

**Michigan Emerging Technologies Fund  
Program Guidelines**  
Modified: February 2016

The Michigan Small Business Development Center (MI-SBDC) in partnership with the Michigan Economic Development Corporation (MEDC) has formed the Michigan Emerging Technologies Fund (ETF). The MI-SBDC administers the ETF through a contractual agreement with the MEDC authorized by the Michigan Strategic Fund (MSF) Board. Funding for the program is provided through the Michigan 21st Century Jobs Fund.

**A. Program Summary and Michigan Company Requirement**

The ETF was created to provide grant dollars to support commercialization of SBIR/STTR projects. The ETF will match SBIR/STTR awards in the amounts of \$25,000 for Phase I and up to \$125,000 for Phase II proposals. (Refer to Section E). ETF awards will come in the form of grants and do not need to be paid back; however, ETF Funds must be used to help bring Michigan SBIR/STTR projects to commercialization in at least one of the Four Technology Sectors supported by the ETF. These sectors are: (i) Advanced Automotive, Manufacturing, Materials, Information, and Agricultural Processing; (ii) Alternative Energy; (iii) Homeland Security and Defense; and (iv) Life Sciences

A Company must submit its ETF application prior to submitting its SBIR/STTR proposal to the federal government. ETF applications received after the SBIR/STTR submission deadline will not be accepted. Companies must receive and deposit Third Party Funding (Refer to Sections B and F) to be eligible for an ETF award.

An ETF Award Recipient must be a Michigan company or have its principal place of business in Michigan. To meet this standard, a Company must have and intend to have during the five year reporting period following receipt of an ETF award, all or substantially all of its operations and employees located within Michigan. Applications will be accepted from companies located outside of Michigan, but a company must establish Michigan as its principal place of business prior to the disbursement of ETF funds.

**B. Program Definitions**

1. **Company:** A Michigan technology-based company that submits an application to the ETF.
2. **SBIR/STTR Contract Date:** The effective date of the SBIR/STTR contract/grant entered into between the federal agency and the Company.

1. Third Party Funding: A source of funding other than internal funds, federal funds, ETF funds or other State of Michigan funds. (Refer also to Section F)
2. ETF Award Recipient: A Company that has met all program criteria and is awarded matching funds from the ETF.
3. Four Technology Sectors: Advanced Automotive, Manufacturing, Materials, Information, and Agricultural Processing; Alternative Energy; Homeland Security and Defense; and Life Sciences.
4. ETF Commitment Letter: A letter from the MI-SBDC that commits ETF funds to the Company as match to an SBIR/STTR proposal contingent upon the Company's compliance with eligibility rules and availability of ETF funds.

### **C. ETF Eligibility Requirements**

1. The Company must meet all federal SBIR/STTR requirements;
  2. The Company must be a Michigan company or have its principal place of business in Michigan prior to the disbursement of funds;
  3. The Company must submit SBIR/STTR proposals in at least one of the Four Competitive Sectors;
  4. The Company must complete an ETF application prior to submitting an SBIR/STTR proposal.
5. The Company must submit an ETF application for each SBIR/STTR proposal. Filing an ETF application for a Phase I proposal will not cover a subsequent Phase II. A separate ETF application must be submitted for the Phase II proposal;
  6. To receive an ETF Commitment Letter, the Company must request the letter no later than 10 business days before the federal submission deadline;
  7. The Company must request an ETF award and upload eligible supporting documents within one year of the SBIR/STTR Contract Date for both Phase I and Phase II awards;
  8. ETF awards will only match the base Phase I and Phase II programs for each agency. SBIR/STTR supplemental programs including, but not limited to, Phase I Option, Phase II enhancement, Phase II PLUS, Commercialization Pilot Program (CPP), Technical Assistance Programs (TAP), Commercialization Assistance Program (CAP), Niche Assessment Program (NAP), Manufacturing Assistance Program (MAP), Cost Match Feature, and Phases IB, IIA, IIB, IIR, REU/RET/RAHSS, and IICC are not eligible for ETF Funds.

### **D. ETF Participation Limits**

1. A Company may not have more than two (2) SBIR/STTR Phase II federal grants to participate in the ETF program.
2. A Company may receive no more than two (2) ETF awards per twelve month period. The Company may continue filing applications to the ETF; however, the company will not be eligible to receive ETF Funds until 12 months after receipt of the second ETF award.

3. A Company may receive no more than six (6) ETF awards throughout its participation in the ETF program as follows: no more than two (2) ETF awards covering Phase II awards and no more than four (4) ETF awards covering Phase I awards.
4. If the SBIR/STTR award has been used to meet matching requirements of another program funded by the MEDC, state of Michigan funds, or the Michigan 21st Century Jobs Fund, only the non-committed amount of the SBIR/STTR award will be considered for an ETF award. For example, if \$250,000 of a \$500,000 phase II SBIR award is used to meet matching requirements for the Michigan Pre-Seed Fund, only the \$250,000 balance will be considered for an ETF award.

#### **E. ETF Matching Award Grants**

1. For SBIR/STTR Phase I awards, the amount of the ETF award is \$25,000. Third Party Funding is required.
2. For SBIR/STTR Phase II awards, the amount of the ETF award is up to \$125,000. Third Party Funding is required. ETF awards for Phase II recipients are distributed as follows:
  - a) A Company may request a single award payment of \$125,000 as long as it receives and deposits eligible Third Party Funding within twelve (12) months of the SBIR/STTR Contract Date. For example, a Company may receive a single award payment of \$125,000 as long as it raises and deposits eligible Third Party Funding of \$125,000 within twelve (12) months of the SBIR/STTR Contract Date.
  - b) A Company may request two award payments. A first award payment of \$40,000 may be distributed as long as the Company raises and deposits eligible Third Party Funding of \$5,000 within twelve (12) months of the SBIR/STTR Contract Date. A second award payment may be requested as long as the Company receives and deposits the remaining Third Party Funding of \$120,000 within twelve (12) months of the SBIR/STTR Contract Date. For example, a Company may request a first award payment of \$40,000 and a second award payment of \$85,000 as long as it raises total Third Party Funding of \$125,000 within twelve (12) months of the SBIR/STTR Contract Date. No partial or incremental ETF award payments will be disbursed.
  - c) Disbursement of a second award payment is subject to available ETF Funds and eligibility rules. No ETF Funds will be set aside to accommodate Company requests for a second award payment.
  - d) A Company that is unable to raise full Third Party Funding within twelve (12) months of the SBIR/STTR Contract Date will not be obligated to return the initial \$40,000 award payment.

#### **F. Third Party Funding**

1. Third Party Funding must be raised and deposited into a U.S. bank account within twelve (12) months of the SBIR/STTR Contract Date with the federal agency for both Phase I and Phase II awards.
2. In-kind services do not count as Third Party Funding.
3. Third Party Funding may not be internal funds, federal funds, ETF funds, or other State of Michigan funds. Funds sourced directly or indirectly from sole source federal government contracts and federal labs are not eligible Third Party Funding. (See also 5, below, regarding strategic partners). State of Michigan funds include, but are not limited to: various programs where the source of funding is from the MEDC/MSF or state government.
4. Third Party Funding cannot be cash from an officer or employee of the Company or from Company internal funds.
5. Third Party Funding may come from a strategic partner pursuant to a development contract as long as the partner provides cash (as opposed to in kind services) to the Company and the purpose of the contract is to advance the work done under the original SBIR/STTR grant or contract. The Company must provide documentation (email or letter) from the strategic partner stating that the development contract advances the work under the original SBIR/STTR grant/contract and the source of the Third Party Funding is neither federal nor state dollars.
6. Third Party Funding may be a loan from a bank, another company, or friend, although the lender may not be an officer, employee, or have a financial interest in the Company. The loan must not be collateralized by either the federal grant or ETF Funds. Furthermore, the loan cannot be repaid by proceeds from the federal grant or ETF Funds.
7. Loan arrangements whereby ETF recipients exchange Third Party Funding are prohibited and may result in disqualification from the ETF program.
8. Third Party Funding may come from a family member with the exception of a spouse or any other individual who is listed on the tax return of any officer of the Company.
9. In addition to the ETF award, Third Party Funding must be used for commercialization of the technology sponsored under the SBIR/STTR grant. All Phase II ETF Award Recipients must acknowledge and may be asked to substantiate that their Third Party Funding (loan, available line of credit, receipt of investment) will be used to commercialize the sponsored technology.

## **G. ETF Application and Award Process**

Companies interested in submitting an application to the ETF, must submit an electronic application through the Michigan Emerging Technologies Fund web site at [www.mietf.org](http://www.mietf.org). A summary of the application and award process is as follows:

1. *The Company must complete an ETF application prior to submitting an SBIR/STTR proposal.*
2. To receive an ETF Commitment Letter, the Company must request the letter no later than 10 business days before the federal submission deadline.
3. The MI-SBDC will review the application to determine eligibility. A Company that meets the eligibility requirements and submits a complete application will receive an ETF Commitment Letter from the MI-SBDC within five (5) business days of the ETF application.
4. The Company may include the letter in its SBIR/STTR proposal to the appropriate federal agency.
5. ETF applications received after the federal SBIR/STTR submission deadline will not be accepted.

If a Company is successful in receiving an SBIR/STTR award, it must submit the following documents to the MI-SBDC:

1. Proof in the form of an executed SBIR/STTR contract/grant between the federal agency and the Company;
2. Proof of receipt and deposit of eligible Third Party Funding; and
3. A one-page Use of Funds template, [which can be found here](#).

Upon receiving the required documents from the Company, the MI-SBDC will send an Emerging Technology Fund Award Agreement to the Company. Upon receipt of a signed Agreement, the MI-SBDC will disburse an ETF award to the Company.

## **H. Use of ETF Funds**

ETF awards may only be used for commercialization of the technology sponsored under the SBIR/STTR Agreement. Expenses used for such commercialization purposes include, but are not limited to, purchase of equipment, legal costs (intellectual property protection, employee agreements, licensing agreements, etc.), sales and marketing costs (reasonable travel, trade shows, advertising, market studies, etc.), business planning costs, human resource development costs, and fundraising costs. For an STTR federal award, ETF Funds will only be provided to the Company and may not be shared with the research institute under any circumstances.

ETF awards must be expended solely with Michigan entities or residents of the state of Michigan unless an exception is granted by the MI-SBDC.

## **I. ETF Reporting Requirements**

On an annual basis for five (5) years following the receipt of an ETF award, ETF Award Recipients will be required to provide the MI-SBDC with a short summary report describing specific results of the work funded, documenting expenditures made with the matching award, and forecasting the next steps of the project. The report will include capital raised, revenue, number of jobs created, number of jobs retained, number of commercialized products, number of patents submitted, and number of patents issued resulting from the project. ETF Award Recipients are expected to accommodate reasonable requests by the MI-SBDC staff for site visits. ETF Award Recipients must file timely reports to remain eligible to participate in the ETF program.

## **J. Fast-Track Submissions**

For SBIR/STTR Fast-Track submissions, a Company must complete an ETF application for each Phase I and Phase II submission. Filing an ETF application for a Phase I proposal will not cover a subsequent Phase II. A separate ETF application must be completed for the Phase II proposal. Effective January 2016, the ETF program will issue ETF awards for successful Phase I and Phase II Fast-Track awards, assuming all eligibility rules are satisfied.

## **K. SBIR/STTR Resubmissions**

Companies are encouraged to file a new ETF application in the event they are resubmitting an SBIR/STTR proposal that did not receive initial funding from a federal agency.

## **L. Frequently Asked Questions**

A Frequently Asked Questions (FAQ) section will be maintained and made available to ETF applicants and awardees to clarify issues within the Program Guidelines and/or address issues that were not anticipated prior to the release of the Program Guidelines. The FAQ should be considered an extension of the Program Guidelines and will be adhered to and enforced as such.

## **M. Continued Funding and Availability of Funds**

All ETF awards are subject to continued funding of the ETF program and availability of funds. No amounts will be set aside to accommodate Company requests for a second payment on Phase II awards.

Final determination as to eligibility will be at the discretion of the MI-SBDC. Requests will be processed on a first come first serve basis. Maximum amounts are considered up-to amounts and may be adjusted at the discretion of the MI-SBDC. The MI-SBDC and MEDC at their sole discretion shall have the right to alter or amend these guidelines.

## **N. Contact the ETF Program**

Questions regarding the ETF program may be emailed to [mietf@gvsu.edu](mailto:mietf@gvsu.edu) or discussed by calling the program administrator at 734-462-4629.