

**Cuyahoga County
New Product Development and Entrepreneurship Loan Fund**

Frequently Asked Questions

Submitting an Application

- ***When is the deadline for submitting an application?***
The deadline for submitting an application for the current round of funding is Tuesday July 6, 2010.
- ***How should I submit my application?***
It is preferred that interested applicants visit www.magnet.myreviewroom.com to sign up for an account and submit an application. However, *if necessary*, completed applications can be e-mailed to Barbara Paul at barbara.paul@magnetnetwork.org.
- ***Will I get confirmation that my application was received?***
Yes, you should get an e-mail confirmation within two business days that your application was received. If you do not get an e-mail confirmation that your application was received, please contact Barbara Paul at barbara.paul@magnetnetwork.org or 216-432-5322.
- ***Who can apply?***
Individuals or businesses with total sales of less than \$50 million per year who have ideas for new consumer or industrial products which can be manufactured in Cuyahoga County
- ***Must I have an established business in order to apply?***
No. The program is open to entrepreneurs as well as established businesses.
- ***Are there any constraints on what ideas can be submitted for funding?***
Yes. In order for an “idea” to qualify for funding, it must be an innovative concept for generating a manufacturable product that either has, or most likely will, qualify for a patent from the U.S. Patent and Trademark Office.
- ***Can I submit applications for more than one product?***
Yes. There is no limit to the number of product applications you can submit. However, each application must be filled out completely.
- ***How do I know what phase to apply for?***
Please see the “Product Development Phases” document (included as the last page of the application form) for a description of the three loan award phases. Use this as a guide to determine which phase is the most applicable for the current state of your product. If you are selected for funding, you will work with MAGNET staff to define the tasks that must be completed for your project.
- ***How much money can I borrow?***
The specific amounts that can be loaned depend on the type of work that must be done. For example, very early stage ideas that need significant market research would apply for Phase 1 and would be eligible for up to \$15,000; ideas that are further along and need more intensive market research and preliminary design and engineering would apply for Phase 2 and be eligible for up to \$40,000; ideas that are much further along and need detailed

design and prototype development would apply for Phase 3 and be eligible for up to \$60,000. While in no way guaranteed, an individual can receive funding in a current round and then be awarded an additional loan in a subsequent round. For example, you could receive \$40,000 in one round, and then dependent upon progress and evaluation by the review committee, receive an additional loan for \$60,000 in a later round. Theoretically one recipient could receive up to \$115,000.

- ***Do I have to be a resident of Cuyahoga County or have my business located in Cuyahoga County to apply?***

No. In order to qualify, you need only commit to manufacture any product developed through the program in Cuyahoga County for a period of at least seven (7) years.

- ***Do I need collateral if I qualify for a loan under the program?***

No. The County will not be taking an interest in your equipment, inventory or buildings; however, the County will hold a security interest in all intellectual property funded through the program.

- ***When I submit my application, will I keep the rights to my idea?***

Yes. You will retain full rights to your intellectual property, although the County will hold a security interest in any intellectual property funded through the program.

- ***Why do I need to supply personal information with the application?***

Personal information is requested because the County reserves the right to conduct credit checks on loan applicants. Credit checks will be run on the business entity if it has an established credit history. If there is not a legal business entity, or if the company does not have an established credit history, credit checks will be run on the entrepreneur or principal investor(s) in the company.

- ***How will I know if my product has been selected for funding?***

You will be notified within 6 weeks after the application deadline. If more than 6 weeks have passed without receiving notification, please e-mail barbara.paul@magnetnetwork.org, or call 216-432-5322.

The Review Process

- ***What is the review process?***

Individuals on the review committee evaluate each application and recommend the most qualified projects for funding. Projects are funded in order of how qualified they are viewed by the review committee. As many projects will be funded as allowed by the money allocated to the funding round.

- ***Who is on the review committee?***

The committee consists of local business leaders, venture capitalists, product designers, and entrepreneurs. Representatives of MAGNET and Cuyahoga County are involved in the process, but do not rate applicants.

- ***How is my application evaluated?***

Essentially the committee looks for projects that are truly new, products that can be made cost effectively in Cuyahoga County, product designs that have market potential and ideas

that meet an unmet need. See the “Judging Criteria” document posted on the MAGNET website that more specifically outlines criteria for evaluation.

- ***How many applications will be selected to receive funding?***
The County will most likely fund between 10-20 projects per year. The exact number depends upon the quality of applicants and the amount of money that each applicant is awarded.
- ***How much money is available to be loaned out?***
The program has provided almost \$4.0 million in loan funds from 2005 through 2009. An additional \$450,000 has been committed for 2010.

Once an Application is Approved

- ***If my application is approved, will I be directly receiving the funds?***
No. Funds are disbursed on a reimbursement basis after a work plan and budget have been approved by MAGNET. Once expenses are approved and itemized receipts are received, funds are disbursed by MAGNET. MAGNET subsequently gets reimbursed by the County.
- ***How quickly will I receive funds?***
The time varies. If you are selected as a loan awardee, you will meet with MAGNET staff to determine a project scope of work and budget and to complete the loan agreement and other County documents. Once these things are done, the loan agreement needs to be signed by the County before funds are available to be disbursed. If you are developing the product on your own, or working with someone other than MAGNET, the County requires that you submit (and MAGNET approve) invoices for all expenses to be reimbursed. MAGNET’s payment terms are 30 days. If MAGNET is doing the development work for you, funds will be available as soon as the loan agreement is signed by the County.
- ***Can I be reimbursed for work that I’ve already done?***
No. Only work that is done and approved by MAGNET after the loan agreement is signed by the County can be paid for with loan funds.
- ***What expenses are considered eligible under this loan program?***
Only expenses incurred after the loan agreement has been signed will be considered eligible expenses for reimbursement. All expenses need to be approved in advance by MAGNET. Eligible expenses include costs incurred for work to be performed as outlined in the “Product Development Phases” document. Money from this fund is intended to further the development of your product and not to cover general business expenses, capital expenditures, or final product production.
- ***Are there any other costs involved with this loan?***
There are no other costs if MAGNET does the product development work for you. You will be given a cost estimate at the start of the project which outlines all the anticipated costs to develop your product. You are free to work with any qualified individuals or organizations to develop your product. If you choose to work with someone other than MAGNET, MAGNET will charge a 5% fee to partially offset administrative costs of the program.

- ***Will I have to provide additional information to MAGNET if I am awarded a loan?***
Yes, because this is a program which receives public money, MAGNET and the County have to document the successes of the program. Per the loan agreement, you must provide quarterly information to MAGNET on your progress such as how many units have you sold, sales revenue, additional investment received, jobs created/retained, etc. along with a brief description of any successes you'd like to share. MAGNET will NOT divulge your individual financial information but aggregate it with all other loan recipients and release the overall numbers for all recipients. MAGNET will share individual success stories both to publicize the success of the program and also provide you publicity.

Project Completion and Paying Back the Loan

- ***How quickly do I have to complete a phase of the program?***
Projects must be completed no later than December 31, 2010.
- ***When do I have to pay back the loan and how long will I have?***
The loan is a ten year loan. During the first three (3) years no interest accrues and no payments are required. After three years, the loan will begin to accrue interest at a rate of 3.5% and will be repayable in installments of principal and interest over the seven (7) remaining years of the loan.
- ***Will there be any penalties if I pay back the loan early?***
No. You can repay the loan at any time without penalty.

Other Program Questions

- ***How long will the program run?***
The current program is scheduled to run through December 31, 2010.
- ***Will there be additional opportunities to apply?***
At this time, no future funding rounds have been scheduled; however the program has typically offered two funding rounds per calendar year. Please periodically visit the MAGNET website for further information on dates when applications will be accepted for future funding rounds.
- ***My idea was not selected. Can I resubmit it for review?"***
Yes. You can submit the same idea twice during the duration of the program.
- ***Can I apply for additional funds beyond what I am approved for?***
Not within the same Phase. However, for either Phases 1 or 2, you can apply for the subsequent consecutive phase of the program. That application process is still competitive and funding is not guaranteed.
- ***If I have further questions, who can I contact?***
You can contact Barbara Paul at MAGNET at barbara.paul@magnetnetwork.org or 216-432-5322.