

Research & Development Investment Loan Program Program Summary

The Research and Development Investment Loan (R&D Loan) provides low-interest loans partnered with a tax credit to Ohio businesses that create research and development capabilities and high-wage jobs.

Businesses meeting the program requirements (i.e. job commitments, loan repayments, etc.) are also eligible for a loan repayment tax credit against their Ohio Commercial Activity Tax liability. The credits are equal to the amount of principal and interest repaid on the loan up to a maximum annual credit of \$150,000. The credit is non-refundable and any unused credits may be carried forward until expended.

Available Funding

The program may finance allowable project costs with R&D Loans typically ranging in size from \$500,000 to \$5,000,000. The amount of R&D Loan will take into account additional financing offered through other State loan programs; total financing from State programs should typically range from 20% to 40% of the project investment.

Job Creation

The program requires a commitment to create jobs to the State of Ohio through the R&D Loan program. The number of jobs committed, as well as the annual payroll will be considered when determining the funding amount.

Eligible Projects

Eligible projects include those where research and development activities are undertaken for the purpose of discovering information that is technological in nature and the application of which is intended to be useful in the commercialization of a new or improved product, process, technique, formula or invention. It is expected that project employment will be comprised of a significant representation of scientists, researchers and technicians. Retail projects are **ineligible** for the R&D Loan. Refinancing is **ineligible**.

Allowable Project Costs/Uses

Eligible project costs include the following types of investments, which are being used for research and development activities:

- Land and/or building purchase; if the project involves the purchase of an existing building, the business must occupy at least 51% of the premises
- Machinery & equipment purchase
- Building construction and/or renovation costs; if the project involves new construction the business must occupy at least 60% of the premises
- Long-term leasehold improvements
- Capitalizable costs directly related to a fixed-asset purchase

Term

The R&D Loan term is based upon the useful life of the allowable project costs/uses financed. The term for real estate is up to 15 years and the term for machinery and equipment is up to 10 years.

Interest Rate

The R&D Loan interest rate is fixed at closing.

Applicant Contribution

Development requires a 10% minimum equity contribution in the allowable project costs/uses. The required contribution may be higher depending on the company's financial and operating position and the project's characteristics. At least 50% of the allowable project costs must be funded by the borrower either directly or indirectly through third party investors and/or lenders.

Security & Collateral

Development requires a first and/or shared priority mortgage and/or lien position on assets financed with R&D Loan proceeds. Development may consider a shared position with participating third party lenders; this position is established via a multi-party agreement between the participating lender(s), Development and the borrower. Development may require the following additional collateral or credit enhancements:

- Personal guarantees from owners of the company
- Corporate guarantees from related companies
- Full or partial letter of credit
- Life insurance on key business owners and/or managers
- Other types of credit enhancement, if necessary

Disbursement of R&D Loan Proceeds

The R&D Loans are "take-out" financing. Allowable project costs/uses must be purchased with interim financing with the R&D Loan disbursing upon project completion.

Program Fees

- Non-refundable \$1,500 application fee is due upon submitting a completed Financial Assistance Application
- Commitment fee equal to 1% of the loan amount is due upon receipt of a signed loan approval, confirmation and commitment letter
- Annual servicing fee equal to 0.25% of the outstanding principal amount of the loan is pro-rated and payable monthly

Pre-payment

The program does not impose a pre-payment penalty.

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