



MICHIGAN STRATEGIC FUND BOARD

## 21<sup>st</sup> Century Jobs Fund

REQUEST FOR PROPOSALS

Early Stage Funding

(Non-Profit Entity)

RFP-DOC-XXXX

**APRIL 27, 2011**

## **REMINDER**

Applicants are required to submit proposals via a web-based Award Management System located at [www.TheMEDC.org/EarlyStageFunding](http://www.TheMEDC.org/EarlyStageFunding). Registration is required and should be completed at least one day prior to business plan submission.

An application fee of \$500 is required for each proposal and due at the time of submission. It is the applicant's sole responsibility to submit its proposal and application fee on time.

Please check your proposal to make sure you have included all of the specifications in the Request for Proposals Pre-Seed Fund. The proposal must contain all of the items outlined in:

- Program Overview (Section I A)
- Business Plan including track record of investigation and start-up/pre-seed stage investments (Section IV)
- Capacity to Address Conflicts of Interest

## **IMPORTANT DUE DATES**

- **May 6, 2011, 5:00 p.m. EST:** Questions from potential applicants are due via email to [EarlyStageFunding@michigan.org](mailto:EarlyStageFunding@michigan.org). **Please note:** The Michigan Strategic Fund Board ("MSF Board") or the Michigan Economic Development Corporation ("MEDC") staff will not respond to questions that are not received by the above date and time. In addition, questions that are phoned, faxed, sent through regular mail, or emailed directly to MEDC staff will not be accepted.
- **May 13, 2011, 5:00 p.m. EST:** Responses to all qualifying questions will be posted on the MEDC's website, [www.TheMEDC.org/EarlyStageFunding](http://www.TheMEDC.org/EarlyStageFunding) periodically and potential applicants are encouraged to check [www.TheMEDC.org/EarlyStageFunding](http://www.TheMEDC.org/EarlyStageFunding) frequently for responses to qualifying questions. All responses to qualifying questions will be posted by **May 13, 2011, 5:00 p.m. EST.**
- **May 27, 2011, 5:00 p.m. EST:** Proposals, including the application fee, must be received by the MSF Board. Proposals must be submitted via a web-based Award Management System (AMS), the link to which is located at [www.TheMEDC.org/EarlyStageFunding](http://www.TheMEDC.org/EarlyStageFunding).
- **May 30, 2011 – June 10, 2011:** Independent peer review evaluation will be conducted. Applicants should be available for face to face interviews with the peer review panel.
- **June 22, 2011:** Award decisions expected to be announced.

## **IMPORTANT QUALIFICATION CRITERIA**

**Applicants must meet all of the following criteria or the proposal will be disqualified:**

- Must be a non-profit organization authorized to conduct business in Michigan.
- Must be proposing to operate a Pre-Seed Fund that invests in the competitive edge technology sectors as defined by legislative mandate and determined by the MSF Board.
- Must submit a business plan not exceeding 25 pages, utilizing ten (10) point font or greater, submitted as a single Portable Document Format (.pdf) file. Proposals in

excess of 25 pages – which does not include the attached appendices for conflict of interest and bios - will be disqualified.

- Must follow the Confidentiality instructions, if applicable to the proposal, as described in Legal and Policy Section, Appendix E.

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## I. INTRODUCTION

Public Act 215 of 2005, Section 88k(2) allows the Strategic Economic Investment and Commercialization (“SEIC”) Board to award grants and loans from the 21<sup>st</sup> Century Jobs Fund for “...basic research, applied research, university technology transfer and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs in the state.” Under Executive Order 2010-8, the Governor ordered the SEIC Board abolished and all powers, duties, and functions of the SEIC Board transferred to the Michigan Strategic Fund (“MSF”).

Through this Request for Proposals Early Stage Funding, the MSF Board desires to allocate up to \$13 million (“Award Amount”), disbursed over 2 to 3 years, to non-profit organization(s) to capitalize a fund(s) that invests in pre-seed and start-up stage competitive edge technologies that require capital to transition from research to the earliest stages of the commercialization process (“the Fund(s)").

### A. **Program Overview**

Under the umbrella of the 21st Century Jobs Fund Initiative, the MSF Board has been given the opportunity to foster the growth of innovative companies with the potential for high growth in Michigan by investing in the most promising, nationally competitive, commercialization opportunities. The program objective is to oversee a competitive process to award funds to encourage economic diversification in competitive edge technology sectors and create jobs in Michigan.

Only **non-profit** organizations are eligible for funding under this Request for Proposals Early Stage Funding. Additionally, to be eligible, the applicant must:

- Have a statewide reach and focus; **AND**
- Actively engage the Michigan SmartZone network and Michigan institutions of higher education; **AND**
- Have the capacity to originate, process, and monitor loans, equity investments, and/or other funding instruments to companies; **AND**
- Demonstrate a successful track record of pre-seed investing; **AND**
- Demonstrate a proven ability of providing business acceleration services to competitive edge technology companies; **AND**
- Provide financing that serves as a complement to rather than replacement for, other funding vehicles in their market areas which creates a blended suite of available capital; **AND**
- Have an articulated strategy for identification of opportunities for investment; **AND**
- Have a screening and due diligence process that includes individuals from the community with successful experience in venture financing or growing companies based on competitive edge technologies; **AND**
- Require recipients to provide performance metrics required by PA 215 of 2005.

Funding (in the form of a grant) will be awarded to one or more non-profit organizations through a competitive process in which all submitted proposals will be reviewed by independent peer review experts. Results from the independent peer review will be in the form of numerical scores and a recommendation to the MSF Board.

Proposals must demonstrate an ability and willingness to invest in **BOTH** of the earliest **TWO** stages of a company's development:

- The investigation stage – At this stage, the Fund(s) should be assisting companies with activities including, but not limited to, technology and market assessment, intellectual property protection, proof of concept development, business plan development, and company formation. Note, per legislation, the Fund(s) must be able to leverage additional resources to assist in these acceleration activities but these additional resources may be in forms other than a cash match.
- The pre-seed/start-up stage – At this stage, the Fund(s) should be assisting companies with activities including, but not limited to, prototype development and testing, customer and partnership sourcing, continued pre-clinical data compilation, meeting staffing requirements, and securing follow-on financing. Investments at this stage must leverage matching financial contributions, and preference will be given to proposals based on their ability to secure matching funds.

By using the activities listed in each stage as a guideline, the Fund managers may exercise their discretion in determining a company's stage of development. Returns earned on investments made by the Fund shall be distributed as follows:

- Return of principal invested must be reinvested by the Fund(s) for the same purposes as outlined in this Request For Proposals. If the Fund(s) are unable or unwilling to continue this investment activity, the principal shall be returned to the Jobs for Michigan Investment Fund (the "Permanent Fund").
- The Fund(s) shall pay to the Jobs for Michigan Investment Fund (the "Permanent Fund") 10% of any royalties, license fees, interest, dividends, distributions above basis, capital gains, or other return on investment actually received net of any applicable taxes, including but not limited to unrelated business income taxes (collectively, "ROI") until such time as an amount equal to the entire award given to the Fund has been paid to the Permanent Fund.
- Once the Award Amount has been repaid in its entirety, the Fund(s) shall pay 3% of all further ROI to the Permanent Fund in perpetuity.

Proposals will be scored and ranked based on the following equally weighted four legislatively mandated criteria:

- Commercialization Merit
- Personnel Expertise
- Ability to Leverage Additional Funds
- Scientific and Technical Merit

Upon consideration of the independent peer review recommendation, the MSF Board will make a final decision as to the Pre-Seed Fund organization (the "Fund").

All proposal materials and materials generated throughout the competition, including, but not limited to, peer review materials, letters of commitment, biographical information, and due diligence information, submitted to the MEDC and State of Michigan through the MSF Board may be subject to public disclosure under Michigan's Freedom of Information Act ("FOIA"). For further details on confidentiality requirements refer to the *Legal and Policy Section, Appendix E*.

As provided in the Michigan Strategic Fund Act ("MSF Act"), the applicants may request that "financial or proprietary information," as defined in the MSF Act, contained within proposal submission materials be protected from disclosure under the Michigan FOIA. Such information **MUST** be identified directly within the material submitted by applicants and comply with the following requirements:

1. Identify each component and portion of the narrative for which you are requesting confidentiality. **Text, tables or graphics MUST be bolded and marked with asterisks and brackets (\*[bold if text]\*) within the narrative.**
2. Identify the attachment and the portion of the document for which you are requesting confidentiality. **Text, tables or graphics MUST be bolded and marked with asterisks and brackets (\*[bold if text]\*) on the attachment. If you are requesting confidentiality for portions of a multi-page document, such as the Business Plan, you MUST also list the page numbers of all pages that contain information marked by asterisks and bold brackets.**

Applicants understand that by failing to properly identify information that the applicant desires to be designated as confidential by the MSF Board, the applicant waives all rights and actions against the MEDC, the MSF Board, and the State of Michigan and its participants, officers, agents and employees regarding the release of information that could have otherwise been acknowledged as confidential but for the applicant's failure to properly designate the information as provided in this section or take other necessary action to have information acknowledged as confidential. It is the applicant's sole responsibility to identify information that it desires to be designated as confidential. Neither the MSF Board nor MEDC shall be liable for any inadvertent disclosure of any of the applicant's information designated as confidential by the applicant.

## **B. Governing Board and Administration**

The MSF Board is comprised of 11 members, including the Director of the Department of Licensing and Regulatory Affairs, the State Treasurer, the Chief Executive Officer of the MEDC and 8 additional members appointed by the Governor. A current list of MSF Board members can be found at the following internet link, [www.TheMEDC.org](http://www.TheMEDC.org).

Under the 21st Century Jobs Fund initiative, the MSF Board sets the strategic direction for funding commercialization activity within the four competitive edge technology sectors, and authorizes funding decisions. The MSF Board has designated the MEDC staff to provide administrative services for the programs that fall under the Board's responsibilities, including administration of support service activities such as the pre-seed fund.

This program is subject to Michigan law. In the event of any conflicts that proceed to court, jurisdiction will be in a Michigan court of law. Nothing in this document shall be construed to limit the rights and remedies of the State of Michigan, the MSF Board, or the MEDC. As provided by Michigan law, the MSF Board retains complete discretion to accept or reject any proposal. In accordance with PA 215 and in concert with the Chief

Compliance Officer of the 21st Century Jobs Fund, the MSF Board has established a comprehensive conflict of interest policy.

Any award is subject to the availability of funds. Applicants acknowledge that the MSF Board's performance of its payment obligation is contingent upon the State Legislature's continued approval of funding for the 21<sup>st</sup> Century Jobs Fund initiative.

**C. Estimated Timeline**

<b>March 23, 2011</b>	MSF Approval of Draft Early Stage Funding RFP
<b>April 11, 2011</b>	Public Hearing Held
<b>April 27, 2011</b> Released	MSF Approval—Final Early Stage Funding RFP
<b>May 6, 2011</b>	Applicant Questions Due Via E-Mail
<b>May 15, 2011</b>	Answers to Questions Posted on MEDC Website
<b>May 27, 2011</b>	Proposal Deadline
<b>May 30, 2011- June 10, 2011</b>	Peer Review Evaluation Conducted
<b>June 22, 2011</b>	Award Decision

All questions from applicants must be submitted via email to [EarlyStageFunding@michigan.org](mailto:EarlyStageFunding@michigan.org) by May 6, 2011, 5:00 p.m. EST. Neither the MSF Board nor the MEDC will respond to questions that are received after the above date and time. In addition, questions that are phoned, faxed, sent through regular mail, or emailed directly to MEDC staff will not be accepted. Answers to qualifying questions will be posted periodically at [www.TheMEDC.org/EarlyStageFunding](http://www.TheMEDC.org/EarlyStageFunding) and applicants are encouraged to check that web site frequently. All answers will be posted by May 13, 2011 by 5:00 p.m. EST.

**Proposals and the application fee are due by May 27, 2011, by 5:00 p.m. EST** and will be time stamped by the MEDC's Award Management System ("AMS"). It is the sole responsibility of the applicants to submit proposals and application fees in a timely fashion prior to the deadline. Applicants are advised that registration is required on the MEDC's AMS and should be completed at least one day prior to business plan submission.

Late or incomplete proposals will not be accepted or reviewed. **Any change or update to the deadline for proposals will be posted on the MEDC website.** Such postings shall constitute constructive notice to the general public and to all applicants of any modifications or alterations of the deadline for proposals. Therefore, applicants are strongly encouraged to continuously check the MEDC web site at [www.TheMEDC.org/EarlyStageFunding](http://www.TheMEDC.org/EarlyStageFunding).

**II. ELIGIBILITY, REQUIREMENTS AND OBLIGATIONS**

**A. Technology Sectors**

Business plans submitted in response to this RFP-DOC-XXXX **MUST** be to operate a pre-seed fund to invest in companies working to start or grow a Michigan business, create jobs and commercialize product(s) within one or more of the competitive edge technology sectors defined in the MSF Act and as determined by the MSF Board. For definitions refer

to the **Appendices A-D**. Please note: legislation is currently pending that may revise MCL 125.2088a and the definition of competitive edge technologies.

## **B. Non-Profit Entity**

Only non-profit organizations are eligible to apply for the Request for Proposals for Early Stage Funding (RFP-DOC-XXXX). To be eligible as a non-profit corporation, an applicant must be: (i) a non-profit corporation duly organized under the laws of Michigan; or (ii) a foreign non-profit corporation duly authorized to transact business in Michigan. The principal site for the Fund's management must be at a facility located in Michigan. Such a facility must be either: (i) owned or leased by the non-profit organization; or (ii) owned or leased by an organization collaborating on the project. If the principal site is owned or leased by a collaborating organization, the organization must meet the "principal site of the project" requirement for a non-profit corporation, as defined in this section. The Fund manager must be a full-time employee of the non-profit corporation.

Eligible non-profit organizations must be authorized to conduct business in the State of Michigan. For further details on eligibility requirements refer to the *Legal and Policy Section, Appendix E*.

## **C. Application Fee**

An application fee of \$500 is required for each proposal and due at the time of submission.

## **D. Financial Contributions**

The MSF Board requires applicants to leverage other resources as a condition of the award. Each proposal must create a fund that invests in companies in both the investigation stage and the pre-seed/start-up stage. The proposal must describe the additional resources leveraged in both stages. For investments in companies in the investigation stage, these additional resources need not be financial. For investments in companies in the pre-seed/start-up stage, the Fund(s) must either demonstrate third party match for the Fund as a whole or require a financial match for each individual investment, and preference will be given to proposals based on the demonstration of the Fund's ability to secure greater amounts of financial match. This "matching money" must be from a source other than public programs administered by the State of Michigan, and must meet the following tests:

- In order to qualify as matching money, previously committed funds cannot have been expended at the time of the award; and
- Matching money must be equal to or greater than the money requested in the proposal for pre-seed/start-up stage investments.

This matching money may come from federal sources.

While not required, preference will be given to proposals that are able to leverage matching money for the Fund as a whole. Letters of financial commitment are required from those who will provide this match. If the financial commitment has already been funded, evidence must be provided. In each case, the letter must indicate the source of funds, the amount of match, the date the match was or is to be provided, and the terms of the matching money. Any commitment to the Fund as a whole does not satisfy the requirement for financial match for individual investments made by the Fund in early state companies.

#### **E. Agreements**

Successful proposals approved for funding by the MSF Board are subject to the final execution of a legal agreement and successful completion of a due diligence review including, among other things, criminal and civil background checks of the applicant. Background checks will include, without limitation, affiliates, subsidiaries, officers, directors, managerial employees, and any person or entity which directly or indirectly holds a pecuniary interest in that business entity of 20% or more. Further details concerning this process are included in the *Legal and Policy Section, Appendix E*.

#### **F. Overhead Rates**

Overhead rates (administration costs) for the award recipient are limited to reflect actual overhead, but not greater than 15 percent of the Award Amount over the lifetime of the contract. Overhead rate calculation directions will be provided in the AMS and proposals will be checked for overhead rate compliance, prior to advancement to the peer review process. Preference will be given to proposals that are able to leverage outside funding sources to reduce overhead expenses for the Fund(s).

### **III. INDEPENDENT PEER REVIEW PROCESS**

Proposals will be evaluated by independent peer review experts with business expertise and experience in areas such as venture capital and angel investments, business creation and business growth scenarios, and technology commercialization. Results from the independent peer review will be in the form of numerical scores and recommendations to the MSF Board for award decisions.

All proposals must demonstrate a track record of investments in early stage technology companies and will be scored and ranked based on the four equally weighted legislatively mandated criteria as referenced below.

### **DECISIONS BY THE MSF BOARD ARE FINAL AND NOT SUBJECT TO APPEAL**

### **IV. BUSINESS PLAN FORMAT**

Proposals must not exceed 25 pages, utilizing ten (10) point font or greater, submitted as a single Portable Document Format (.pdf) file. Proposals in excess of 25 pages will be disqualified. This page limit does not include the required appendices for policy on conflict management and bios as noted below. Proposals can only be submitted electronically using the web-based AMS. **Proposals will not be accepted via U.S. mail or any other delivery method.** The link to the web-based AMS is located at the following URL: [www.TheMEDC.org/EarlyStageFunding](http://www.TheMEDC.org/EarlyStageFunding). Applicants are advised that registration is required on the MEDC's AMS and should be completed at least one day prior to business plan submission. An application fee of \$500 is required for each proposal and due at the time of submission.

Applicants should keep in mind the following four equally weighted legislatively mandated criteria by which all proposals will be evaluated:

- Commercialization Merit
- Personnel Expertise
- Ability to Leverage Additional Funds
- Scientific and Technical Merit

Applicants are asked to submit a business plan that must contain, at a minimum, the following items:

### **Executive Summary**

- a. Overview of organization and pre-seed fund plan
- b. Significance to Michigan
- c. Ability of the organization to have a statewide presence

### **Management**

- a. Key people – summary description of experience and background (full bios of key people should be submitted as outlined below)
- b. Total staffing required – people needed and plans for recruitment
- c. Organization chart – current and 2 years out
- d. Financial Investment Committee or Board – experience and background
- e. Scientific Advisory Board, if applicable – experience and background
- f. Policy on Conflict Management – summary (full description in Appendix)

### **Investee Company Sourcing, Due Diligence, and Investment Process**

- a. Relationships that provide for adequate, statewide deal sourcing
- b. Company application and due diligence process
- c. Detailed description of the investment decision process
- d. Plans for portfolio composition including number, type, and stage of companies to be financed

### **Portfolio Management**

- a. Plans to manage investments including:
  - i. Ensuring reporting from portfolio companies for term of investment
  - ii. Ensuring achievement of milestones
  - iii. Assisting portfolio companies with follow-on funding
  - iv. Assisting portfolio companies with business, technology and management issues such as recruiting management team, introduction to partners or new customers, technology matchmaking activities, etc.

### **Financing**

- a. Sources and amounts of funds leveraged (if any) in capitalizing the Fund
- b. Past and current funding sources attracted by the Fund for its portfolio companies

**Milestones and Timing**

- a. Fundraising Period (if applicable)
- b. Investment Period
- c. Marketing of the Fund
- d. Financial Objectives

**Financial Documents**

- a. Budget for the Fund (summary of intended distribution of award funds and application of administrative allowance, i.e. salaries, expenses, fees, etc.)
- b. One-page summary of three year forecast: balance sheet, income statement, cash flow

**Track Record**

- a. Complete historical investment track record of the Fund
- b. Transaction summary of all investments made to date
- c. Valuation Policy of the Fund

**Required Appendices**

**Full bios of Company's Key People and Committee/Board Members as well as the Company's Policy on Conflict Management must be attached to the business plan.** This information will not be counted toward the twenty-five page limit. The AMS will provide a component in which the required biographical and conflict of interest information must be entered.

***Note:*** *Providing these documents is for Review and Evaluation purposes and shall not be construed as a substitution, if awarded, for the information required to be submitted as part of the due diligence phase of the award agreement process. Separate and additional documentation may be required. These documents may be subject to disclosure under Michigan FOIA.*

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## Appendix A

### Advanced Automotive, Manufacturing, and Materials Technology Definitions

A. **“Advanced Automotive, Manufacturing, and Materials Technology”** means any technology that involves one (1) or more of the following:

- Materials with engineered properties created through the development of specialized process and synthesis technology
- Nanotechnology, including materials, devices, or systems at the atomic, molecular, or macromolecular level, with a scale measured in nanometers
- Microelectromechanical systems, including devices or systems integrating microelectronics with mechanical parts and a scale measured in micrometers
- Improvements to vehicle safety, vehicle performance, vehicle production, or environmental impact, including, but not limited to, vehicle equipment and component parts
- A new technology, device, or system that enhances or improves the manufacturing process of wood, timber, or agricultural-based products
- Any technology that involves an alternative energy vehicle or its components, as alternative energy vehicle is defined under [Section 2 of the Michigan NextEnergy authority act, 2002 PA 593, MCL 207.822](#)
- Advanced computing or electronic device technology related to advanced automotive, manufacturing and materials technology
- Design, engineering, testing, or diagnostics related to advanced automotive, manufacturing and materials technology
- Product research and development related to advanced automotive, manufacturing and materials technology

B. **“Alternative Energy Vehicle”** includes the following:

- **“Alternative Fueled Vehicle”** – A motor vehicle that can only be powered by a clean fuel energy system and can only be fueled by a clean fuel
- **“Fuel Cell Vehicle”** – A motor vehicle powered solely by a fuel cell energy system
- **“Electric Vehicle”** – A motor vehicle powered solely by a battery cell energy system
- **“Hybrid Vehicle”** – A motor vehicle that can only be powered by 2 or more alternative energy systems
- **“Solar Vehicle”** – A motor vehicle powered solely by a photovoltaic energy system

- **“Hybrid Electric Vehicle”** – A motor vehicle powered by an integrated propulsion system consisting of an electric motor and combustion engine. Hybrid electric vehicle does not include a retrofitted conventional diesel or gasoline engine. A hybrid electric vehicle obtains the power necessary to propel the motor vehicle from a combustion engine and one (1) of the following:
  - A battery cell energy system
  - A fuel cell energy system
  - A photovoltaic energy system

**C. “Advanced computing”** means any technology used in the design and development of one (1) or more of the following:

- Computer hardware and software
- Data communications
- Information technologies

**D. “Electronic Device Technology”** means any technology that involves microelectronics, semiconductors, electronic equipment, and instrumentation, radio frequency, microwave, and millimeter electronics; optical and optic-electrical devices; or data and digital communications and imaging devices.

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## Appendix B

### Alternative Energy Technology Definitions

A. **“Alternative Energy Technology”** means applied research or commercialization of new or next generation technology in 1 or more of the following:

- Alternative energy technology as that term is defined in [Section 2 of the Michigan NextEnergy Authority Act, 2002 PA 593, and MCL 207.822](#) [(i) below]
- Devices or systems designed and used solely for the purpose of generating energy from agricultural crops, residue and waste generated from the production and processing of agricultural products, animal wastes, or food processing wastes, not including a conventional gasoline or diesel fuel engine or retrofitted conventional gasoline or diesel fuel engine
- A new technology, product, or system that permits the utilization of biomass for the production of specialty, commodity, or foundational chemicals or of novel or economical commodity materials through the application of biotechnology that minimizes, complements, or replaces reliance on petroleum for the production. Alternative Energy Technology also includes a new technology, product, or system that utilizes wind energy
- Advanced computing or electronic device technology related to alternative energy technology
- Design, engineering, testing, or diagnostics related to alternative energy technology
- Product research and development related to alternative energy technology

(i) **“Alternative Energy Technology”** means equipment, component parts, materials, **electronic devices, testing equipment, and related systems that are solely related to the following:** (*Note: See 2002 PA 593 for complete definitions*)

- The storage or generation of hydrogen for use in an alternative energy system
- A microgrid as defined as lines, wires, and controls to connect 2 or more alternative energy systems
- The process of generating and putting into a usable form the energy generated by an alternative energy system. Alternative energy technology does not include those component parts of an alternative energy system that are required regardless of the energy source

B. **“Alternative Energy Systems”** include the following:

- **Fuel Cell Energy System** – One (1) or more fuel cells or fuel cell stacks and an inverter or other power conditioning unit. A fuel cell energy system may also include a fuel processor

- **Photovoltaic Energy System** – A solar energy device composed of one (1) or more photovoltaic cells or photovoltaic modules and an inverter or other power conditioning unit. A photovoltaic system may also include batteries for power storage or an electricity storage device
- **Solar-Thermal Energy System** – An integrated unit consisting of a sunlight collection device, a system containing a heat transfer fluid to receive the collected sunlight, and heat exchangers to transfer the solar energy to a thermal storage tank to heat or cool spaces or water or to generate electricity
- **Wind Energy System** – An integrated unit consisting of a wind turbine composed of a rotor, an electrical generator, a control system, an inverter or other power conditioning unit, and a tower, which uses moving air to produce power
- **CHP Energy System** – An integrated unit that generates power and either cools, heats, or controls humidity in a building or provides heating, drying, or chilling for an industrial process that includes and is limited to both of the following:
  - An absorption chiller, a desiccant dehumidifier, or heat recovery equipment
  - One of the following:
    - ◆ An internal combustion engine, an external combustion engine, a microturbine, or a miniturbine, fueled solely by a clean fuel
    - ◆ A fuel cell energy system
- **Microturbine Energy System** – A system that generates electricity, composed of a compressor, combustor, turbine, and generator, fueled solely by a clean fuel with a capacity of not more than 250 kilowatts. A microturbine energy system may include an alternator and shall include a recuperator if the use of the recuperator increases the efficiency of the energy system
- **Miniturbine Energy System** – A system that generates electricity, composed of a compressor, combustor, turbine, and generator, fueled solely by a clean fuel with a capacity of not more than 2 megawatts. A miniturbine energy system may also include an alternator and a recuperator
- **Stirling Cycle Energy System** – A closed-cycle, regenerative heat engine that is fueled solely by a clean fuel and uses an external combustion process, heat exchangers, pistons, a regenerator, and a confined working gas, such as hydrogen or helium, to convert heat into mechanical energy. A Stirling cycle energy system may also include a generator to generate electricity
- **Battery Cell Energy System** – One or more battery cells and an inverter or other power conditioning unit used to perform 1 or more of the below functions:
  - Propel a motor vehicle or an alternative energy marine propulsion system
  - Provide electricity that is distributed within a dwelling or other structure
  - Provide electricity to operate a portable electronic device including, but not limited to, a laptop computer, a personal digital assistant, or a cell phone

- **“Battery Cell”** means a closed electrochemical system that converts chemical energy from oxidation and reduction reactions directly into electric energy without combustion and without external fuel and consists of an anode, a cathode, and an electrolyte
- **Clean Fuel Energy System** – A device that is designed and used solely for the purpose of generating power from a clean fuel. Clean fuel energy system does not include a conventional gasoline or diesel fuel engine or a retrofitted conventional diesel or gasoline engine
- **Clean fuels are defined as:**
  - Methane
  - Natural gas
  - Methanol neat or methanol blends containing at least 85% methanol
  - Denatured ethanol neat or ethanol blends containing at least 85% ethanol
  - Compressed natural gas
  - Liquefied natural gas
  - Liquefied petroleum gas
  - Hydrogen
- **Electricity Storage System** – One or more electricity storage devices and inverters or other power conditioning equipment. An “electricity storage device” means a device, including a capacitor, that directly stores electrical energy without conversion to an intermediary medium

**C. “Advanced Computing” means any technology used in the design and development of 1 or more of the following:**

- Computer hardware and software
- Data communications
- Information technologies

**D. “Electronic Device Technology” means any technology that involves microelectronics, semiconductors, electronic equipment, and instrumentation, radio frequency, microwave, and millimeter electronics; optical and optic-electrical devices; or data and digital communications and imaging devices.**

## Appendix C

### Homeland Security/Defense Technology Definitions

**“Homeland Security and Defense Technology”** means technology that assists in the assessment of threats or damage to the general population and critical infrastructure, protection of, defense against, or mitigation of the effects of foreign or domestic threats, disasters, or attacks, or support for crisis or response management, including, but not limited to, one (1) or more of the following:

- Sensors, systems, processes, or equipment for communications, identification and authentication, screening, surveillance, tracking, and data analysis
- Advanced computing or electronic device technology related to homeland security and defense technology
- Aviation technology, including, but not limited to, avionics, airframe design, sensors, early warning systems, and services related to homeland security and defense technology
- Design, engineering, testing, or diagnostics related to homeland security and defense technology
- Product research and development related to homeland security and defense technology

**“Advanced Computing”** means any technology used in the design and development of one (1) or more of the following:

- Computer hardware and software
- Data communications
- Information technologies

**“Electronic Device Technology”** means any technology that involves microelectronics, semiconductors, electronic equipment, and instrumentation, radio frequency, microwave, and millimeter electronics; optical and optic-electrical devices; or data and digital communications and imaging devices.

## Appendix D

### Life Sciences Technology Definitions

**“Life Sciences”** means science for the examination or understanding of life or life processes, including, but not limited to, all of the following:

- Bioengineering
- Biomedical engineering
- Genomics
- Proteomics
- Molecular and chemical ecology
- Biotechnology, including any technology that uses living organisms, cells, macromolecules, microorganisms, umbilical cord blood or substances from living organisms to make or modify a product for useful purposes

Biotechnology does not include any of the following:

- Activities prohibited under Section [2685 of the public health code, 1978 PA 368, MCL 333.2685](#)
- Activities prohibited under Section [2688 of the public health code, 1978 PA 368, MCL 333.2688](#)
- Activities prohibited under Section [2690 of the public health code, 1978 PA 368, MCL 333.2690](#)
- Activities prohibited under Section [16274 of the public health code, 1978 PA 368, MCL 333.16274](#)
- Stem cell research with human embryonic tissue

**“Life Sciences Technology”** means any technology derived from life sciences intended to improve human health or the overall quality of human life, including, but not limited to, systems, processes, or equipment for drug or gene therapies, biosensors, testing, medical devices or instrumentation with a therapeutic or diagnostic value, a pharmaceutical or other product that requires United States Food and Drug Administration approval or registration prior to its introduction in the marketplace and is a drug or medical device as defined by [the federal food and drug cosmetic act, 21 USC 301 to 399](#), or one (1) or more of the following:

- Advanced computing or electronic device technology related to life sciences technology
- Design, engineering, testing, or diagnostics related to life sciences technology
- Product research and development related to life sciences technology

**“Advanced Computing”** means any technology used in the design and development of 1 or more of the following:

- Computer hardware and software
- Data communications
- Information technologies

**“Electronic Device Technology”** means any technology that involves microelectronics, semiconductors, electronic equipment, and instrumentation, radio frequency, microwave, and millimeter electronics; optical and optic-electrical devices; or data and digital communications and imaging devices.

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## Appendix E Legal Requirements

### A. Eligibility and Obligations

A Michigan based non-profit organization must: (i) be a non-profit corporation duly organized under the laws of Michigan, or a foreign non-profit corporation duly authorized to transact business in Michigan; and (ii) conduct substantially all of its business activity or have substantially all of its employees in Michigan. To be eligible to apply for funding, out-of-state non-profit organizations must establish a significant portion of their business in Michigan, or have substantially all of its employees in Michigan at or before the time an award agreement is entered into. The Michigan based non-profit organization must invest the award received from the MSF Board into Michigan based entities.

Overall, the majority of economic benefits resulting from this project must occur within the State of Michigan. In addition, the Primary Contact must be a full-time employee of the non-profit organization and must be located in Michigan for the duration of the project at the principal site at which, or from which, project activities will be performed. If a Primary Contact relocates outside of Michigan during the award period, the recipient organization must identify an alternate Primary Contact who is located in Michigan or a Michigan-based collaborator to take over the direction of the award. An alternate Primary Contact is subject to the final written approval of the Portfolio Manager. If such arrangements are not feasible, the award will be rescinded.

The award cannot be assigned or transferred.

Applicants, entities and/or collaborators that have received a previous award from the 21<sup>st</sup> Century Jobs Fund or the former MTTC/MLSC programs are eligible for an award. Applicants, entities and/or collaborators must identify in the MEDC's electronic award management system if they have received previous awards under these programs. Progress of previously funded proposals, including the status of any outstanding grants or loans, will be evaluated as part of the review process.

### B. Collaboration

The 21<sup>st</sup> Century Jobs Fund sets high standards for collaboration and requires evidence of genuine, productive collaboration. Collaboration at the Fund level is encouraged, but not required. Preference will be given for collaboration. All collaborators shall be identified in the designated area of the application. In general, collaborating entities should be Michigan-based, as one of the goals of the 21<sup>st</sup> Century Jobs Fund is to increase collaboration between or among Michigan for-profit companies and Michigan institutions of higher education, Michigan non-profit research institutions, and Michigan non-profit corporations. Collaboration with non-Michigan-based entities may be permitted **if** the applicant can demonstrate that the collaborator: (i) provides access to specialized resources, scientific, technical, and commercial expertise that are not readily available in Michigan; and (ii) ultimately benefits Michigan in a manner consistent with the intent of the 21st Century Jobs Fund.

For purposes of this RFP, collaboration at the Portfolio Company level is required. This means that the portfolio companies of the Fund(s) must be actively engaged in productive

collaboration with Michigan institutions of higher education, Michigan non-profit research institutions, and Michigan non-profit corporations, including SmartZones and other business accelerator service providers. The Fund manager will track compliance with the collaboration requirement by the Portfolio Companies.

Applicants are advised that the MSF Board consists of 11 members. Any action of the MSF Board including making an award to a successful applicant requires the vote of six members. While collaboration is highly encouraged, it is each applicant's responsibility to determine: (i) how many collaborating entities a proposal should include; (ii) whether any of those collaborating entities will result in the recusal of a MSF Board member because of an actual or apparent conflict of interest; and (iii) how to structure the proposal to ensure that at least six MSF Board members will be available to vote on the proposal. The MEDC's electronic award management system contains a list of the MSF board members and designated sections to identify conflicts during application submission. Failure to properly consider this issue may result in an application not being considered by the MSF Board.

### **C. Award Agreement**

The MSF Board, or MEDC staff on behalf of the MSF Board (provided that there are no material changes to the budget approved by the MSF Board), may adjust the proposed budget or term of the award based on input from the peer review process. The MSF Board may also choose to partially fund a project based upon the availability of funds. Post-award contract development, due diligence site visits, and financial and legal document submissions, among other things, may also require adjustments to proposed budgets. Award agreements will contain further information on the procedure for adjusting proposed budgets and milestones for the term of the award agreement.

MEDC staff will review contractual terms for the award agreement and structure an award-monitoring program. The successful applicant will be informed of the requirements for award monitoring and progress reports. The award agreement will contain reporting requirements as stipulated in Public Act 215 of 2005, including, but not limited to, the following:

- a. Entities that have received funding, the amount received, and the type of funding
- b. Valuation of portfolio
- c. The number of new patents, copyrights, or trademarks applied for and issued to portfolio companies
- d. The number of new jobs created and new jobs projected by each portfolio company
- e. Amounts of other funds leveraged by each portfolio company
- f. Money or other revenues or property returned to the Fund
- g. The total number of new licensing agreements by institution and the number of new licensing agreements entered into with Michigan firms
- h. Products commercialized and revenues generated by each portfolio company
- i. State business taxes paid by each portfolio company

All award agreements approved by the MSF Board will contain a provision that the MSF, the MEDC, the Auditor General and the Chief Compliance Officer have access to the books and records, including financial records and all other information and data relevant to the terms of the award agreement, related to the use of the grant.

Prior to an award being disbursed, the MEDC and the Office of the Chief Compliance Officer will conduct due diligence on the awardee, including, but not limited to, criminal and civil background checks of the applicant, and review of the organizational documentation and financial information of the applicant. The background checks will include, but may not be limited to, affiliates, subsidiaries, officers, directors and managerial employees. To facilitate these background checks, applicants will be required to provide as part of the required due diligence the complete names, addresses, and birthdates of all persons who fall within the above definition.

#### **D. Required Disclosures and Conflicts of Interest**

All proposals shall include disclosure statements signed by the Primary Contact of the official proposal and by any other stakeholder(s) or collaborating entity involved in the pre-seed activities being proposed. The required disclosure statement form will be provided in the electronic award management system.

For as long as the application is pending and during the term of the award agreement, if applicable, the disclosure statement must be updated any time a **significant financial interest**, as defined on the disclosure statement, arises.

#### **E. Breach of Contract**

A violation of any provision of the award agreement is grounds for any or all of the following, among other possible remedies: (i) rescission of the award; (ii) termination of all related underlying contractual agreements in which the MSF Board or MEDC is a party; or (iii) repayment by the recipient(s) of the award or any portion thereof, actually disbursed, either directly or indirectly, to the recipient.

If the MSF Board has a reasonable belief that a breach of award agreement has occurred, the MSF has the right to have the award recipient's annual financial statements separately audited by an independent certified public accountant. If the audit reveals that a breach has occurred, the award recipient shall reimburse the MSF for the fees and expenses incurred to perform the audit in addition to other remedies available to the MSF Board at law or equity.

Naming a figurehead from Michigan as Primary Contact while the project work is conducted by a non-Michigan-based organization or is substantially performed in another state is **not sufficient** for eligibility and, if discovered after an award has been made, will result in the termination or rescission of the award and subject the award recipient to any other remedies available to the MSF Board at law or equity. In addition to the requirements contained in this document and as provided by law, the contracts and policies of the MSF Board may provide for additional rights and remedies.

#### **F. Notice of Proprietary Information – Michigan Freedom of Information Act**

Except as otherwise provided in this RFP, all information in an applicant's proposal is subject to disclosure under Public Act No. 442 of 1976, known as the "Freedom of

Information Act”. This act also provides for the complete disclosure of contracts, their attachments, due diligence materials, progress reports submitted throughout the term of the award agreement and financial documents submitted as required under the award agreements. Proposal information is furnished to the MEDC, independent peer review experts and the State of Michigan, through the MSF Board.

Proposal materials submitted by applicants may contain “financial or proprietary information,” which is defined as “information that has not been publicly disseminated or which is unavailable from other sources, the release of which might cause competitive harm”. Applicants are provided an opportunity to specifically designate such proprietary or financial information.

**Applicants must be aware that, pursuant to MCL 125.2005(9), information the applicant deems confidential must be acknowledged by the Michigan Strategic Fund (MSF) Board as confidential to protect such information from disclosure under the Michigan Freedom of Information Act, MCL 15.243(1)(d).** Information that is not acknowledged as confidential by the MSF Board may be subject to disclosure under the Michigan Freedom of Information Act. Unless considered proprietary in nature, routine financial information cannot be acknowledged as confidential. The MSF Board will make the final decision on whether information designated as confidential by the applicant will be acknowledged as confidential.

Applicants agree that by failing to properly identify information that the applicant desires to be designated as confidential by the MSF Board, the applicant waives all rights and actions against the MEDC, the MSF Board, and the State of Michigan and its participants, officers, agents and employees regarding the release of information that could have otherwise been acknowledged as confidential but for the applicant’s failure to properly designate the information as provided in this section or take other necessary action to have information acknowledged as confidential. It is the applicant’s sole responsibility to identify information that it desires to be designated as confidential. Neither the MSF Board nor MEDC shall be liable for any inadvertent disclosure of any of the applicant’s information designated as confidential by the applicant.

#### **G. Submission Materials**

Applicants may request confidential treatment for “financial or proprietary information” contained within proposal submission materials that meets the definition of “financial or proprietary information” contained in the MSF Act. Such information **MUST** be identified directly within the material submitted by applicants by the following requirements:

1. *Identify each component and portion of the narrative for which you are requesting confidentiality. **Text, tables or graphics MUST be bolded and marked with asterisks and brackets (\*[bold if text]\*) within the narrative.***
2. *Identify the attachment and the portion of the document for which you are requesting confidentiality. **Text, tables or graphics MUST be bolded and marked with asterisks and brackets (\*[bold if text]\*) on the attachment. If you are requesting confidentiality for portions of a multi-page document, such as the Business Plan, you MUST also list the page numbers of all pages that contain information marked by asterisks and bold brackets.***

Proposals that fail to differentiate truly proprietary information from public information by indiscriminately labeling large sections or entire proposals as proprietary cannot be properly protected and will be returned to the applicant without review and **may result in disqualification. Watermarks, footers and headers that state “Confidential” or similar general indications will be construed to be an indiscriminate labeling of confidential information and will not be acknowledged.**

#### **H. Abstract**

The abstract section required in the online electronic award management system should not contain any confidential information. Applicants are advised that all information contained within the abstract is subject to disclosure under the Michigan FOIA. By inserting confidential information in the abstract, applicants waive any and all rights and/or actions against the MEDC, the MSF Board and the State of Michigan for the release of information that otherwise would have been confidential information but for the applicant’s inclusion of the confidential information in the abstract.

#### **I. Independent Peer Review Process**

Names of review or interview panel members will not be available to applicants. Applicants and their representatives are NOT permitted to contact the peer review agency, reviewers, or the MSF Board members regarding the applicant’s proposal. All communications regarding the proposal or review process should be conducted via the following email address: [EarlyStageFunding@michigan.org](mailto:EarlyStageFunding@michigan.org). Any attempt by an applicant to contact the above mentioned parties may result in proposal disqualification.

By submitting a proposal, the applicant acknowledges that the decision to award a grant is subject to the sole discretion of the MSF Board. This MSF Board’s decision is final and is not subject to appeal. Any attempt by an applicant, collaborating entity, or other party of interest to the proposed project to appeal and/or take any action, including, but not limited to, legal action, regarding the proposal or awards process in general may result in the applicant’s proposal being eliminated from award consideration. If the applicant has already received an award, the award(s) may be revoked at the discretion of the MSF Board. However, this paragraph should not be construed in a manner that would prevent an applicant from taking action, including legal, to protect any rights bestowed on the applicant in the actual award agreement negotiated with successful applicants.

#### **J. Due Diligence**

Prior to the disbursement of an award, the MEDC and the Office of the Chief Compliance Officer will conduct due diligence on the awardee, including, but not limited to, criminal and civil background checks of the applicant, and review of the applicant’s organizational documentation and financial information. The background checks will include, but not be limited to, affiliates, subsidiaries, officers, directors and managerial employees. To facilitate these background checks, applicants will be required to provide the complete names, addresses, and birthdates of all persons for whom a background check will be conducted prior to the execution of an award agreement.

All items must be submitted by **August 1, 2011**. If due diligence items are not submitted by **August 1, 2011**, the MSF Board reserves the right to rescind the award.

The following information will be required of the awardee. All items must be timely submitted and deemed satisfactory prior to the release of any award funds.

1. Individuals and Entities

Please immediately provide us the following information regarding your project and business entity.

**Individuals:** First, Middle, and Last Name for:

- Primary Contact
- Each Company Officer
- Each Company Director
- Each Management Employee

**Entities** (in addition to information on Individuals noted above): Legal Entity Name, Entity Location, and State and/or Country of Incorporation for:

- Applicant Business
- Each Affiliate of Applicant Business
- Each Subsidiary of Applicant Business

If the Applicant Business conducts business with foreign countries, please list such countries.

2. **Organization Registration:**

To receive payment from the State of Michigan, Public Act 533 of 2004 requires that awardees be registered in the State of Michigan Vendor/Payee System, **and must** authorize payments to be made via electronic funds transfer (EFT). No awards will be finalized nor payments authorized until the required registration and authorization is complete.

- If you have not registered with the State of Michigan, please initiate the process to do so
- If you have already registered with the State of Michigan, please verify and update your information
- If you have not authorized EFT payment, please initiate the process to do so

Access the Vendor/Payee System, Contracts and Payment Express at [www.michigan.gov/cpexpress](http://www.michigan.gov/cpexpress). To speak with Vendor/Payee System staff for assistance, call (517) 373-6222. **REGISTRATION MUST BE COMPLETE AND UPDATED IN ORDER TO RECEIVE PAYMENT.**

### 3. Financial and Legal Documents:

- Corporate Records, including but not limited to:
  - Articles of Incorporation/Organization and Bylaws/Operating Agreement of the Company, as amended to date
  - Certificate of Good Standing
  - A copy of the most current organizational chart available for the Company, including all entities or investments in which the Company owns less than a 100% interest
- **Other Documents:**
  - Copies of tax liens
  - Description of all pending or threatened litigation, and unsatisfied judgments
  - Documents relating to any injunctions, consent decrees, or settlements to which the Company is a party
  - Submit a Disclosure and Conflict of Interest Statement. The Statement may be viewed by visiting [www.TheMEDC.org/EarlyStageFunding](http://www.TheMEDC.org/EarlyStageFunding)
  - List of all State of Michigan awards

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