



STRATEGIC ECONOMIC INVESTMENT AND
COMMERCIALIZATION BOARD

Michigan 21st Century Jobs Fund

REQUEST FOR PROPOSALS
ACCELERATOR FUND

RFP-DOC
April 7, 2010

REMINDER

Applicants are required to submit proposals via the application instructions outlined on the www.TheMEDC.org/AcceleratorFund Web page. It is the applicant's sole responsibility to submit its proposal within the applicable deadlines.

IMPORTANT DUE DATES

- **April 16, 2010, 2:00 p.m. EST:** Questions from potential applicants are due via email to AcceleratorFund@michigan.org. **Please note:** The Strategic Economic Investment and Commercialization Board ("SEIC Board"), 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.
- **April 26, 2010, 5:00 p.m. EST:** Responses to all qualifying questions will be posted on the MEDC's Web site, www.TheMEDC.org/AcceleratorFund, periodically and potential applicants are encouraged to check www.TheMEDC.org/AcceleratorFund frequently for responses to qualifying questions.
- **May 19, 2010 5:00 p.m. EST:** Proposals must be received by the SEIC Board. Proposals must be submitted electronically to AcceleratorFund@michigan.org. Hand-delivered and mailed submissions **will not** be accepted.
- **June 4, 2010:** Peer review evaluation is expected to be completed.
- **June 10, 2010:** Award decision expected to be announced.

IMPORTANT QUALIFICATION CRITERIA

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

- The applicant must comply with every condition outlined in Section II B of the Request for Proposal: Application Requirements, including but not limited to the following:
 - The applicant must be proposing to form and operate an Accelerator Fund (the "Fund") that will invest in companies that are very early in their stage of development and have been, or will be, formed to develop and market products or services that incorporate technologies in at least one of the four competitive edge technology sectors as defined by MCL 125.2088a (life sciences technology; advanced automotive, manufacturing and materials technology; homeland security and defense technology; and alternative energy technology) ; *and*
 - The applicant 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 do not include the attached appendices referenced herein - will be disqualified.

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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 21st 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.”

Through this Request for Proposals - Accelerator Fund the SEIC Board desires to allocate up to \$6 million (“Award”) to two separate Michigan based organizations for total awards from this RFP of up to \$12 million. The Awards will be made over 2-3 years to two organizations which will each capitalize a Fund to invest in companies that are at the earliest stages of commercial development, are based in Michigan, and plan to develop products or services which are centered in one of the four technology sectors (life sciences technology; advanced automotive, manufacturing and materials technology; homeland security and defense technology; and alternative energy technology), as further defined in Section II A and Appendices A-D.

A. Accelerator Fund Concept

The purpose of the Accelerator Fund program is twofold. First, the program is designed to facilitate investments in companies at the earliest stages of commercial development by an investment management team that will follow a rigorous due diligence process to select investment opportunities and will provide significant value-creating support to each investment opportunity over its lifetime, to and including successful investor exit. Second, the program is designed to foster the growth of entrepreneurial talent both in venture capital investing and in entrepreneurial C-level leadership. Each Fund will be a first-generation organization which will ideally survive to form multiple generations of funds as well as an expansion of the talent pool available both to the Fund itself and to other Michigan venture firms and their portfolio companies.

These goals will be pursued by the capitalization of two Funds, each of which will be managed by an investment team with experience in operating and investing in early stage technology companies. Each of the Funds selected through this RFP process will receive a \$6 million Convertible Loan which will be converted according to the terms as described in Section III below.

As a condition of receiving an Award, the General Partners must contribute/invest in the Fund an amount equal to 1% of the total Fund size, and raise at least \$1 million cash (“Match”) to support the Fund and its associated business plan. The applicant’s business plan must identify the proposed source(s) of these dollars and provide letter(s) from the General Partners and investors which indicate the amount of investment, ability to invest, and willingness to invest. Each Fund must have received the minimum matching amount or ***be in possession of binding letters of commitment, as in the form of countersigned subscription agreements or similar documents that total at least \$1 million*** within 90 days of the Award.

In recognition of the Funds’ small size, the need for human resources to effectively identify and support the Funds’ portfolio companies, and the program’s secondary goal of developing talent; up to 15% of the Award may be used to fund the operating costs of the Funds over the life of the fund. The amount of fee available from the Match will be

negotiated by the Fund and must be identified within the body of the applicant's business plan. The SEIC expects that the Fund will use its carried interest to appropriately incent its staff so that the cash portion of the fee may be used to engage multiple personnel as further defined in the business plan.

The nature of this program, by its very design, is intended to invest in early stage companies, 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, as well to create new leaders, both in venture capital and entrepreneurial operating roles. Additionally, the program design presupposes the Funds will draw extensively on the experience of others to minimize risk and maximize returns. It is important for each Fund to contemplate, understand and describe how it intends to access the committed support of experienced investment, scientific, and management experience beyond that of the Fund managers ("the Support") and how this Support will be compensated for their services. The Support may be in the form of 1) an affiliation with a single venture firm, 2) an affiliation with an engaged and knowledgeable investment committee or advisory board, and/or 3) any other form of affiliation that convincingly brings in-depth and extensive experience in successful venture capital investment in early stage companies with a demonstrated track record of profitable investment exits. A detailed description of how the Fund will access the Support will be an important part of the business plan.

Further, the SEIC recognizes that the portfolio companies of the Funds will often require both capital and board leadership which exceeds the immediate resources of the Fund. A description of how this will be sourced, the experience of Fund personnel in providing these resources, and how conflicts of interest will be managed for those providing the Support are also important parts of the Applicant's business plan.

B. RFP Administration

The applicant must be the proposed Accelerator Fund and its General Partner(s)/Manager(s). The SEIC Board's choice of proposal will be determined by recommendations from independent peer review experts.

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 SEIC Board will make a final decision as to the recipients of the Awards.

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 SEIC 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 Requirements, 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 must 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 SEIC Board, 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 SEIC Board, MSF nor MEDC shall be liable for any inadvertent disclosure of any of the applicant’s information designated as confidential by the applicant.

C. Governing Board and Administration

Under PA 215 of 2005, the SEIC Board is comprised of 19 members, all of whom are appointed by the Governor. A current list of SEIC Board members can be found at the following internet link, www.TheMEDC.org/SEICBoard.

Under the 21st Century Jobs Fund initiative, the SEIC Board sets the strategic direction for funding commercialization activity within the four competitive edge technology sectors (life sciences technology; advanced automotive, manufacturing and materials technology; homeland security and defense technology; and alternative energy technology), and authorizes funding decisions. The SEIC 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 proposed accelerator fund program. 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 SEIC Board, the Michigan Strategic Fund (“MSF”) or MEDC. As provided by Michigan law, the SEIC Board retains complete discretion to accept or reject any proposal. In accordance with 2005 PA 215 and in concert with the Chief Compliance Officer of the 21st Century Jobs Fund, the SEIC Board has established a comprehensive conflict of interest policy.

Any Award is subject to the availability of funds. Applicants acknowledge that the MSF or SEIC Board’s performance of its payment obligation is contingent upon the State Legislature’s continued approval of funding for the 21st Century Jobs Fund initiative.

D. Estimated Timeline

March 3, 2009	SEIC Approval of Draft Accelerator Fund RFP
March 22, 2010	Public Hearing Held
April 7, 2010	SEIC Approval—Final Accelerator Fund RFP Released
April 16, 2010	Applicant Questions Due via E-Mail
April 26, 2010	Responses to all qualified questions
May 19, 2010	Proposal Deadline
June 4, 2010	Peer Review Evaluation Completed
June 10, 2010	Award Decision

All questions from applicants must be submitted via email to AcceleratorFund@michigan.org by **April 16, 2010, 2:00 p.m. EST**. Neither the SEIC Board, the Michigan Strategic Fund (“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/AcceleratorFund and applicants are encouraged to check that Web site frequently. All answers will be posted by **April 26, 2010 by 5:00 p.m. EST**.

Proposals are due by May 19, 2010, by 5:00 p.m. EST and must be submitted electronically to AcceleratorFund@michigan.org. Hand-delivered and mailed submissions **will not** be accepted.. It is the sole responsibility of the applicants to submit proposals and application fees in a timely fashion prior to the deadline.

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 Web site.** 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/AcceleratorFund.

II. ELIGIBILITY, REQUIREMENTS AND OBLIGATIONS

A. Technology Sectors

The applicant must be proposing to form and operate an accelerator fund (the “Fund”) that will invest in companies that are very early in their stage of development and have been, or will be, formed to develop and market products or services that incorporate technologies in at least one of the four competitive edge technology sectors as defined by MCL 125.2088a (life sciences technology; advanced automotive, manufacturing and materials technology; homeland security and defense technology; and alternative energy technology). Preference will be given those applicants which demonstrate a strategy and track record of investing in more than one of the four competitive edge technology sectors. For definitions refer to the **Appendices A-D**.

B. Application requirements

To be eligible, the applicant must:

- Must be a newly formed Fund and based in Michigan;
- Acknowledge that it will only invest in Michigan based companies, and that its underlying structure agreements with matching investor will include provisions requiring 100% of the Fund's investments be in Michigan based companies;
- Work collaboratively with at least one Michigan University; *and*
- Work collaboratively with at least one Michigan Smart Zone; *and*
- Engage at least one individual, who will be employed by the Fund full-time and will lead the investment decision making and value-adding process; and who has at least five years of successful venture capital investing and/or C-level entrepreneurial management experience; *and*
- Have confirmed Support from experienced venture capital investors and/or entrepreneurial executives; *and*
- General Partners must invest in the Fund an amount equal to 1% of the Fund size; and
- Secure a minimum \$1.0 million cash match for the Fund; *and*
- Have the capacity to originate, process, and monitor loans, equity investments and/or other funding instruments to companies; *and*
- Demonstrate a proven ability of providing business acceleration services to competitive edge technology companies; *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*
- Submit a Business Plan which satisfactorily address all of the terms and conditions as outlined in Section V, The Business Plan; *and*
- Require all Fund portfolio companies to provide performance metrics as required by 2005 PA 215; *and*
- Follow the confidentiality instructions, if applicable to the proposal, as described in Legal Requirements, Appendix E.

C. Financial Contributions

The General Partners must contribute/invest in the Fund an amount equal to 1% of the Fund size, and the Fund(s) must provide external leverage of at least \$1 million cash ("Match") to support the Fund and its associated business plan. Preference will be given to proposals that are able to raise additional matching money. At the time of application, the Funds are encouraged to provide letters of support from those who will provide this match. If the financial commitment has already been funded, evidence of same 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. Within 90 days from the Award date, ***the Fund must have received the minimum required match amount from investors or be in possession of binding letters of commitment, as in the form of countersigned subscription agreements or similar documents that total at least \$1 million.***

D. Agreements

Successful proposals approved for funding by the SEIC 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 Requirements, Appendix E*.

E. Administrative Costs

Administration costs for the Fund are limited to actual overhead and must be outlined in the application/business plan. In no event shall the management fee exceed 15% of the Award over the life of the Funds. Management fee calculation directions will be provided in the application information and proposals will be checked for management fee compliance, prior to furtherance to the peer review process.

III. AWARD STRUCTURE

The Award(s) will be funded in the form of a convertible loan (the "Loan") to for-profit Fund entities with automatic conversion into equity, and prescribed distribution terms ("ROI"). The ROI terms (discussed more fully below) will trigger coincident with the Fund's initial investment in a portfolio company, and continue with each subsequent disbursement from the MSF to the Fund under the Award. Disbursements of the Award(s) will be milestone based.

The terms of the ROI will include, at a minimum, the following: First, the MSF and the investors who have provided the Match will be entitled to pro-rata distributions up to the amount of the respective contribution. Following distributions in the amount equal to the respective contribution amounts, the ROI will be spread 20% to Fund and Support (as agreed by and between the Fund and Support) with the remaining 80% distributed pro-rata to the MSF and the investors who provided the Match until the MSF has received a total return of 1.5 times the total amount of the Award finally disbursed. Once the MSF has received in returns 1.5 times the total amount of the Award finally disbursed, the MSF will not be entitled to further distributions.

It is intended that the management and Support of the Fund will earn 20% of the profits generated by the Fund's investing activities. It is also intended that capping the return to the MSF gives private capital the opportunity to earn a meaningful return, one that is commensurate with the risk of very early stage investing. It is intended that this return opportunity incent private capital to invest in the Fund.

IV. INDEPENDENT PEER REVIEW PROCESS

Proposals will be evaluated by independent peer review process using one or more experts with business expertise and experience in areas such as venture capital and angel investments, business creation and business growth scenario as well as technology commercialization. Results from the independent peer review will be in the form of numerical scores and recommendations to the SEIC 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 herein.

DECISIONS BY THE SEIC BOARD ARE FINAL AND NOT SUBJECT TO APPEAL.

V. BUSINESS PLAN FORMAT

Response to the RFP must be in the form of a Business Plan (the “Plan”). The Plan must not exceed 25 pages, utilizing ten (10) point font or greater, and must be submitted as a single Portable Document Format (.pdf) file. The 25-page limit does ***NOT*** include the appendices requested (Valuation Policy, Bios of Key Personnel, Conflict of Interest Policy, and Letters of Financial Commitment). Plans exceeding 25 pages will be disqualified.

Plans must be submitted electronically to AcceleratorFund@michigan.org. **Plans will not be accepted via U.S. mail or any other delivery method.** The link to the Web page for detailed information and application information is located at the following URL: www.TheMEDC.org/AcceleratorFund.

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

Executive Summary

- a. Overview of Fund including investment strategy, specific hiring plans and a description of relationships with Support
- b. Significance to Michigan

Management

- a. Key people – summary description of experience and background of all who will either be employed by the Fund or will be part of the Support for the life of the Fund. This must include all who will participate as Support, such as Investment Committee or Advisory Board Members, as well as those who will be employed by the Fund. To the extent that staffing plan includes people not yet identified, include a profile for each person to be added so a reader can understand the type and extent of experience you plan to add to the Fund post award.
- b. Organization chart – current and for the life of the fund
- c. Detailed plan for vesting and allocation of carried interest among employees and Support

Investee Company Due Diligence and Portfolio Management

- a. Portfolio company application process
- b. Fund’s due diligence process, including involvement of Support
- c. Investment approval process, including involvement of Support
- d. Post-investment activities to monitor and add value to investee companies:
 - Form and format of reporting required from portfolio companies for term of investment

- Establishing and monitoring achievement of milestones and actions contemplated when milestones are missed
- Assistance to be provided to portfolio companies needing follow-on funding
- Plans to protect the Fund's ownership position in its portfolio companies
- Plans to assist portfolio companies with business, technology and management issues such as recruiting management team, introduction to partners or new customers, technology matchmaking activities, etc.

Portfolio Company Formation and Growth

- a. Plan for financing the management of investments over the life of the Fund
- b. Assistance and expertise of those assisting the growth of portfolio companies

Milestones and Timing

- a. Anticipated schedule of investing the bulk of the Award in portfolio companies
- b. Anticipated exit schedules
- c. Financial Objectives/Returns on investments

Financial Plan

- a. Investment Forecast: Provide a cash-flow forecast for all investible funds, indicating how the Fund will allocate these dollars to each portfolio company
- b. Operating Budget for the life of the Fund: Provide a detailed Operating Budget for the life of the Fund. To the extent that the management fee permitted by the SEIC funding does not cover all operating expenses, explain what other sources of funds will be called up to fund operating expenses
- c. To the extent that by the end of the life of the fund all investments have not been harvested, describe how portfolio companies will be managed until exit.

Track Records of Fund Management and Support

- a. Complete historical investment track record of the Applicant
- b. Track records of Support that align with Applicant's expectations of same. For example, if an advisor is to be relied upon for technical diligence, explain his/her qualifications for same. If Support is being looked to for investment decisions, provide investment track record of same.

Required Appendices (This information will not be counted toward the twenty-five page limit)

Full bios of Fund personnel

Full bios of Support members

Fund Valuation Policy

Fund Conflict of Interest Policy

This should explain how potential conflicts between the Fund and Support members will be identified and managed, as well as any conflicts between the Fund and its portfolio companies.

Full bios of members of Conflict of Interest Committee

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 - (as provided by statute)

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.

Appendix B

Alternative Energy Technology Definitions - (as provided by statute)

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 - (as provided by statute)

“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 - (as provided by statute)

“**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 or life sciences, as defined in MCL 125.2088a(n)(vi), 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.

Appendix E

Legal Requirements

A. Eligibility and Obligations

Overall, the majority of economic benefits resulting from this project must occur within the State of Michigan. In addition, the Primary Contact for each Fund must be a full-time employee of the recipient 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 21st Century Jobs Fund or the former MTTC/MLSC programs are eligible for an Award. Applicants, entities and/or collaborators must identify in their application 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

Collaboration at the Fund level is required; however, collaboration at the Portfolio Company level is encouraged, but not required. It is the sole responsibility of the Fund and the Fund manager to track compliance with the collaboration requirements by the Portfolio Companies. All collaborators shall be identified in the designated area of the application. The 21st Century Jobs Fund sets high standards for collaboration and requires evidence of genuine, productive collaboration. In general, collaborating entities should be Michigan-based, as one of the goals of the 21st 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.

Applicants are advised that the SEIC Board consists of 19 members. Any action of the SEIC Board including making an Award to a successful applicant requires the vote of 10 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 SEIC Board member because of an actual or apparent conflict of interest; and (iii) how to structure the proposal to ensure that at least ten SEIC Board members will be available to vote on the proposal. The Web page for this Accelerator Fund RFP will have a link to a document that contains

a list of the SEIC 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 SEIC Board.

C. Award Agreement

The SEIC Board, or MEDC staff on behalf of the SEIC Board (provided that there are no material changes to the budget approved by the SEIC Board), may adjust the proposed budget or term of the Award based on input from the peer review process. The SEIC 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.

All Award agreements approved by the MSF or SEIC Board will contain a provision that the SEIC Board, 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 loan.

Prior to an Award being disbursed, the MEDC and the Office of the Chief Compliance Officer will conduct due diligence on the Awardees, 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 acceleration activities being proposed. The required disclosure statement form will be provided within the application information and instructions given on the RFP Web page, www.TheMEDC.org/Acceleratorfund.

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, MEDC or the SEIC Board 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 or the SEIC 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 or the SEIC 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 SEIC 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 SEIC 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 SEIC 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 SEIC Board, 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 SEIC Board, MSF 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

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 SEIC Board, 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 SEIC Board members regarding the applicant's proposal. All communications regarding the proposal or review process should be conducted via the following email address: AcceleratorFund@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 make an Award is subject to the sole discretion of the SEIC Board. This SEIC 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 SEIC 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 Awardees, 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 **June 30, 2010**. If due diligence items are not submitted by **June 30, 2010**, the SEIC Board reserves the right to rescind the Award.

The following information will be required components of the due diligence process. 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. 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/AcceleratorFund.
 - List of all State of Michigan awards.

*All items must be submitted by **June 30, 2010**. If due diligence items are not submitted by **June 30, 2010**, the SEIC Board reserves the right to rescind the Award.*