounts, phase of commercialization, and form of investment.
 - A list of co-investors (those that invested concurrently with the existing Pre-Seed Fund’s investment or the Lead Applicant’s commitment of services).
 - A list of follow-on investors (those that invested subsequent to the existing Pre-Seed Fund investment) that invested in whole or part because of the investment by the existing Pre-Seed Fund. The list should identify the follow-on investor, and indicate the date and amount of the follow on investment. (A Metric)

The Lead Applicant should refer to the detailed explanations of the ABC Metrics included in [Appendix A](#) of this RFP for additional guidance on the presentation of evidence of success in the form of A Metrics.

3.3.9 Projected Economic Impacts and Regional Priorities

- **Impact on Ohio.** Demonstrate how the Grant Funds will have an impact on Ohio in one or more of the following areas: job creation (for-profit, not-for-profit, retained); personal wealth (average salary of jobs created); new sales of products; companies created or attracted to Ohio; follow-on investments (all stages of venture capital) and the receipt of new public or private funding (federal, industry, other) for companies that fit within the expressed mission OTF; talent recruitment; and enhanced Ohio, national and/or international recognition, which leads to further interest and potential sources of funding and collaboration.
- **Alignment with Regional Priorities.** Identify regional economic development initiatives and discuss how the requested Grant Funds will support those priorities.
- **Potential for Leverage.** Grantees are expected to leverage OTF grants with other sources of non-state funding. Performance is evaluated and measured on the ability to acquire sufficient additional financial resources – such as from federal agencies, industry organizations, and private investors – to continue the research and commercialization activities during and beyond specific OTF funding. Goals and plans for leveraging State Grant Funds will be considered in the evaluation process.

3.3.10 Experience and Qualifications

Summarize the experience and qualifications of the individuals or entities (in the case of contractors) primarily responsible for the management of the Pre-Seed Fund. The summaries should include relevant work history, investment and financial experience, technology commercialization experience, project management experience, and educational attainment. The summaries should focus only on the relevant experience. For example, relevant experience would include serving as a partner or principal in a validation, early stage, seed, growth or mezzanine private equity fund, or substantial involvement in government-related economic development programs involving direct investment in entities in the Imagining, Incubating, or Demonstrating phases of commercialization. In connection with each individual or entity identified in this section, the Lead Applicant should also provide:

- Not more than two references each. The reference must be able to speak to experience, track record, management skills, and expertise with servicing, operating, or investing in entities in the Imaging, Incubating or Demonstrating phases of commercialization.
- A brief description of industry contacts or capabilities that the general partners, principals, managers, or to a lesser extent, limited partners and

other Cost Share providers and Collaborators bring to the management of the Pre-Seed Fund. A brief (not more than 250 words) description of the Lead Applicant which shall include, as applicable: type of organization, date established, and parent company / organization information. This information will be placed into files which are a matter of public record. Do not include any trade secret information in this description.

3.3.11 Budget

In this section, the Lead Applicant is to provide a detailed budget, forecast, and related explanations. In preparing the budget and forecast, the Lead Applicant must use the applicable budget forms contained in Appendix C.

The detailed budget, forecast, and related explanations must:

- Prepare a projection of A Metrics that the Lead Applicant believes it, as well as any sub-grantees, will attract.
- List the amount of Cost Share from all sources and indicate whether the Cost Share is a Current Commitment or a Future Commitment. For each source of Cost Share submit a completed Cost Share Commitment Letter signed by an authorized officer of the source.
- On the Budget Forms, provide a detailed budget indicating projected median case cash flows for the Lead Applicant, as well as any sub-grantees. The Lead Applicant should then supplement the Budget Forms with a detailed explanation of all material assumptions and line items (the "Budget Detail"). The Budget Detail should supplement and explain the yearly cash flow projections throughout the Project Period with an explanation of the underlying assumptions. In the Budget forms, indicate cash inflows as positive numbers and cash outflows as negative numbers.

As noted, the Lead Applicant should also include Budget Detail that explains any material line item relating to the source or use of Grant Funds or Cost Share. The purpose of the Budget Detail is to help convey a complete understanding of the budget and related assumptions.

Cost Share Requirements – Magnitude: The monetary value of the Cost Share commitment must be at least one dollar for every dollar of State Grant Funds requested (i.e., a ratio of 1:1). All Cost Share must be identified in the Proposal by amount, proposed use, and source. If the Cost Share ratio reflected in a Proposal exceeds 1:1, the higher Cost Share ratio will be used as a requirement for a grant awarded to that Proposal.

Cost Share must be documented on the budget forms and in a commitment letter from each organization contributing Cost Share and be signed by a representative authorized to commit the organization to the proposed Project and the Cost Share described. The Cost Share must represent a specific new commitment of cash to the Project described in the Proposal.

A Lead Applicant may, in its Proposal, bid both Current and Future Cost Share Commitments. However, prior to signing the Grant Agreement all Cost Share must be in the form of a Current Commitment unless otherwise indicated in

the applicable Grant Agreement. All draws on the Grant Funds must include a draw on Cost Share in an amount proportionate to the ratio of Cost Share contained in the Proposal. The Cost Share and the Grant Funds must flow through the books of the Grantee and must be included in the approved budget of the grant award.

Within 90 days of the beginning of the Project Period, all Grantees must select an escrow agent who is a public depository; a list of the approved public depository banking institutions will be provided by Development. Grantees must then sign an escrow agreement; an acceptable form will be provided by Development. Grantees may then receive an initial advance payment of up to 15% of the total grant award. Subsequent payments shall be made following the receipt of a written request and are subject to approval of performance reports. Transfer of Grant Funds into an Escrow Account is subject to the following conditions:

- The Cost Share must be in the form of a Current Commitment; and
- The Cost Share must be currently available for draw by the Grantee.

Cost Share Requirements – Sources: Cost Share must be in the form of cash (see [Appendix D](#) for additional details). Cost Share must be expended during the Project Period. Cost Share must be charged to resources of the Lead Applicant or Collaborator and documented in the financial books of the Lead Applicant or Collaborator, as the context requires. Prior OTF funding may not be used as Cost Share for this Proposal, and funds awarded under this RFP may not be used as Cost Share against other OTF Projects. All Cost Share reported is subject to audit.

Cost Share Requirements – Constraints: Resources that have already been designated as Cost Share for some other award cannot be used as Cost Share for an OTFPFCP award. The Cost Share must be applied to the Project during the Project Period.

The Lead Applicant is solely responsible to have adequate funds to cover all expenses of the Project not covered by the Grant Funds awarded.

Grantees will be held accountable for the Cost Share ratio committed in the Proposal (Cost Share pledged divided by State Grant Funds requested) regardless of the actual amount of Grant Funds awarded. If a Lead Applicant proposes a higher Cost Share ratio than required, the Lead Applicant and its Collaborators may not, at any time later, lower the Cost Share ratio.

Budget Forms: A Lead Applicant must use the Budget Forms contained in [Appendix C](#) of this RFP. The following Budget Forms are contained in [Appendix C](#).

Budget Form 1-Total Budget Plan for Lead Applicant and All Collaborators (Appendix C) is to be used to present the total budget plan (not to exceed three years) for expenditure of Grant Funds and all Cost Share by the specific use categories listed on the form. The Budget Plan should include the expenditure of Cost Share at least in proportion to the ratio of Cost Share to Grant Funds contained in the Proposal. Grant Funds may not be

used for the purchase or lease of capital equipment or other similar durable assets. Collaborator expenses should be broken out into individual expense categories on this form. Due diligence and enhanced management services are limited to not more than ten percent each of the amount proposed.

Budget Form 2 (Appendix C) is to be used to show the key financial and operating projections for the life of the Pre-Seed Fund, from inception through liquidation of all investments and distributions to investors.

The completed Budget Form 2 should also include a projection of A Metrics that the Lead Applicant believes the Pre-Seed Fund will attract. For a Pre-Seed Fund, an A Metric is the amount of follow-on funding for Fund portfolio companies from new investors not including State-supported Pre-Seed Funds. For a more detailed explanation of A Metrics, refer to [Appendix A](#).

On this Form, use the projected median case cash flows for the Fund. The budget should be completed in conjunction with and in support of the Proposal narrative. This form should be prepared on a cash basis, with cash inflows as positive numbers and cash outflows as negative numbers.

Budget Form 3-Source of Cost Share (Appendix C) requires the Lead Applicant to report the sources of all Cost Share from itself and all Collaborators. A Letter of Commitment on the Cost Share sources letterhead, signed by an authorized representative, must support each Cost Share amount claimed. Future Commitments to Cost Share are allowed, and the Lead Applicant accepts full responsibility for securing and delivering these commitments. Such acceptance must be documented by the Lead Applicant in a letter that specifically states that it understands and accepts this responsibility.

3.3.12 Collaborator Information/Letters of Commitment

A Commitment Letter must be provided for each Cost Share provider and Collaborator identified. Commitment letters may not be more than two (2) pages and may not include appendices or attachments. The letters must:

- Be submitted on the letterhead of the Collaborator;
- Include the name of the Lead Applicant, the title of the Proposal, and the LOI number assigned by Development;
- Briefly state the nature of the collaboration;
- State the duration of the collaboration;
- State the resources, other than Cost Share, the Collaborator is committing to the proposed Project;
- State how the proposed Project will contribute to the strategy of the Collaborator;
- State the specific amount of the commitment that matches the Cost Share amount on the corresponding Budget Form 3;

- State the source of the commitment;
- State when the committed resources will be available to the Lead Applicant;
- Be dated and signed by a representative of the Collaborator with the authority to make the Cost Share commitment.

General support letters are not allowed. Any such letters submitted will be removed from the Proposal and not transmitted to the external evaluation team.

3.4 Page Limitations

Any pages beyond the page limits listed below will be eliminated from the Proposal before it is sent for technical review and evaluation. Except as otherwise noted, appendices or other methods to augment the information presented in the Proposal are not allowed. Reference to web-based information to supplement the Proposal is not permitted, and such references will not be considered in the evaluation.

- Abstract – 1 page
- The Opportunity and Operations – 10 pages
- Success and Track Record – 5 pages
- Projected Economic Impacts and Regional Priorities – 2 pages
- Experience and Qualifications – 5 pages total including the Lead Applicant and all Collaborators
- Biographical Sketches – 5 pages (A maximum of five (5) biographical sketches of Key Personnel with each bio limited to one (1) page)
- Budget – use specified forms
- Budget Narrative – Minimum of 2 and maximum of 4 pages total
- Collaborator Information/Letters of Commitment (A maximum of 2 pages per letter and letters may only be submitted from Collaborators as defined in section 2.3.3 of this RFP. Letters may not have attachments or appended materials of any kind.)

4 Award Process

4.1 Proposal Review and Evaluation Procedures

OTF uses a competitive, objective, and transparent process to make awards to projects based on proposals that reflect meritorious scientific and technical content, sound business and commercialization plans, and potential for positive impacts on the economic conditions in Ohio.

An annual strategic plan, recommended by OTFAB and approved by OTFC in open, public meetings, drives program framework and budget allocations. Following the

OTFC established program framework, this RFP establishes specific award criteria and describes in detail the competitive peer review process. This RFP process complies with ORC Section 184.02 (B) which states:

*In addition to the powers and duties under sections 184.10 to 184.20 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.*

Upon receipt of proposals, Development staff will conduct an administrative review using an established written protocol to screen proposals for compliance with the objective content requirements defined in the RFP. Examples of proposal elements checked in the screening process include missing or incorrect budget forms, insufficient documentation of Cost Share, and failure to include letters of commitment from Collaborators. Proposals complying with the RFP requirements are forwarded to an external evaluator for technical review. Proposals found to not comply with this RFP's requirements may be eliminated from the competition and not reviewed further.

The external evaluator has been selected for their expertise relevant to the technical and commercial content of the OTF program. The external evaluator will conduct a first-stage review using its proprietary methodology applied in a manner that takes account of evaluation criteria from this RFP. A set of proposals determined by the external evaluator to meet the charge of this RFP (i.e., "fundable") will be moved to the second stage of review in which applicants will address questions in face-to-face meetings with representatives of the external evaluator.

Taking into consideration the information contained in written proposals and answers to questions and information gathered during the face-to-face meetings, the external evaluator will analyze their findings for all proposals included in the second stage review, and will prepare a rank ordering of the proposals that is based on their relative merits.

The external evaluator will then prepare a written report, which will be delivered to Development staff. Development staff will provide OTFC members with the external evaluator report, including the rank ordering of second-stage proposals, together with information about the amount of funding available for program awards and additional information relevant to funding decisions as described below. These written materials will be distributed to OTFC members prior to the scheduled public meeting date at which award decisions will be made.

In considering proposals, OTFC has routinely solicited information from Development staff that OTFC members believe is relevant to their funding decisions. To ensure that consistent information is provided for all proposals being considered for funding, OTFC has directed Development staff to provide the following information regarding proposals presented for potential funding:

1. Past performance of the Lead Applicant for each Proposal and its team (to the extent a Lead Applicant has prior experience with an OTF program), which includes information related to prior grants with respect to:
 - a. Leverage ratio achieved;

- b. Number of jobs created;
 - c. Cost per job created;
 - d. Average salary of job created; and,
 - e. History of grant amendments related to original scope of work.
2. The proposed Project's strategic fit with prior Third Frontier investments, Development's Strategic Plan, the Ohio Board of Regent's Strategic Plan, and other State investments; and
 3. Factual business intelligence relevant to describing the Ohio economic development opportunity.

The Development staff report of this information will be completed prior to the external evaluator delivering its findings and rank ordering to Development, and the staff report will be included in written materials delivered to OTFC prior to the scheduled public meeting date at which funding decisions are to be made. At no time prior to the scheduled public meeting date will Development staff make funding recommendations, written or otherwise, to OTFC.

4.2 Evaluation Criteria

Only the most meritorious proposals are sought for funding. Proposals passing the administrative review will be evaluated based on responsiveness to all the requirements of this RFP and on the Lead Applicant's response to any additional information that may be requested by the external reviewers. Implicit in those requirements and evaluation criteria is the quality of the work plan, budget and Cost Share. Equally important is the ability of the Lead Applicant to leverage the State's resources and raise the required Cost Share. The ability of the Lead Applicant to raise additional Cost Share can improve the final evaluation score. Lead Applicants will be held to the Cost Share bid in the Proposal submitted, and the original bid ratio will apply regardless of the award level actually granted. The following criteria, however, have been designated with the highest relevance to and weighting for OTFPFCP.

- Alignment of the Proposal with the OTFPFCP purpose, goals, objectives, eligibility, funding, and Cost Share requirements of this RFP.
- Quality of the responses to the requirements of this RFP as outlined in the Statement of Work. In particular, the following specific elements of the work plan will be emphasized:
 - The degree to which the Lead Applicant is able to demonstrate in a quantitative manner that their targeted source of deal flow in Ohio is substantial and is currently not being adequately served by other sources of early-stage capital. Please note, the willingness of the Lead Applicant to exclusively invest in Ohio Opportunities will improve the final evaluation score.
 - The degree to which the Lead Applicant is able to demonstrate its ability to manage the Pre-Seed Fund, including the investment and reporting processes.
 - The experience of the Lead Applicant, Collaborators, and key personnel with respect to successfully managing funds of comparable size, scope, and complexity.
 - The degree to which the Lead Applicant demonstrates its ability to integrate their activities with the Ohio Third Frontier Entrepreneurial

- Signature Programs and other state-funded programs and organizations sharing complimentary missions.
 - The degree to which the Grant Funds will be impactful as evidenced by the magnitude and realism of the projected A and B Metrics.
- The performance, if applicable, of prior OTF Grants. Prior performance measures that will be emphasized include:
 - The current economic impact of previous related OTF Grant(s) as measured by A and B Metrics.
 - The Lead Applicant and Collaborators ability to develop and support qualified deal flow.
 - The degree to which the Lead Applicant is able to demonstrate the need for additional capital funding given previous State investments and the resources remaining that will be applied to the needs of the community and/or geography that is intended to be served.
- Compliance with this RFP's administrative requirements.

The evaluation criteria are designed to support the mission and goals of OTF and its various programs.

4.3 Award Decision

At a public meeting, the external evaluator will lead the presentation of proposals, and Development staff will provide necessary programmatic details including information about funds available and program goals and criteria. If requested, Lead Applicants must attend the OTFC meeting at which proposals are considered for funding. Both the external evaluator and Development staff will be available to respond to questions from OTFC members. During the public meeting, and only at the specific request of an OTFC member, Development staff will provide a funding recommendation.

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

All decisions taken by OTFC, including votes and a summary of any award conditions, will be recorded in minutes of the OTFC meeting. If and to the extent OTFC deviates from a recommendation of an external evaluator, those deviations will be reflected in meeting minutes.

4.4 Award and Grant Agreement Preparation and Execution

Awards of Grant Funds will be made based on Proposals as submitted (including such modifications as may be agreed by the Lead Applicant), the Project budget, and any conditions set forth by OTFC. The grant will remain open for the duration of the Project, plus a three-year reporting period during which annual reports are required to be submitted to Development.

Following selection by OTFC, an award of Grant Funds must be approved by the State's Controlling Board, a legislative body that reviews appropriation of State funds. Development will request Controlling Board review as soon as possible after the OTFC funding decision. The Controlling Board process normally takes a minimum of forty-five to sixty (45-60) days to complete.

Development will prepare a Grant Agreement. The Grant Agreement will incorporate the Proposal and Project budget, as either may have been modified by evaluation findings, funding decisions, or other terms or conditions consistent with the approval by OTFC. Development may require the Lead Applicant to provide cash flow projections on a quarterly basis.

Grant Agreements are sent to Lead Applicants for review and signature. Development executes Grant Agreements on behalf of OTFC after the Grant Agreement is accepted by the Lead Applicant. After Development executes the Grant Agreement, the Grant is entered on the State's accounting system and invoices may be submitted. Once the Grant Agreement is fully-executed, the Lead Applicant will be considered and referred to as a "Grantee."

A Grantee is required to complete the Project as described in the Grantee's Proposal as submitted and with only those modifications as agreed by the Grantee and Development in finalizing the Grant Agreement. Development will assign a Program Administrator who will work with the Grantee throughout the Project Period. Development staff and the Grantee will develop a series of performance metrics that will be used to measure progress on the Grant Agreement.

All Grantees will be required to submit to Development 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 three (3) years. All reports and invoices will be submitted in the form and format required by Development which may change from time to time.

From time to time during the Term of the Agreement, Grantee may organize conferences or other events open to industry representatives or the general public related to the Project, the subject matter of the Project or associated work of Grantee or its Collaborators. In consideration of the Grant, up to two (2) representatives of Grantor may attend such conferences and events for the purposes of sharing information between Grantee, its Collaborators and other constituents, and Grantor. Grantee shall provide Grantor reasonable advance notice of any such conferences and events. Grantor will not be charged registration fees to attend such events.

4.5 Mandatory Compliance

The following restrictions apply to all OTF Projects:

4.5.1 Human and Animal Research

For any Proposal that includes use of human subjects, the Lead Applicant's and each Collaborator's human subject policies and procedures must comply with the Code of Federal Regulations, Title 45, Part 46. For any Proposal that

includes use of animal subjects, the Lead Applicant's and each Collaborator's animal subject policies and procedures must comply with US Code, Title 7, Sections 2131-2156.

4.5.2 Obligations to the State; Compliance with Laws

Grantees will be required to certify in the Grant Agreement that they do not owe: (1) any delinquent taxes to the State or a political subdivision of the State; (2) any moneys to the State or a state agency for the administration or enforcement of any environmental laws of the State; and (3) any other moneys to the State, a state agency or a political subdivision of the State that are past due, whether the amounts owed are being contested in a court of law or not.

Grant Agreements will require Grantees to comply with all applicable federal, state, and local laws in the performance of the Project. Grantees must accept 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 Grantees on the performance of the work authorized by the Grant Agreements.

4.5.3 Compliance with EO2010-09S

No Grant Funds or Required Match/Cost Share May be Spent Offshore

Governor Ted Strickland issued Executive Order 2010-09S "Banning the Expenditures of Public Funds for Offshore Services" on August 6, 2010. The Executive Order prohibits the use of any funds within the control of an executive agency to purchase services which will be provided outside of the United States. The Executive Order became effective on August 6, 2010, requiring all agency compliance beginning on that date.

The Executive Order applies to grants made by the Ohio Department of Development. Grantees may not use any grant funds to pay or be reimbursed for services provided offshore to implement the proposed project or program. In addition, grantees may not count as match or cost share specifically required as a condition of the grant the costs paid for any offshore services.

To be considered by the Ohio Department of Development, a proposal or application must be accompanied by an Affirmation and Disclosure in the form attached to this RFP or application. The Affirmation and Disclosure must be signed at the end by an authorized representative of the proposer.

A copy of the Executive Order and the Affirmation and Disclosure form are included in this RFP or application as Attachment EO. Additional information about the Executive Order is posted on the Department of Administrative Services State Procurements Help & Reference page at <http://procure.ohio.gov/proc/help.asp>. (Under "Procurement Reference Materials," see Executive Order 2010-09S.)

4.5.4 Other Compliance

Grant Funds may not be used for research involving tissue obtained from aborted fetuses. (See Ohio Revised Code Section 2919.14)

5 APPENDICES

- A. Technology Commercialization Framework**
- B. Definitions**
- C. Forms**
- D. Cost Share Guidelines**

6 ATTACHMENT EO

- A. Executive Order 2010-09S**
- B. Affirmation and Disclosure Form**

Appendix A

Third Frontier Grant Programs

Technology Commercialization Framework

Technology Commercialization Framework

All OTF Programs share a common goal – to promote technology-based economic development within Ohio by funding activities that move technology from ideas to market. This goal requires the State to design programs, evaluate Proposals and Projects, leverage resources, and provide management oversight within the context of a commercialization framework. Development has adopted the Technology Commercialization Framework based on an extensive literature review on the subject.¹

The Commercialization Framework consists of three major components:

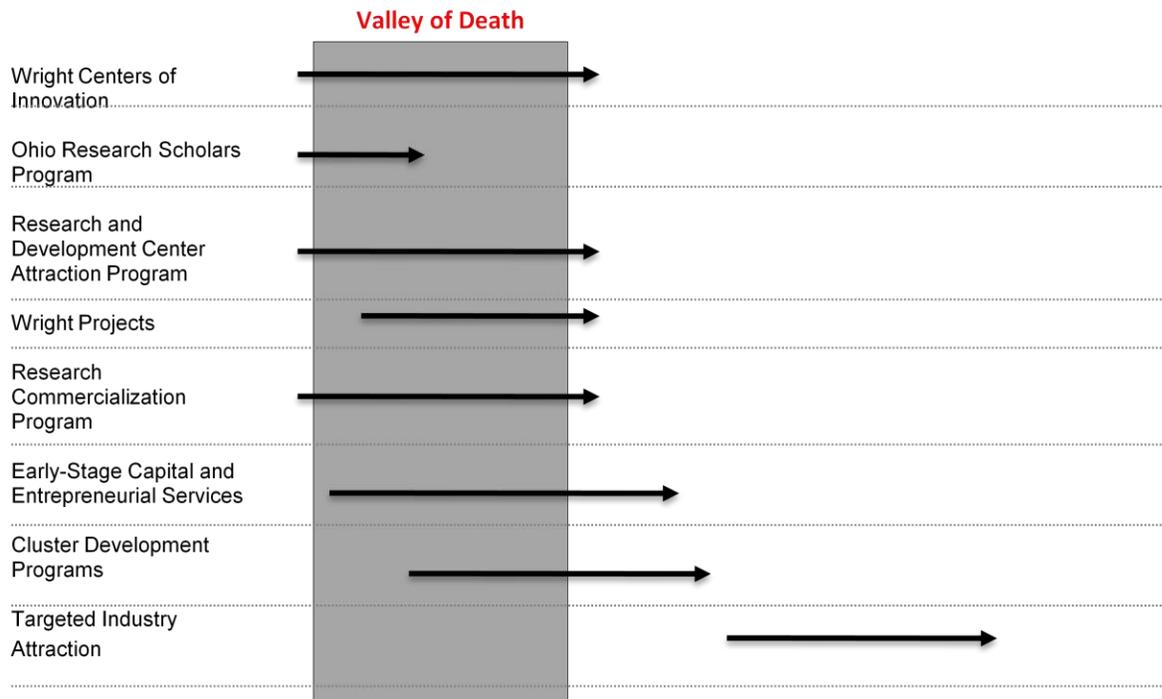
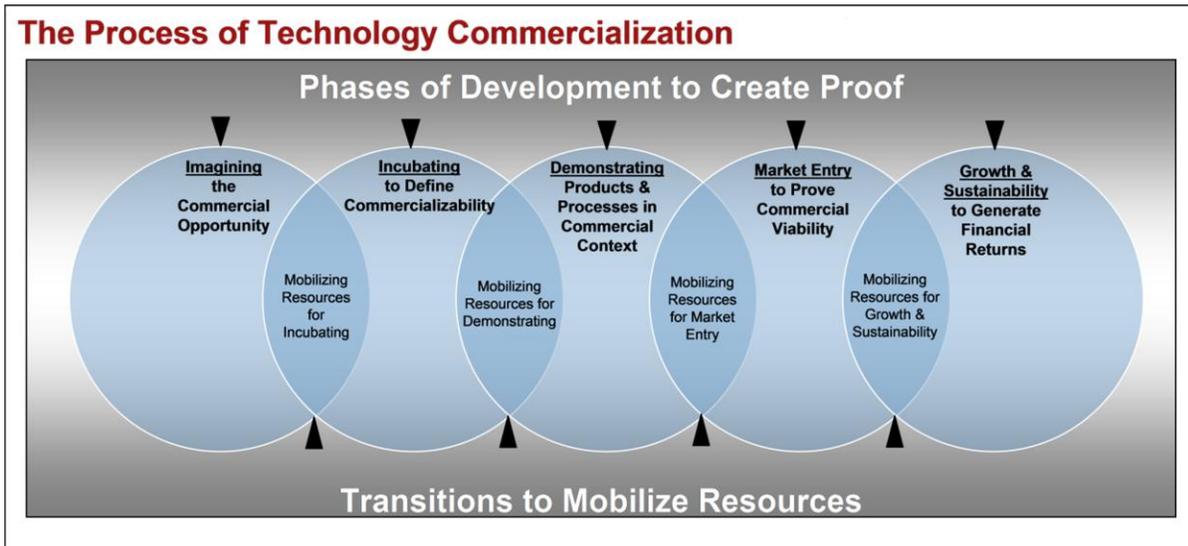
- A description of the five phases of commercialization, including an overview of two categories of activities and required proof within each phase – (i) the development of the technology, and (ii) the development of the commercial concept;
- A system of metrics (the ABC metrics) designed to provide objective interim measures of commercial progress well before the project can achieve traditional metrics (e.g. customers, revenues, profits, etc.); and
- A series of steps (the Analytical Framework) to help improve the probability of success or reduce the unproductive use of scarce resources.

The Phases of Commercialization

Figure 1 illustrates the five phases of commercialization: (1) Imagining, (2) Incubating, (3) Demonstrating, (4) Market Entry, and (5) Growth and Sustainability. In each phase, the primary goal is to generate the proof needed to attract resources required to move to and engage in the proof generating activities generally associated with the next phase of commercialization. The process is inherently iterative, with numerous starts, restarts, successes, and failures – sometimes within a particular phase and sometimes between phases. In Figure 1, each phase overlaps with the next to illustrate transitions, the process of interaction among investors, partners, customers, and the project team that results in the project's acquisition of the resources necessary to enter the next phase of the commercialization. Although the project's ability to attract resources, primarily in the form of funding, is fundamental to the measurement of commercial progress, resource acquisitions alone do not evidence commercialization. Only resource acquisitions that fund a transition demonstrate the project's movement toward market.

¹ BizLogx LLC, "The Technology Commercialization Framework", September 30, 2004.

Figure 1. Technology Commercialization Framework



The various OTF programs have been placed in the stages of commercialization as shown in Figure 1.

To help determine the phase of commercialization, identify those activities most likely to lead to required resources, and measure progress, the Framework looks at two classes of activities: (i) the development of the technology, and (ii) the

development of the commercial concept. The following chart (Figure 2) summarizes the activities, objectives, and desired proof within each class:

Figure 2. Summary of Commercialization Phases

Phase	Technology	Commercial Concept
IMAGINING	The <i>Imagining Phase</i> begins with the techno-market insight - the linking, if only in concept, of a technology and a market opportunity. Activities focus on the generation of a “proof of principle”, generally defined as the demonstration in a laboratory setting of critical components of the technology.	During the <i>Imagining Phase</i> , the commercial concept is highly speculative. Often, the concept is only supported by conjecture regarding technical viability and the market opportunity.
INCUBATING	The <i>Incubating Phase</i> focuses on the performance of the technology in context of product performance specifications. Activities revolve around defining required performance specifications and then determining whether the technology can meet those specifications. For the most part, the activities prove the technical capabilities in a laboratory rather than a commercial setting.	During the <i>Incubating Phase</i> , the participants define the commercial concept (business model and market opportunity). The commercial concept depends primarily on secondary rather than market research or proof. The commercial concept lacks market confirmation and is still highly speculative since the proof is primarily in the form of research and planning.
DEMONSTRATING	The <i>Demonstrating Phase</i> focuses on the performance of the technology in a commercial context – generally, in the hands of a current or prospective customer. In the <i>Demonstrating Phase</i> , the source of proof begins to switch from internal to external – from the lab to the market. Resource providers generally require the following types of proof: (i) the incorporation of the technology into a market-ready product with the performance characteristics required by prospective customers; (ii) evidence that the product meets the required performance specifications in the hands of customers; and (iii) evidence of manufacturing capabilities that meet performance, quality, and cost requirements (those assumed in the Commercial Concept or Business Plan).	During the <i>Demonstrating Phase</i> , participants create and refine a business plan based on direct evidence of the demand for the product. Proof generally takes the form of a limited number of sales to customers at or near the price projected in the business plan. Proof helps address through direct evidence that customers are willing to pay for and use the product, and that they are generating the expected value or benefits.

Phase	Technology	Commercial Concept
MARKET ENTRY	In the <i>Market Entry Phase</i> , the activities are those typically associated with the introduction of a new product to market by an existing business - production, quality, service, product performance. The company has embedded the technology in a product or service and is aggressively marketing the product or service to prospective customers. The product or service is used by an increasing number of existing customers. The opportunity has attracted the resources necessary to expand marketing, sales, and support.	In the <i>Market Entry Phase</i> , the activities are those that any business would engage in when attempting to determine the commercial value or viability of a new product or service. Types of proof include, but are not limited to meeting sales forecasts, maintaining projected pricing and margins, achieving manufacturing efficiencies, and meeting production projections. The proof frequently focuses on direct feedback from the market, measured in terms of sales, revenue, margins and growth.
GROWTH & SUSTAINABILITY	The <i>Growth & Sustainability Phase</i> involves the execution of a comprehensive product development plan to increase market share and/or extend the existing or new technologies into new products, services, and markets.	In the <i>Growth & Sustainability Phase</i> , the objective is to achieve the ongoing growth of revenue, margins, and profits in ways typically associated with a viable and profitable business.

The ABC Metrics

Given the multiple phases and non-linear nature of commercialization, the years or sometimes decades between idea and market, and the lack of traditional measures (e.g. customers, revenues, and profits), all interested parties (e.g. the project team or company, the investors, and the State) found it difficult to answer the following question using objective evidence - “Is commercial progress being made?” To answer this question, the State developed and implemented a measurement framework that includes three categories of metrics, referred to as A Metrics, B Metrics, and C Metrics.

A Metrics are synonymous with attracting the resources required to engage in the next phase of commercialization (a Transition) and are the best evidence that a project is successfully progressing towards commercialization. A Metrics also include the acquisition of resources required to continue the generation of proof within the current phase, although repeated resource acquisitions without the occurrence of a Transition will, in most cases, lead to the conclusion that the project is not progressing towards commercialization. Almost always, A Metrics take the form of cash rather than in-kind or other similar contributions or investments.

B Metrics are tangible evidence that a project is on the path to achieving A Metrics. The relevant “tangible evidence” of a B Metric is the commitment of resources by the resource provider to evaluate the project for funding. As an example, an A Metric for a project in the Demonstrating Phase would be an investment by a venture capital fund to provide the resources necessary to engage in Market Entry Phase activities. A B Metric for this project might include a substantial Due Diligence effort by the investor and the subsequent receipt by the Lead Applicant of a term sheet detailing a potential investment.

C Metrics measure activities and are the equivalent of “project milestones.” These activities (e.g. hiring qualified personnel, preparing patent applications, preparing a business plan, achieving certain technical milestones, etc.) are often critically important, but do not represent evidence of progress toward the goal of Transition or commercial success. Rather, they indicate that the participants are executing their plan.

The primary distinction between the A and B Metrics and the C Metrics is that the A and B Metrics measure the commitment of resources by a current or potential resource provider, while the C Metrics measure activities and resource commitments by the project participants or by others who are not current or potential resource providers.

Post-award and within thirty (30) days of execution of the Grant Agreement, the Grantee will submit for Development’s approval a forecast of A Metrics that the Grantee anticipates generating as a result of the project. The forecast of A Metrics must include a description of the anticipated sources and amount of A Metrics. In describing the sources, the Grantee should be as specific as possible. The Grantee will also submit a project plan that includes the primary C Metrics (e.g. hiring a fund or project manager, anticipated deal flow [including sources], anticipated timing and amounts of investments, etc.) and related dates. Development, through the Grant Agreement and the activities of program administrators, will manage grants and investments in accordance with the agreed set of A and C metrics. Development will not require the Grantee to project B Metrics, but may require the Grantee to report on B Metrics when the A and C Metrics are insufficient to provide Development with a clear picture of progress or to explain unusual circumstances.

The Analytical Framework

Successful commercialization is about successful Transitions, and the Analytical Framework focuses on the mechanism of successful Transitions. The steps of the Analytical Framework are listed below.

1. Identify the appropriate phase of commercialization;
2. Determine the amount of resources required to complete the current and next phase of commercialization;
3. Identify resource providers who can fund the next phase of commercialization activities;
4. Determine the proof required by the targeted resource providers;

5. Identify the contextual factors that are likely to have a material impact on the chances of resource acquisition;
6. Determine the appropriate measures of success; and
7. Develop a plan to produce the proof the resource providers desire and a plan to pursue the Transition.

A more extensive discussion of the Commercialization Framework is found on the OTF web site at:

<http://www.thirdfrontier.com/Documents/RecentPublications/TechCommFramework-Complete.pdf>

Commercialization Questions

Many of the Third Frontier programs are focused on the Imagining, Incubating, and Demonstrating phases of the Commercialization Framework. The following guide may prove useful in identifying the phase of an opportunity and the type of work normally associated with that phase.

Imagining Phase

The following items are representative of the proof and related activities in the Imagining Phase:

- Develop the business case (e.g. market, potential customers, value proposition, and competitive alternatives);
- Develop a firm understanding of how the technology might be developed into a commercial application;
- Develop a proof of principle – demonstrate in a laboratory setting the critical components of the technology that enable the core functionality of the commercial application;
- Assess the work needed to achieve reduction to practice;
- Investigate the freedom to operate within the target markets and the constraints imposed by existing patents or other forms of IP; and
- Develop an intellectual property strategy for the application of this technology.

Incubating Phase

The following items are representative of the proof and related activities in the Incubating Phase:

- Develop a comprehensive business plan and financial projections;
- Perform the work necessary to understand how to adapt the technology to a commercial application that addresses the market needs;
- Confirm the “freedom to operate” for the IP in context of the commercial application and then acquire adequate IP protection for the technology and related applications to allow for market introduction;
- Complete the reduction to practice and produce a working model based on well-defined and fixed commercial specifications; and
- Produce product designs and production processes that support the manufacture of a reliable product at a cost reasonably consistent with the constraints of the particular market applications.

Demonstrating Phase

The following items are representative of the proof and related activities in the Demonstrating Phase:

- Finalize the technical and commercial specifications for the market ready version of the product;
- Produce prototypes in the approximate form and with the functionality required for general market release;
- Finalize a business plan including detailed plans for sales, marketing, pricing, financing, etc.;
- Develop credible plans for manufacturing at or near the costs required by the business plan;
- Sell the product or service at or near the price contemplated by the business plan;
- Secure several customers who use the product in a commercial environment;
- Establish the reliability of the technology as embedded in a commercial product;
- Incorporate feedback from lead users into the design based on alpha and beta versions of the technology;
- Produce pilot runs that demonstrate functionality consistent with the product concept; and
- Secure facilities adequate for near-term production.

Market Entry Phase

In this Phase, the company attempts to prove the viability of the business opportunity. The proof and related activities in the Market Entry Phase are those generally associated with an ongoing business. Representative examples of proof and related activities are:

- Achieving quarterly and annual sales projections;
- Meeting production targets, including cost and quality requirements;
- Achieving financial performance measures, including, but not limited to price per unit, gross margins, operating margins, etc.; and
- Meeting product performance requirements in “real world” situations.

Growth and Sustainability Phase

In this Phase, the company attempts to establish the long-term viability of the business. As in the Market Entry Phase, the proof and related activities in the Growth and Sustainability Phase are also those generally associated with an ongoing business. Representative examples of proof and related activities are:

- Achieving quarterly and annual sales projections;
- Introducing new and improved products;
- Increasing revenues and profitability;
- Increasing market share; and
- Expanding into new markets.

The previous lists of activities are not meant to be exclusive. Rather, the purpose is to help Applicants and Grantees accurately identify the phase and scope of expected activities and required proof.

Applicants should consider and address how the ABC Metrics and Commercialization Framework relate to their investment strategies, and how progress by portfolio companies will be measured consistent with the Commercialization Framework.

Development will consider projects successful (A Metrics) if, at the proposed Project's completion, the Lead Applicant has invested in and/or provided services to opportunities or companies that have attracted follow-on funding to finance the next phase of commercialization.

Appendix B

Third Frontier Grant Programs

Definitions

Appendix B

Definitions

Collaborator – An individual not employed by or related to the Lead Applicant or an organization, institution, company or other legal entity that is not an affiliate of the Lead Applicant which is anticipated to receive State Grant Funds and/or is contributing to Cost Share.

Collaborator Commitment Form – The document submitted by each Collaborator that describes and confirms the Collaborator's commitment of resources (other than Cost Share) to the Proposal, such document to be in the form included in Appendix C to this RFP.

Cost Share – See Appendix D.

Cost Share Commitment Letter – A letter on the Cost Share Collaborator's letterhead that confirms the amount, timing, and nature of the commitment, such letter to be substantially in the form of the Cost Share Commitment Letter contained in Appendix C and signed by an authorized representative of the Cost Share Collaborator.

Current Commitment – Cost Share that is committed at the time the Lead Applicant submits the Proposal and that is contingent only on the following: (i) in the case of an ESP, the Lead Applicant receiving an award of Grant Funds from the State, and (ii) in the case of a Pre-Seed Fund, (a) on the Applicant receiving an award of Grant Funds from the State and (b) final review and approval by the Cost Share provider of those changes in the Investment Documents that are necessary to make the terms of the Investment Documents conform to the Proposal as reflected in the executed Grant Agreement.

Due Diligence - A process undertaken by a Pre-Seed Fund to analyze and assess the desirability, value, and potential of an investment opportunity.

Effective Date – The date upon which a Grant Agreement between a Lead Applicant and the State of Ohio is effective.

Enhanced Management Services—Services provided by a Pre-Seed Fund to a portfolio company that include marketing, management, technical and commercialization assistance.

Equipment – Any item of equipment that meets **all** of the following criteria: 1) Essential in bringing the facility up to its intended use and necessary for the facility to function. The equipment must be an integral part of or directly related to the basic purpose or function of the facility, 2) Has a unit cost of approximately \$100 or more, 3) Has a useful life of at least five years, and 4) Used primarily in the rooms or areas covered by the financed project.

ESP – One of the six regional recipients of OTF grants under the Entrepreneurial Signature Program.

Escrow Account – Account into which Grant Funds are placed and then administered by a third party Escrow Agent.

Ethics Policy – A policy implemented or to be implemented by a Lead Applicant that contains, at a minimum, (1) a definition of current and potential conflicts of interest; (2) ways of managing current and potential conflicts of interest; (3) the Applicant's position with respect to investments

in or service commitment to companies that previously received investment from the Grantee (or Collaborators) under some other financial relationship or prior Fund; (4) the Applicant's position with respect to investment of additional funds in or the delivery of additional services to companies or opportunities that already received Fund investments or services; and (5) the Applicant's position with respect to the Grantee (or Collaborators) being compensated for services to a portfolio company or service recipient. For these and other situations the Applicant deems important, the policy should also include a statement that: (1) describes how the Grantee will define ethical situations; (2) identifies the potential for the situation; (3) describes how the Grantee will address and resolve the situation; and (4) describes the Grantee's position relative to disclosure of the potential situation to the State of Ohio.

For-Profit Fund – A Fund that will distribute returns to Cost Share providers (investors), whether the Cost Share providers are for-profit or not-for-profit entities or are persons.

Future Commitment – Cost Share that is anticipated in the future but is not available at the time of grant award. The difference between the total Cost Share and the Current Commitment is the Future Commitment.

Grant Accounts – Accounts established and maintained by a Grantee to record separately in its books and records receipt and use of Grant Funds and Cost Share.

Grant Agreement – A legal agreement setting forth the terms and conditions upon which Grant Funds are awarded and the respective rights and obligations of the Lead Applicant and the State of Ohio with respect to Grant Funds and the Project for which they are to be used.

Grant Funds - Financial assistance in the form of money awarded by a government agency to an eligible applicant in order to accomplish a public purpose of support or stimulation of development authorized by statute.

Indirect Cost – A cost that is incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project but nevertheless is necessary to the operation of the organization. Also known as “Facilities & Administrative (F&A) cost.”

Key Personnel - Individuals from the Lead Applicant and/or Collaborators who represent a Project's leadership from the technical, commercial, and managerial perspectives.

Lead Applicant – The entity that submits a Proposal and will be legally and financially responsible for the administration of any resulting award of Grant Funds.

Not-for-Profit Fund – A Fund that intends to reinvest the profits into further investments in companies meeting the Fund's investment criteria. This type of Fund operates in an evergreen manner.

OTF Website – www.thirdfrontier.com

Pre-Seed Fund – A Fund that invests primarily in technology-based companies or opportunities in the Imagining, Incubating, or Demonstrating phases of commercialization.

Principal Place of Business - A facility located in the State of Ohio where the Lead Applicant, who is registered with the Secretary of State to conduct business in Ohio, maintains physical

operations managed by a senior representative of the Lead Applicant who is authorized to make decisions and to obligate the Lead Applicant and its resources. This facility must be owned by the Lead Applicant or be subject to a lease, the balance of which matches or exceeds the term of the Grant Period. The facility must be a recipient or beneficiary of a significant amount of the funds awarded to the Grantee.

Program Administrator – Personnel of the Ohio Department of Development assigned to monitor the progress of a Project awarded Grant Funds.

Project – The plan of activity or activities that make up the total scope of work for which an award of Grant Funds is requested and for which a Proposal is approved.

Project Completion Date – The date by which the Grantee shall complete the Project and incur all eligible expenses.

Project Period – The period of time from the Effective Date until the Project Completion Date.

Proposal – A proposal as submitted by a Lead Applicant seeking an award of Grant Funds in response to a Request for Proposals issued for a particular Third Frontier Program.

Subcontract/Subgrant – A subcontract/subgrant is a legal agreement between a Grantee and an individual or entity that has expertise in a particular area or access to specialized resources or materials that the Grantee lacks. A subcontract/subgrant is identified in the Proposal for performance of a specific function.

Supplies – Any materials needed to perform the Project, which includes equipment that does not meet the criteria to be considered an Equipment expense (see definition of Equipment).

Appendix C

Ohio Third Frontier Grant Programs

Part 1 - Application Forms *(found in Word document below)*

Part 2 - Budget Forms *(found under separate Excel spreadsheet)*

Ohio Third Frontier Pre-Seed Fund Capitalization Program

Application Information Form

2011 RFP

Letter of Intent (LOI) Notification Number (Issued by ODOD)	LOI #: OTFPFCP 11- _____
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This Application:	<input type="checkbox"/> Does	<input type="checkbox"/> Does Not	include information considered a "trade secret" under Ohio Revised Code Section 1333.61 (D)
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Lead Applicant Name			
Lead Applicant Address			
City:		State:	
County:		Zip Code:	

Project Title:			
State Funds:	\$	Cost Share:	\$

Is the Lead Applicant the lead in any other proposal submitted under this RFP? Yes No

If yes, provide the following information:

Project Title/LOI #	
----------------------------	--

Typed Name of Authorizing Agent	Title of Authorizing Agent
Signature	Date

For ODOD Use Only	
Date Received	Proposal ID #

Ohio Third Frontier Pre-Seed Fund Capitalization Program

Lead Applicant Contact Information Form

2011 RFP

Authorizing Agent

Name _____

Title _____

Organization _____

Address _____

City, State Zip _____

Telephone # _____ Fax # _____

e-mail address _____

Project Director

Name _____

Title _____

Organization _____

Address _____

City, State Zip _____

Telephone # _____ Fax # _____

e-mail address _____

Fiscal Agent

Name _____

Title _____

Organization _____

Address _____

City, State Zip _____

Telephone # _____ Fax # _____

e-mail address _____

Grant Administrator

Name _____

Title _____

Organization _____

Address _____

City, State Zip _____

Telephone # _____ Fax # _____

e-mail address _____

Authorizing Agent – the individual authorized to accept the terms and conditions of an award of Grant Funds.
 Project Director - the individual authorized to direct the Project for which the Grant Funds have been awarded.
 Fiscal Agent – the individual authorized by the Lead Applicant to sign Grant-related financial documents, e.g. Requests for Payment, Grant Financial Reports, etc.
 Grant Administrator – the individual authorized by the Lead Applicant to oversee the day-today operations of the Grant Funds, including preparing progress reports, monitoring project progress, etc.
 Note: The same individual may hold more than one of these positions.

Ohio Third Frontier Pre-Seed Fund Capitalization Program

Collaborator Information Form

2011 RFP

Provide contact information for each collaborator named in the Proposal. Include an e-mail address if available. Attach additional forms as needed. A signed Collaborator Commitment Form should be included for every Collaborator listed.

Name	
Title	
Organization	
Address	
City, State, Zip	
Telephone #	Fax #
e-mail address	

Name	
Title	
Organization	
Address	
City, State, Zip	
Telephone #	Fax #
e-mail address	

Name	
Title	
Organization	
Address	
City, State, Zip	
Telephone #	Fax #
e-mail address	

Name	
Title	
Organization	
Address	
City, State, Zip	
Telephone #	Fax #
e-mail address	

Ohio Third Frontier Pre-Seed Fund Capitalization Program

Collaborator Commitment Form

2011 RFP

Collaborator's Name _____
Address _____
City _____
State _____
Zip Code _____
Email Address _____

Lead Applicant's Name _____
Lead Applicant's Project Title _____

Please detail the agreement between the Lead Applicant and the Collaborator to provide substantial and tangible management services or other resources to portfolio companies. Include agreed upon resources, availability, rates, expertise, and service descriptions. For additional guidance, refer to the definition of the term "Collaborator" contained in Appendix A. (Use one extra page if necessary.)

I certify that I have the legal authority to commit the above-named Collaborator to the roles and responsibilities designated for it in the Proposal submitted by the Lead Applicant named on the form.

Typed Name	Title
Signature	Date

Appendix D

Third Frontier Grant Programs

Cost Share Guidelines

Appendix D

Cost Share Guidelines

Grantee will adhere to the Cost Share requirements set forth in this Appendix governing the identification and use of resources other than Grant Funds for eligible expenses of the Project.

The Cost Share Amount may be provided in cash or in kind as designated in sections 2.4 and 3.3.11 of the RFP. Cash and in-kind contributions to the Cost Share Amount may be as follows:

- A. Cash contributions counted against the Cost Share Amount includes eligible expenses of the Project (1) incurred to perform activities in direct support of the Project during the Project Period; (2) charged to resources of Grantee or of a subgrantee or subcontractor engaged by Grantee on the Project, and (3) documented in Grant Accounts or in the Grant-related financial books and records of the subgrantee or subcontractor, as the context requires. Cash contributions to the Cost Share Amount include resources other than Grant Funds provided by a third party to Grantee, a subgrantee or subcontractor, or to a parent organization specifically for the use or support of Grantee, a subgrantee or a subcontractor, which are actually used to perform Project activities.
- B. In-kind contributions to the Cost Share Amount include the value of goods and/or services which are an eligible expense of the Project (1) supplied by Grantee, a subgrantee, subcontractor or other third party during the Project Period, (2) received by Grantee, a subgrantee or subcontractor during the specific period to which the cost sharing or matching requirement applies and used by Grantee, a subgrantee or subcontractor to perform activities in direct support of the Project, but (3) which are not separately accounted for by Grantee in the Grant Accounts or by a subgrantee or subcontractor in its respective Grant-related financial books and records.

General Conditions and Restrictions:

- A. Contributions to the Cost Share Amount must be for eligible expenses consistent with the then-current version of Federal Office of Management and Budget Circular A-21 and must be accessible to verification and audit.
- B. Contributions to the Cost Share Amount must provide direct support for the Project. Expenditures that provide coincidental benefits to or support for the Project may not be counted against the Cost Share Amount. All resources counted against the Cost Share Amount must be necessary and reasonable considering the Project objectives and the activities to be performed as part of the Project.
- C. Contributions, whether cash or in-kind, may not be counted against the Cost Share Amount if the same resources are used to satisfy the cost share requirement of any other funding program.
- D. Contributions of financial support, both cash and in-kind, included as part of the Project's Cost Share Amount must be made between the Effective Date of the Grant Agreement and the Project Completion Date.

- E. Grantee may request Grantor approval of financial support for the Project that does not meet the cost share requirements set forth above. Any such request shall be made by Grantee in writing, and such financial support may be counted against the Cost Share Amount only if and to the extent approved by Grantor in writing prior to the contribution of such financial support. Grantor may give or withhold approval within its discretion.
- F. Value of Contributed Goods and Services.
- 1.) Services are contributed to a Project (*i.e.*, donated services) when an individual employed by the contributor of the donated services works to perform Project activities without charge to Grantee, a subgrantee or subcontractor. The value of donated services will be an amount equal to the individual's regular rate of pay from the contributor of the individual's services, including fringe benefits up to 30% of base pay, for the period of time during which the individual performs Project activities *provided that* the individual whose services are contributed performs functions for Grantee, a subgrantee or subcontractor equivalent to the services for which the individual is compensated by the contributor.
 - 2.) The value of supplies and materials contributed to the Project will be an amount equal to the fair market value of such supplies and materials at the time they are contributed to Grantee, a subgrantee or subcontractor. Grantee shall provide documentation supporting its determination of the fair market value of such supplies and materials.
 - 3.) In-kind contributions may include use of equipment and/or space (facilities) which are necessary and reasonable for the Project. The value of the use of equipment and/or space (facilities) will be an amount equal to their fair rental value of the equipment and/or space at the time it is contributed to Grantee, a subgrantee or subcontractor. Grantee shall provide documentation supporting its determination of the fair rental value of such equipment and/or space (facilities).
 - 4.) In-kind contributions may include transfer of ownership to equipment, buildings, and/or land which are necessary and reasonable for the Project. The value of any such equipment, buildings, and/or land will be an amount equal to its respective fair market value at the time the equipment, buildings, and/or land is contributed to Grantee, a subgrantee or subcontractor. Grantee shall provide documentation supporting its determination of the fair market value of such equipment, buildings and/or land.
- G. Documentation of all contributions to the Cost Share Amount must identify the source of the contribution and its address, state the value of the contribution (whether made in cash or in-kind), and provide as to any in-kind contribution a reasonably detailed description of the method of valuation of such contribution.
- H. Grantee shall maintain in its records related to the Project documentation sufficient to verify all Project costs and contributions claimed as part of the Cost Share Amount, including the supporting documentation for valuation of in-kind contributions. Cost share documentation will be subject to inspection and audit as provided in the Grant Agreement.
- I. Certification of Cost Share:
- 1.) The method and frequency of reporting contributions to the Cost Share Amount, whether made in cash or in-kind is the same as financial reporting for the Grant Funds.

- 2.) Grantee must identify cash and in-kind contributions to the Cost Share Amount in separate columns in its financial reports to Grantor.
 - 3.) Grantee shall maintain during the Project Period an itemized list of in-kind contributions to the Cost Share Amount. Grantee shall make such list available to Grantor for review upon request.
- J. Modification of Cost Share Guidelines: Grantor may revise the Cost Share Guidelines from time to time. Any changes to the Cost Share Guidelines shall be effective upon delivery of written notice to Grantee and shall apply prospectively.