



STRATEGIC ECONOMIC INVESTMENT AND
COMMERCIALIZATION BOARD

Michigan 21st Century Jobs Fund

REQUEST FOR PROPOSED
COMMERCIALIZATION BUSINESS PLANS
(For-Profit Entities)

RFP-DOC-1343

(**release date**)

REMINDER

Applicants are required to submit business plan proposals via a web-based award management system located at www.TheMEDC.org/21CBizPlan. 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.

Please check your proposal to make sure you have included all of the specifications in the Request for Proposed Commercialization Business Plans. At a minimum, the proposal must contain all of the items outlined in:

- Business Plan (Section IV)

IMPORTANT DUE DATES

- **May 28, 2008, 2:00 p.m. EST:** Questions from potential applicants are due via email to 21stCenturyJobs@michigan.org. **Please note:** The Strategic Economic Investment and Commercialization Board ("SEIC Board"), the Michigan Strategic Fund Board ("MSF Board"), and/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 staff will not be accepted.
- **May 30, 2008, 5:00 p.m. EST:** Responses to all qualifying questions will be posted on the MEDC's website, www.TheMEDC.org/21CBizPlan.
- **June 4, 2008, 5:00 p.m. EST:** Proposals must be received by the SEIC Board. Proposals must be submitted via a web-based award management system located at www.TheMEDC.org/21CBizPlan.
- **July 11, 2008, 5:00 p.m. EST:** Written reviews will be completed.
- **July 28 – August 22, 2008:** Oral interviews will be conducted. Applicants who are successful in the written review phase will be expected to participate in oral interviews at a location in Lansing, Michigan.
- **September 10, 2008:** Award decisions are expected to be announced.
- **September 17, 2008:** Successful awardees must submit all due diligence materials.

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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.**”

A. Competition Overview

Under the umbrella of the 21st Century Jobs Fund Initiative, the SEIC Board has been given the opportunity to foster the growth of Michigan’s technology based economy by investing in the most promising, nationally competitive, commercialization opportunities in the following four competitive edge technology sectors.

- Advanced Automotive, Manufacturing and Materials
- Alternative Energy
- Homeland Security and Defense Technology
- Life Sciences

The program objective is to oversee a competitive process to award funds to encourage economic diversification into the four competitive edge technology sectors and create jobs in Michigan.

Up to \$30 million dollars is available through the 2008 21st Century Jobs Fund Commercialization Business Plan Competition. Funding is awarded through a competitive process in which all submitted proposals will be reviewed by independent peer review experts.

Results from the independent peer review are in the form of numerical scores and recommendations to the SEIC Board for the most promising proposals to receive funding from the 21st Century Jobs Fund. Proposed business plans must demonstrate a viable, sustainable business opportunity with near term job creation and 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 recommendations, the SEIC Board will make final funding decisions and, if appropriate, any allocation guidelines.

The 2008 Request for Proposed Commercialization Business Plans (RFP-DOC-1343) is specifically seeking proposals from for-profit companies seeking to create or expand viable, sustainable Michigan business opportunities in competitive edge technologies with near term job creation—five (5) years or less.

Toward that end, and consistent with the economic diversification plan of the Michigan Economic Development Corporation (“MEDC”), the State of Michigan’s lead economic development agency, the SEIC Board desires to provide loans to Michigan businesses by focusing the 2008 Commercialization Business Plan Competition on the four competitive edge technology sectors.

This request is open to all proposals in the four competitive edge technology sectors; however applicants should be aware the MEDC’s economic diversification plan for 2008 focuses specifically on: cellulosic biofuels; wind energy; solar photovoltaic technology; advanced energy storage; renewable water; life sciences; vehicle R&D; and increasing the federal defense spend in Michigan.

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”).

*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:*

*Text, tables or graphics **MUST** be bolded and marked with asterisks and brackets (***[bold if text]***) on the page on which it appears.*

*Additionally proposals **MUST** list the page numbers of all pages that contain information marked by asterisks and bold brackets in the appropriate area provided in the online application form.*

B. Governing Board and Administration

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.

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, authorizes funding decisions, and oversees the administration of the program. The SEIC Board has designated the MEDC staff to provide administrative services for the programs that fall under the Board’s responsibilities, including the commercialization business plan competition.

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.

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

C. Commercialization Activities

For the purposes of this RFP, the definition of “Commercialization” has been limited to actions necessary to achieve market entry and general market competitiveness of new innovative technologies, processes, and products.

This RFP is not seeking proposals for ancillary support services or resource networks.

Proposals will only be accepted from for-profit companies that can demonstrate viable, sustainable business opportunities with near term job creation—five (5) years or less.

D. Estimated Competition Timeline

May 28, 2008	Applicant Questions Due via Email
June 4, 2008	Proposal Deadline
July 11, 2008	Written Reviews Completed
July 28 – August 22, 2008	Oral Interviews Conducted
September 10, 2008	Award Decisions
September 17, 2008	Due Diligence Materials Due
October 31, 2008	Award Negotiations Completed

All questions from applicants must be submitted via email at 21stCenturyJobs@michigan.org by May 28, 2008, 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 staff will not be accepted. Answers to questions will be posted periodically at www.TheMEDC.org/21CBizPlan and applicants are encouraged to check that web site frequently. All answers will be posted by May 30, 2008 by 5:00 p.m. EST.

Proposals are due by June 4, 2008, by 5:00 p.m. EST and will be time stamped by the MEDC’s award management system. It is the sole responsibility of the applicants to submit proposals in a timely fashion prior to the deadline. Applicants are advised that registration is required on the MEDC’s award management system and should be completed at least one day prior to business plan submission.

Late or incomplete applications 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/21CBizPlan.

II. ELIGIBILITY, REQUIREMENTS AND OBLIGATIONS

A. Technology Sectors

Business plans submitted in response to this RFP-DOC-1343 **MUST** be to commercialize a product within one or more of the four competitive edge technology sectors as defined by legislative mandate. For definitions refer to the *Appendices A-D*.

B. For-Profit Entity

Only for-profit companies are eligible to apply for the Request for Proposed Commercialization Business Plans (RFP-DOC-1343).

Eligible for-profit companies 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*.

In addition, the Project Director must be a full-time employee of the for-profit company who will be located in Michigan for the duration of the project at the principal site at which, or from which, project activities will be performed.

C. Application Fee

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

D. Financial Contributions – Leverage Additional Funds

The SEIC Board requires applicants to leverage other resources as a condition of the award. Each proposal must provide a specific financial contribution committed to, or available for, the direct support of the proposed plan. This leverage or “matching money” must be from a source other than personal funds, reinvested revenues, and/or funds received through other programs from the State of Michigan, and must meet the following tests:

- The source of the matching money has performed financial due diligence.
- Preference will be given for matching money that is either in-hand or committed at the time of application. If an applicant does not yet have cash in-hand or committed dollars, applicants may submit a letter of intent as an indication of an anticipated match.
- In order to qualify as matching money, previously committed funds cannot have been expended at the time of the award.
- Ideally, matching money will be equal to or greater than the money requested in the proposal, and will be funded or committed at the time of application.
- Preference will be given if the source of the matching money is capable of adding value to the applicant beyond the financial match itself.

- Preference will be given if the source of the matching money is capable of providing follow on funding.

Letters of financial commitment are required from those who will provide, or those who have provided, matching money to the proposed project. In each case, the letter must indicate the source, why and how the source is capable of adding value in addition to the value of the matching money, the amount of the match, the date the match was provided or is to be provided, the terms of the matching money, and the actual and anticipated support of the company the source has and will provide. The absence of such letter will be interpreted as the absence of matching money and will disqualify the applicant.

The peer review experts will be contacting investors and/or collaborators for verification.

For the FY08 21st Century Jobs Fund Commercialization Business Plan Competition, letters of financial commitment should be uploaded in the collaborator section of the electronic award management system where financial collaborators are identified. Research collaborators, if applicable, that demonstrate value-add to the commercialization strategy of the applicant, must also be identified in the collaborator section of the electronic award management system and letters of support uploaded. In-kind contributions are not eligible to satisfy the matching requirement described in this Section.

E. Award Types and Agreements

Awards will be distributed in the form of loans or convertible loans at the discretion of the SEIC Board. Agreement boilerplate language, when available, will be distributed to applicants.

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 who 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*.

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 investments, business creation and business growth scenarios, and technology commercialization. Additionally, peer reviewers will have specific expertise relevant to the appropriate four competitive edge technology sectors. 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 are expected to demonstrate a viable, sustainable business opportunity with near term job creation—five (5) years or less and will be scored and ranked based on four equally weighted legislatively mandated criteria.

A preference will be given for proposals that meet one or more of the following:

- Forecast revenues within 2 years.
- Have outside investments from investors with experience and investment management teams with experience in the industry targeted by the proposal.
- Have outside directors with expertise in the industry targeted by the proposal.
- Demonstrate a strategy of continued innovation including collaborative relationships with Michigan institutions of higher education, non-profit research institutions, support organizations and businesses. Applicants are encouraged to make use of Michigan's technology infrastructure and support networks. Additional information can be found at the MEDC's website at www.MichiganAdvantage.org/21CJF.

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

IV. BUSINESS PLAN

Proposals can be a maximum of 25 pages, submitted as a single Portable Document Format (.pdf) file. Proposals in excess of 25 pages – plus appendices for historical financial information and bios as noted below -- will be disqualified. Proposals can only be submitted electronically using a web-based award management system. Proposals will not be accepted via U.S. mail or any other delivery method. The web-based award management system is located at the following URL: www.TheMEDC.org/21CBizPlan. Applicants are advised that registration is required on the MEDC's award management system 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 four equally weighted legislatively mandated criteria by which all proposals will be evaluated.

Applicants are asked to submit a business plan outlining the viable, sustainable business opportunity with near term job creation in Michigan. The proposal must contain, at a minimum, the following items:

1. Executive Summary

- Overview of company and business plan;
- Significance to Michigan.

2. Management

- Key people – experience and background;
- People needed and plans for recruitment;
- Organization chart – current and 3 years out;
- Board of Directors, if applicable – experience and background;
- Scientific Advisory Board, if applicable – experience and background.

3. Job Creation

- Current staffing – type (category/range) and number;
- Direct jobs to be created (employees that receive W2's as well as those receiving 1099 statements) – type (category/range), number, salary levels, and projected timeline for hire;
- In-Direct jobs expected to result from this opportunity – type (category/range), number and projected timeline.

4. Product

- Description – scientific merit of technology and/or product;
- Development – current state;
- Development plan – timeline, costs, pending activities;
- Intellectual property plan – existing, in development, to be acquired, timeline.

5. Market

- Size of addressable market;
- Growth rate of market;
- Competitive assessment.

6. Sales

- Marketing strategy – distribution, pricing, positioning, promotion;
- Detailed sales plan – direct or leveraged thru value added channels;
- Sales personnel – experience and background of personnel.

7. Financing

- Past and current funding sources;
- Sources and amounts of funds leveraged to match potential 21st Century Jobs Fund award;
- Plan for meeting additional funding needs until entity is self-sustaining (follow-on funding).

8. Milestones and Timing

- Job Creation;
- Product Development – Technical;
- Commercialization – Marketing;
- Financial Objectives.

9. Financial Documents

- One-page presentation of current capitalization table showing shares owned (individual shareholder names may be omitted and replaced with generic identifiers), date purchased, and prices paid and forecasted capitalization table for next 3 years, additional equity financing needs/expectation;
- One-page summary of 3-year forecast: balance sheet, income statement, cash flow.

10. Appendix of Historical Financials (This information will not be counted toward the 25 page limit. The electronic award management system will provide an option to upload these documents).

- Balance sheet, income statement, cash flow (audited or certified by CEO or CFO) for previous three years;
- A policy on conflict management;
- Most recent period-to-date actual financials compared to budget-to-date for same period as well as annual budget.

11. Bios of Key People and Board Members (This information will not be counted toward the 25 page limit. The electronic award management system will provide a one-page form on which bio information should be entered.)

Note: Provision of these financial documents is for Review and Evaluation purposes and shall not be construed as a substitution, if awarded, for Financial Due Diligence compliance contingency for award agreement execution. Separate and additional documentation may be required.

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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 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 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 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

- 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](#).
 - 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
- B. 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.
- C. Alternative Energy Systems include the following:
- Fuel Cell Energy System – One 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 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.

D. 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

E. 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, 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 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 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 for-profit company must be (i) organized or incorporated in Michigan, or an entity incorporated or organized under the laws of another state (foreign corporation) and authorized to transact business in Michigan; and (ii) conduct a majority of its business activity or have a majority of its employees in Michigan. Out-of-state companies that can demonstrate a relocation or establishment of a significant portion of their business in Michigan at the time of award decisions are eligible to apply for funding. Companies must be conducting business activity in Michigan prior to receiving any award funds.

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

Awards cannot be reassigned 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 awards. If proposed activities involve or are related to the same technology or product for which funds were previously awarded, applicants **MUST** demonstrate a progression of activity towards achieving commercialization. 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 is encouraged, but not required. If there is collaboration among multiple entities, proposals must designate a lead organization (the applicant organization) that will be responsible for the administration of the proposed business plan. 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 (1) provides access to specialized resources, scientific, technical, and commercial expertise that are not readily available in Michigan, and (2) 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: (1) how

many collaborating entities a proposal should include; (2) 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 (3) how to structure the proposal to ensure that at least ten SEIC Board members will be available to vote on the proposal. The MEDC's electronic award management system contains designated sections to identify conflicts during application submission. Failure to properly consider this issue may result in an application not being considered for approval by the SEIC Board.

C. Award Types and Contract Negotiation

The 2008 awards only will be in the form of loans and convertible loans.

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 and/or term of the award based on input from the peer review process. The SEIC Board also may partially fund projects. 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. Successful applicants 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:

- The entity that has received funding, the amount received, and the type of funding;
- The number of new patents, copyrights, or trademarks applied for and issued;
- The number of new start-up businesses created;
- The number of new jobs and projected new job growth;
- Amounts of other funds leveraged;
- Money or other revenues or property returned to the investment fund;
- The total number of new licensing agreements by institution and the number of new licensing agreements entered into with Michigan firms; and
- Products commercialized.

In addition, the award agreement will include a requirement that awardees provide audited annual financial statements or audited financial statements restricted to activities related specifically to the awarded project. Agreement boilerplate language, when available, will be distributed to applicants. Applicants should be aware that this boilerplate language is subject to review and that the SEIC Board may modify the language as it deems necessary for fair and efficient administration of the program. Modifications or alterations of the boilerplate language will be communicated to applicants. Additionally, the award agreement boilerplate language will be sent to awardees in preparation for finalizing the agreements.

All award agreements approved by the SEIC Board will contain a provision that the SEIC Board, the MSF, the MEDC 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 any award being disbursed, the MEDC and the Office of the Chief Compliance Officer will conduct due diligence on each 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, managerial employees, and any person who, directly or indirectly, holds a pecuniary interest in that business entity of 20% or more. 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 Project Director of the official proposal and by any other stakeholder(s) or collaborating entity involved in the research, development, collaborative effort, or commercialization 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: (1) rescission of the award, (2) termination of all related underlying contractual agreements in which the MSF, MEDC or the SEIC Board is a party, or (3) repayment by the recipient(s) of the award (including accumulated interests and premiums, if any), or any portion thereof, actually disbursed, either directly or indirectly, to these recipient(s).

If an award recipient leaves Michigan within three (3) years of the execution of the award agreement or during the term of the award agreement, or otherwise breaches the terms of the award agreement, the agreement will include provisions requiring, among other remedies available to the SEIC Board, immediate repayment of the loan, a cancellation of future funding, payment of premiums, accumulated interest, or similar features.

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 Project Director 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 a bidder'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. 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 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. It is the applicant’s sole responsibility to identify information that it desires to be designated as confidential.

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: text, tables or graphics **MUST** be bolded and marked with asterisks and brackets (***[bold if text]***) on the page on which it appears.

Additionally, proposals **MUST** list the page numbers of all pages that contain information marked by asterisks and bold brackets in the appropriate area provided in the online electronic award management system.

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 **shall 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. 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. Interview Discussions

If financial or proprietary information is disclosed during the live interview with the peer reviewers, the applicant shall, at the time of disclosure, indicate that the applicant considers the information to be financial or proprietary in nature. Failure of the applicant to identify financial or proprietary information to the reviewers during the interview may result in the information being subject to disclosure under the Michigan freedom of information act. **The MSF Board will make the final decision on whether designated information will be acknowledged as confidential.**

J. 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: 21stcenturyjobs@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 loan 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 the award process. 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.

K. Due Diligence

Prior to the disbursement of any award, the MEDC and the Office of the Chief Compliance Officer will conduct due diligence on each 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, managerial employees, and any person who, directly or indirectly holds a pecuniary interest in that business entity of 20% or more. 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.

The following information will be required of all applicants selected for an award. All items must be submitted and deemed satisfactory prior to the release of any award funds.

1. Individuals and Entities:

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

Individuals:

First, Middle, and Last Name for:

- Project Director
- 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

Please also provide names of individuals or entities that hold a pecuniary interest in the Applicant Business of 20% or more.

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

a) 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.
- Resolution of the Board of Directors/Members or Managers.
- 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.
- Schedule showing for the Company and each of its subsidiaries: name, jurisdictions where qualified to do business, and jurisdictions where it owns or leases real property.

b) Financial Information, including but not limited to:

- Audited consolidated financial statements and the notes thereto for the past five years (or the earliest date available) for the Company.
- In the event audited financial statements are not available, we will accept compiled financial statements certified by an officer (CEO or CFO equivalent) of the Company.
- Most recent internal financial statements for the Company, i.e., for any period subsequent to that which is covered by the financial statements submitted in 1 above.
- Audited financial statements for any enterprises merged with, or acquired by, the Company in the last five years. Reviewed or compiled financial statements are to be submitted in the event that an audit has not been performed.
- Current internal budget, operating and financial plans and projections and any reports or papers relating to long-term budget, capital development, restructuring program or strategic plan of the Company.
- Any private placement memoranda or offering circulars prepared and used by the Company in the last five years.
- All annual, or other, letters or reports from the Company's independent public accountants or internal auditors to management during the last five years regarding internal control systems, accounting policies and procedures.

c) Financing Documents:

- All agreements or documents evidencing borrowings by the Company, including available lines of credit.
- All guaranties to which the Company is a party.
- Any agreement to loan funds or provide working capital to non-wholly owned subsidiaries, partnerships in which the Company owns an interest or other third parties.
- Any agreements (other than those described above) that restrict additional indebtedness or the sale, lease or transfer (by dividend or otherwise) of the assets or capital stock of the Company.
- All leases of equipment.
- Copies of real estate leases.

All contracts relating to the Company's securities to which the Company is a party, or among shareholders of the Company, or between shareholders and the Company, including (i) any agreements relating to the purchase, issuance, transfer or voting of securities of the Company (e.g. stock option plans, forms of stock option agreements, private placement agreements, registration rights agreements or subscription agreements), (ii) all stockholders' agreements, voting trusts or other restrictive agreements relating to the sale or voting of shares of the Company and (iii) all agreements under which any person has any rights concerning issued or unissued securities of the Company (e.g., rights of purchase or sale, preemptive rights, rights of first refusal, registration rights, options, warrants or convertible securities).

- Current Capitalization Table.

d) Other Documents:

- Copies of licenses and permits necessary for the Company to perform under the award agreement.
- Copies of all consulting agreements, agreements regarding inventions, and licenses or assignments of intellectual property to or from the Company.
- Copies of tax liens.
- Copies of all contracts between the Company and any officers, directors, 20% shareholders or affiliates.
- 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.