

ORANGE COUNTY FUNDING CORPORATION

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James Petro, Jr., Chairman
Robert Armistead, Vice Chairman
Mary Ellen Rogulski, Second Vice Chairman
Stephen Brescia, Secretary
John Steinberg, Jr., Assistant Secretary
Henry VanLeeuwen
Robert J. Schreibeis, Sr.

James O'Donnell, Executive Director
Joel Kleiman, Chief Financial Officer
Philip A. Crotty, Attorney
Laurie Villasuso, Administrative Assistant

Agenda

PLEASE TAKE NOTICE, The Orange County Funding Corporation will hold a regularly scheduled meeting on April 18, 2012, immediately following the regular Orange County Industrial Development Agency meeting in the Orange County Business Accelerator, 4 Crotty Lane, Suite 100, New Windsor, New York, to consider and/or act upon the following:

Order of Business

- **Roll Call**
- **Financial Reports and/or Requests for Payments**
- **New and Unfinished Business**
 - Discussions
 - Micro Loan Procedure review
 - Cymogen Letter
- **Resolutions**
 - Resolution to Approve Micro-Loan Program
- **Such other and further business as may be presented**
- **Public Comments**
- **Adjournment**

Dated: April 11, 2012

Stephen Brescia, Secretary

By: James O'Donnell, Executive Director

Orange County Funding Corporation Micro-Loan Fund-Protocol (4-18-2012)

1. DEFINITION AND PURPOSE

The Orange County Funding Corporation (OCFC) has established the Orange County Micro Loan Fund (the Fund) which is expected eventually to be funded in the amount of \$500,000 before loans. The mission of the Fund is to support innovative, high-growth start-up companies in Orange County, New York as they near commercial viability. The focus is on companies that are creating innovative ideas and solutions in the areas of:

- Alternative energy
- Life sciences and Agribusiness
- Information technology: Web 2.0, social networking, B2B and B2C technology services and products
- Homeland security and defense

The purpose of the Fund is to accelerate company development by providing access to early-stage capital to extend the personal investment of entrepreneurs and their own finance network during the critical stage when they are developing their businesses to the point of readiness for outside investment and sales. Although companies that are generating revenue are preferred, pre-revenue entities with exceptional business plans and prospects will be considered.

Companies are required to participate in a due diligence investigation by the Fund Manager and Fund Advisory Board, thereby professionally identifying and addressing competitive, financial, regulatory and related risks through the screening process. Experienced OCBA staff or consultants will actively help qualified companies prepare for the investment process. Emerging Businesses often require small infusions of capital to achieve success beyond what has been provide from personal and family funds, to meet critical commercialization milestones and satisfactorily address key questions which investors pose as a condition of investment. A small amount of funding can provide the companies with the resources they need.

This document addresses the micro-loan qualifications, process, and criteria for companies wishing to apply for funds, generally capped at twenty five thousand dollars (\$25,000), to achieve milestones that will make the company more attractive to equity investors or achieve first sales. A company that is meeting their milestones and tracking towards success may apply for additional funds. Micro loan funds can be used to further flesh out a competitive analysis, prepare business plans and financial *pro formas*, develop plans to cross regulatory hurdles, finish a prototype, complete a market study, travel to customers or partners, buy equipment and materials to complete an order, pay for legal and accounting services or other issues that are typically required to achieve commercialization.

Loans will generally be for \$25,000. As a condition of funding from time-to-time, the Fund will take an equity position which may be in the form of stock, options or warrants. An example is convertible debt for a 1% equity position. The Fund Managers will actively follow-up with companies to ensure the reporting requirements are completed. The Fund Managers will review deal submissions as submitted and forward applications to its Advisory Board and recommend funding or not. The Fund Managers may recommend an amount different from the request. They will provide constructive feedback for all proposals as an added value. The review criteria will assess the Company's potential to become a viable, robust business, and ultimately repay the loan. Funded companies will continue to work with the OCBA for mentoring and business acceleration services. Just as traditional seed investors must provide their portfolio companies with hands-on help, direct involvement by the OCBA will ensure that the deal is actively managed to agreed-upon milestones and thereby enhance the chance for success of each new venture funded.

2. CRITERIA

Loan funds are directed mostly toward activities between working prototype and first sales.

Examples of eligible activities/projects would include but are not limited to: intellectual property applications, scaling product manufacturing and testing, marketing and sales, partner relations, and customer attraction. It is assumed that these Companies will be past the concept development and analysis phase, and have very specific needs to achieve commercialization milestones to meet the requirements of an investor or to close initial sales.

A company can only be approved for a loan once. Although a single investment decision will be made for each company, a company may reapply for funding one additional time if initially rejected. A background check will be performed by Fund Managers on founders and key executives with significant investment in the company. A search will be conducted for felony convictions and bankruptcy. Key employees with a poor record will not be considered. Background checks will be completed only for companies who are receiving funding, and will be paid by the Fund.

Veteran owned and related businesses are encouraged to apply and will be given priority consideration.

3. FUND ADMINISTRATION AND FUND ADVISORY BOARD (FAB)

The Fund will be administered by the Orange County Business Accelerator which will provide the Fund Manager and Deputy Fund Manager. Initially the IDA Executive Director Jimmy O'Donnell will serve as Fund Manager, and Peter Gregory will serve as Deputy Fund Manager. They will be responsible for providing pre and post loan support to the OCFC and loan recipients and making funding recommendations to the FAB.

Prior to any loan being approved and funds issued, the FAB will meet with and review all applications and advise the Orange County Funding Corporation for approval.

Applications that are not approved by the FAB will not be presented to the OCFC. The FAB will consist of five members. The initial members will be Chairman John Steinberg; Executive Director Jimmy O'Donnell; Member Mary Ellen Rogulski; Attorney Phil Crotty; and Russell Vernon. FAB Chairman and members will serve one year terms and will be appointed by the OCFC at its annual meeting on the third Wednesday in January. The Chairman will ensure that meetings are held quarterly and whenever possible at 1PM on days of regularly scheduled IDA Board meetings. The Fund Managers may participate in FAB meetings but shall not vote.

4. APPLICATION PROCESS

Company applies on-line at www.ocaccelerator.com

- Fund Administrator checks for completeness and prior submission
- Distributes material to the Advisory Review Board (Reviewers)
- A scoring sheet will be used to evaluate and determine recommendation
- Forward yes/no result to company with recommended amount of loan
- Conduct Background check
- If loan approved Fund Administrator will submit Promissory Note and handle closing
- Execute documents on behalf of fund
- Make payment(s) Loans will range from \$5,000 to \$25,000 from the fund.

Companies must meet the following criteria before applying for funding:

- Be located in Orange County, New York
- Have the rights (ownership or license) to innovative technology, or have a product or service deemed to be novel with high prospects for profitability and success
- Meet the definition of a small business (per the SBA)
- Funding is to be used for the development of a business that is focused on the commercialization of innovative new product or service
- Loans may not be made into a publicly held company, but may be utilized to spin technology out of a public company and establish a new private entity.

The submission package must include:

- \$100 Application Fee

- Business plan
 - o Company overview
 - o Market information
 - o Operations
 - o Product description
 - o Description of number and types of jobs to be created
 - o Summary of Management talent

- Separate documents
 - Financial *pro formas* including forecast for next 12 months & current balance sheet
 - Certificate of Good Standing from the state of New York
 - Use of funds
- Strategy for follow-on funding

The Reviewers will review the application and proceed along one of three paths:

- Reject application – Summary report provided to applicant stating reasons for rejection. Companies may apply twice for review. If rejected twice, the company is no longer eligible to apply for substantially the same business.
- Approve the company for funding. Reviewers may recommend loaning in tranches
- Approve a loan but at a different amount

Seven key criteria will be covered and rated on a calibrated scale of 1 to 5. FAB reviewers will provide written commentary as well as numeric scores. Summary reports will be provided to every applicant.

5. Scoring Sheet

REVIEW CRITERIA BASELINE RATING (1-5)

Description of Product or Service (1-5)

Describe the product or service completely, concisely and explain why there is a need for the product or service? What are the technological risks?

Competitors & Competitive Advantage (1-5)

Explain why the product or service is better than the competition based on features and/or price. Does the summary identify the current competition including status quo? Is current and future competition identified and evaluated for weakness or significant barriers?

Customers, Revenue & Business Model (1-5)

Is customer value quantifiable, high and recognizable? Is there an ROI case and urgency to act? Define the first customer segment and economic buyer. Are product price points identified? Gross Margins?

Market Size (1-5)

Estimate the current target and addressable market size. Is it large and growing market proven and quantifiable? Does the plan show a path from a protected niche to a main street market?

Management (1-5)

Identify the key team member(s) and/or the skills needed to run this type of business and additional hires sought? Is there a structure for the organization?

Milestone Plan & Use of Funds (1-5)

Is there a reasonable milestone event with date that the plan is geared to achieve? How will the capital be used?

Financials (1-5)

Are plans based on realistic assumptions and have high returns? Is there at least a P/L for one year? Does it contain reasonable, justifiable projections for 2-3 years with assumptions explained?

Total Score:

What is your investment recommendation? YES ___ NO ___ Amount _____

6. Promissory Note

A Promissory Note will be used for the loan and will be issued for up to two years and will carry a minimum of 2% interest rate. The loan may be extended for up to one year upon recommendation from the Fund Manager and approval by the Advisory Board. The note will require a personal guarantee and such other collateral as the FAB may require. Before actual funding occurs the following documents will be provided and placed in the Fund's files:

- Background Check Reports
- Certificate of Good Standing with New York
- Executive Summary
- Promissory Note

7. Reporting Requirements

If a loan is provided, the following information will be required of each successful company, in

addition to any specific milestone information on an annual basis for five years:

1. Number of new patents, copyrights, trademarks applied for and issued
2. Annual sales/revenues
3. Number of new jobs, existing jobs, and projected new job growth
4. Average salaries
5. Follow-on investment figures and other metrics to gauge the positive effect on Orange County's progress toward building a competitive edge technology economy
6. The total number of new licensing agreements by institution and the number of new licensing agreements entered into with these firms.
7. Products commercialized and or services provided.

8. Meeting Requirements

All recipients of OCFC funds will be required to meet at a minimum of quarterly with the Fund Managers to review reports and company status. The Fund Managers will brief the FAB at their quarterly meetings on the status of each company with an outstanding loan.

9. Timeline

The Fund will accept applications at any time. Requests, if complete, will be forwarded for review within one week. Reviews are normally completed in four to six weeks. Total time for decision and funding should be approximately 60 days.

10. Deal Rejection

If a deal is rejected a company may reapply at any time, but only once. The company will provide the following documents to be reviewed.

- Updated Business Plan with changes highlighted
- A maximum five page response to the issues raised in the commentary from the Reviewers

11. Conflict of Interest

The loans for the companies will allow the companies to pay for services needed. However, should any conflict-of-interest be made known or perceived by others, the individual will advise the Fund Administrator, which will in consultation with the Reviewers determine appropriate action.



From: Peter Hartmayer, Executive Vice President
Cymogen D, LLC

To: Orange County , New York , IDA

Subject: Micro Financing opportunities to fuel growth
Date: February 15th, 2012

To: Whom It may Concern:

Cymogen Dx Is interested in learning about programs that may be applicable. We are seeing strong growth and would like to to see what opportunities may be available in obtaining financing related to growth of the company.

Warm Regards


Peter Hartmayer
Executive Vice President

2-15-12
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RESOLUTION APPROVING ORANGE COUNTY FUNDING CORPORATION
MICRO-LOAN PROGRAM

MOTION BY _____

SECONDED BY _____

Whereas, the Orange County Funding Corporation is a New York State not-for-profit corporation formed on May 13, 2010, and a loan program is an authorized purpose under the certificate of incorporation; and

Whereas, the Orange County Funding Corporation now desires to establish a micro-loan funding program according to the protocol adopted on this date; and

Whereas, the micro-loan program will be established using the Millennium economic development grant for 2012 in the amount of \$108,000 paid to the Orange County Funding Corporation.

Now Therefore Be It Resolved that this board of Orange County Funding Corporation hereby establishes a micro-loan program according to a protocol dated this date and hereby adopts that protocol, and initially funds the micro-loan program with a \$108,000 economic development grant received from Millennium for calendar year 2012.

Vote:

Mr. Schreibeis _____

Ms. Rogulski _____

Mr. Armistead _____

Mr. Brescia _____

Mr. Steinberg _____

Mr. Van Leeuwen _____

Chairman Petro _____

DATED: 4-18-12

_____AYES _____NAYS

RESOLUTION _____