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# Keystone Innovation Network

Program Guidelines

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## Section I – General

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### A. Introduction

The Ben Franklin Technology Development Authority (Technology Development Authority) is one of the largest state technology development programs in the nation, providing a vital vehicle for investing in economic, community, and university-based innovation. The Technology Development Authority programs are key components in the strategy of the Pennsylvania Department of Community and Economic Development's (DCED) Technology Investment Office (TIO), whose mission is to serve as a catalyst for growth and competitiveness for Pennsylvania technology-based companies and universities.

Historically, the Board of the Technology Development Authority approved the funding allocations the following for two complimentary programs which functioned to support the commonwealth's Keystone Innovation Zones and partner institutions of higher education:

1. **Keystone Innovation Zone (KIZ) Grants** – the Zones were designed to improve and encourage Pennsylvania's research and development efforts, technology commercialization and entrepreneurship programs within specific geographic areas, using Pennsylvania's world-class colleges and universities as economic drivers for development opportunities throughout the commonwealth.
2. **Innovation Grants** – funding to support technology transfer and commercialization efforts at institutions of higher education (IHE) (defined in Appendix I) across the commonwealth. These Grants encouraged direct partnerships and alignment with KIZs as well as regional networks of technology transfer activities involving networks of institutions of higher education.

### B. Keystone Innovation Network Overview

The two companion programs described in section I.A., KIZ Grants and Innovation Grants, have historically been supported through the Technology Development Authority as separately funded and separately managed programs. These two programs helped to support a region's entrepreneurship and technology development by filling the pipeline of start-up technology companies and accelerating commercialization efforts. The Innovation Grant Program function was to develop the IHE technology transfer infrastructure to facilitate the spin out and establishment of young firms as well as leveraging university research faculty and intellectual property. KIZs provided the tax incentives, supportive services, funding and other services to foster further growth in these firms and the communities where they were established.

Together, these two programs have had significant impact on Pennsylvania's innovation based economy. To date KIZs have reported almost 1,000 new company formations, created 4,500 jobs, assisted over 7,000 companies, and employed over 1,200 student graduates. The Innovation Grants Program has created over 100 new company formations, leveraged \$112 million, assisted 500 companies and filed 1,800 patents.

The purpose of the Keystone Innovation Network (KIN) Competitive Grant Program is to:

- improve coordination of the delivery of services to start and grow KIZ firms
- accelerate commercialization of technology leveraged from the commonwealth's research assets.

Pennsylvania currently ranks low in entrepreneurship and other national metrics. A new approach is required to improve the success of commercializing new products and increasing entrepreneurialism in the commonwealth. To improve the impact of the Technology Development Authority's investments, a more

formal “networked” approach is required, which in this case will combine the successes of two of the Authority’s key programs. A combined effort between the KIZ institutions of higher education and a KIZ’s community entrepreneurial efforts and incentives will yield a more collaborative and coordinated approach to support an innovation based economic development strategy.

The KIN Competitive Grant Program will also align with the Department of Community and Economic Development’s focus on Competition, Partnerships and improved Performance. The KIN will combat Pennsylvania’s “brain drain” by creating new opportunities for Pennsylvania’s college students and graduates -- while improving and encouraging research and development efforts, technology commercialization and entrepreneurship. The program is intended to renew and focus its commitment to creating new technologies, new entrepreneurs, and growing existing innovative firms – using its world-class colleges and universities and a robust continuum of service providers who are geared to assist the early stage company in reaching its maximum growth.

## C. Criteria and Funding Opportunities

### 1. Eligible Applicants

An approved KIZ (or a consortia of Zones) as designated in accordance with Section 3702 of the KIZ’s enabling legislation (*12 Pa. C.S. § 3701, et seq.* (2004)), with a participating KIZ institution of higher education (or a consortium of schools).

Pennsylvania-based Institutions of Higher Education, Academic Medical Centers and, Non-Profit Research Institutions are eligible for this program.

### 2. Application Criteria

- a. A KIZ will be the lead applicant or fiscal agent for any Keystone Innovation Network application under these Guidelines.
- b. A unified proposal shall be submitted by a KIZ (or a consortia of Zones) and a participating KIZ institution of higher education (or a consortia of schools).
- c. The KIN application shall identify and maintain a “KIZ Coordinator” who is responsible for the day-to-day administration of the KIZ including determining eligibility for KIZ Tax Credits.
- d. The KIN shall include at least one institution of higher education as well as a combination of private businesses, business support organizations, commercial lending institutions, venture capital companies, angel investor networks or foundations. Additionally, the KIN shall seek services and support from the following Pennsylvania-based organizations:
  - Ben Franklin Technology Partners (BFTPs)
  - Life Sciences Greenhouses (LSGs)
  - Partnerships for Regional Economic Performance (PREP)
  - Workforce Investment Boards (WIBs)
  - Small Business Incubators
  - Other local and regional innovation based economic development organizations

- e. Each KIN application shall include a current written strategic plan or other documentation which outlines roles, responsibilities and contributions, both financial and non-financial, of each member of the KIN. This written statement can be in the form of a 1) memorandum of understanding, 2) statement of cooperation, 3) partnership agreement, 4) operational plan or any similar document which identifies each partner's role with respect to the operations and administration of the KIN. Under the KIZ Competitive Grant Program, Zones were required to submit strategic plans – a KIN Application may use this document to meet the above criteria.
  - f. Eligible activities under this program are intended to be new activities to enhance technology transfer; it is expected that match funds will be a commitment of new resources by the IHE.
3. The narrative with each Single Application should be **no more than ten pages. Pages must be numbered. Font should be 12 pt. and set to Times New Roman.**

#### **D. Geographic Boundaries of a KIZ**

Geographic boundaries approved to date are unique to each Zone and have been approved based on several factors including but not limited to the following: proximity to university and/or college partners, availability of and access to business incubators or accelerators, connectivity to existing research facilities, availability of ready-to-occupy, below-market rate facilities that are either owned or operated by a Zone's economic development partners such as industrial development corporations, chambers of commerce, economic development corporations or industrial partners.

#### **E. Targeted Industry Sectors**

Targeted industry sectors were developed through the prior KIZ Competitive Grant Program which was based on: 1) the priorities of the Department, 2) types of KIZ companies currently participating in the KIZ program and 3) the KIZ Tax Credit Applications submitted to date. KIN applications should elaborate on the industry sectors identified and how both the Zone(s) and IHE(s) support those sectors.

#### **F. KIZ Tax Credit Program**

The KIZ Tax Credit program provides up to \$25 million annually in tradable KIZ Tax Credits for those companies who qualify under the KIZ program. Eligible KIZ companies can apply for up to \$100,000 in tradable tax credits annually. In order for a KIZ company to apply for KIZ Tax Credits, the company must adhere to the KIZ Tax Credit Program Guidelines and be up-to-date with their semi-annual reporting which is due on or before January 15th and July 15th of each calendar year. Semi-annual reports are to be submitted to DCED through the KIZ Force reporting portal. KIZ companies who fail to report their semiannual metrics will be prohibited from applying for a tax credit for that particular year.

For KIZs to maintain Tax Credit eligibility for their companies, a KIZ Partnership must send a letter to DCED by July 15th of each year, stating they are intact, confirm who the KIZ Coordinator is and what services they plan on providing through the KIZ. A KIZ will no longer be eligible to offer the KIZ tax credit program to their companies should the KIZ Partnership dissolve, thus causing the KIZ and its designation to no longer exist.

## Section II – Keystone Innovation Network Competitive Grant Program

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The Keystone Innovation Network is a new combined competitive grant program available to the currently designated twenty nine Keystone Innovation Zones and participant KIZ institutions of higher education (past and current Innovation Grant recipients in good standing). Other organizations may participate in applications in this grant program through participation with a KIZ. KIZs shall be the lead applicant for consideration under these guidelines.

### A. Funding Authority

Funding for the KIN Competitive Grant Program is contingent upon the Technology Development Authority's fiscal year appropriation by the Pennsylvania General Assembly and subsequent distribution of such funds by Technology Development Authority.

The Technology Development Authority's Board of Directors has authorized \$2 million for 10 to 12 projects for the KIN Competitive Grant Program. Projects are expected to be awarded at the Technology Development Authority Board's July 2012 meeting. Funding for projects is contingent upon the Board of Directors approval of each application. DCED's Technology Investment Office serves as the staff support to the Authority and manages all programs and initiatives approved by the Board of Directors.

### B. Eligible Uses of Funds

The KIN Competitive Grant Program may provide funding for programmatic activities associated with a particular KIZ and IHE or a collaborative effort of two (2) or more KIZs and IHEs. In an effort to promote partnerships, support entrepreneurship and commercialization efforts, the KIN Competitive Grants shall be used for, but not limited to, the following activities:

1. Support business planning (including business plan competitions), educational seminars, workshops, networking, and services related to the technology transfer process that benefits KIZ companies or KIZ-partnering IHEs.
2. Provide capital in the form of grants or low-interest loans to KIZ companies.
3. Support university commercialization efforts.
4. Development or expansion of technology transfer offices, or to create a shared resource or, to provide technology transfer assistance. (Note: Applicants intending to use a KIN solely for this purpose must be able to demonstrate a sustainable funding source). Funds may be used to support interns at partnering IHEs provided the KIZ coordinator has approved the job description and the duties assigned are directly in line with the activities of the KIZ. A copy of the job description must be on file in the office of the KIZ Coordinator.
5. Support the placement of interns at KIZ companies.
6. To provide seed capital in the form of grants or loans for faculty and students to perform proof of concept efforts including business plan analysis, marketing analysis, prototyping, patent research and filing, intellectual property, licensing and royalty agreements and other uses to be approved by DCED upon request.

7. To provide seed capital in the form of grants or loans for Keystone Innovation Zone companies that are licensing/transferring technology from a Pennsylvania IHE, academic medical center or non-profit research institution. Loans, rather than grants, should be considered.
8. To develop a technology transfer office.
9. To provide financial support for creating or updating of faculty, staff, and student intellectual property policies at Pennsylvania IHEs, academic medical centers, and non-profit research institutions.
10. To provide financial resources for the creation of technology transfer invention management databases for reporting and management of Pennsylvania IHEs', academic medical centers', and non-profit research institutions' intellectual property.

The foregoing examples are not all-inclusive. It is the intention of the Program Guidelines that KIN applicants will develop creative, innovative approaches and supporting programs, offering a variety of services and/or capital to assist KIZ Companies with commercialization activities and overall growth.

Applicants may utilize the KIN Competitive Grant to pay for costs incurred as a result of the DCED-required Project Audit and/or Grant Closeout requirements, if applicable.

### **C. Ineligible Uses of Funds**

1. Salaries and fringe benefits of the KIZ Coordinator or other staff associated with the administration or operation of the KIZ.
2. Travel outside the country.
3. Building construction or renovation.
4. Support of non-KIZ companies or non-KIZ partners.
5. Support of general administrative overhead or indirect costs at participating colleges and universities.
6. Planned long-term (beyond grant-year) support of staff salaries.
7. Support of non-KIZ companies with either financial assistance or support of internships at non-KIZ companies.
8. To procure lobbying services or pay fines or reparations resulting from lawsuits, citations, or regulatory actions.

### **D. Innovation Marketplace**

Successfully funded Keystone Innovation Networks will be required to participate in the commonwealth supported online portal that will be established to link entrepreneurs, university intellectual property, investors and manufacturers seeking technology solutions and opportunities to partner for business growth. Additional information will be provided by DCED for participating and requirements of the Innovation Marketplace.

## **E. Budget and Match Commitment**

The Budget and Match Commitment sections of the application will be scored independent of each other by the Technology Investment Office.

Each application shall include a clear statement of the accomplishments to be achieved with the funds and how that relates to the Proposal. Each application shall also demonstrate the following:

1. The amount of funds being requested from the Technology Development Authority.
2. The projected impact the funding will have on the KIN (including but not limited to: jobs created, jobs retained, funds leveraged, companies created).
3. The time-frame during which funds will be expended.
4. A 1:1 cash match is required for this program. Applications that demonstrate a higher percentage of cash match will receive a higher percentage of points for purposes of this section. At least 50% of the cash match must be from non-state sources.
5. The salary of a KIZ Coordinator is an acceptable form of cash match. The percentage of time committed to administer the programs outlined in the application shall be documented. Only the time committed to administer such programs shall be counted as match.
6. While encouraged, in-kind match shall not be counted as cash for purposes of this program. In-kind match shall be easily identified and tracked and directly related to the stated goals and objectives of the programs to be funded through the KIZ Competitive Grant program.

## **F. Contract Terms**

Grant contracts for the KIN Competitive Grant Program shall be for an initial period of 18 months. One (1) option to extend the terms of the contract for a period of six (6) months may be granted by the TIO. Detailed, written justification for the contract extension shall be submitted to the TIO for review and consideration. Any funds allocated to the KIN which are not expended on or before the expiration of the grant contract, including the extension period, shall be returned to the Technology Development Authority.

Any interest earned on the grant contract between the Technology Development Authority and the contractor must be returned to the Technology Development Authority.

## **G. Keystone Innovation Network Support Documentation and Memorandum of Understanding**

A signed Memorandum of Understanding shall be submitted as part of the competitive grant application which outlines:

1. that the KIZ Board and participating IHE support the submission of the grant application.
2. the operations of the KIN are to be financially supported by the partners.
3. the KIN and its supporting management structure and partners understand that in order to be eligible for KIZ Tax Credits, the KIZ Companies located within a particular KIZ shall continue to report semi-annually to DCED through KIZ Force.



## Section III – Application Process

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### A. Application Submission

The application shall be submitted to DCED utilizing the Single Application for Assistance. Applications shall be submitted to DCED on or before June 8, 2012.

1. The Single Application must be completed online by accessing [www.newPA.com](http://www.newPA.com). Click on “Find Incentives & Apply for Funding” then click on “Single Application for Assistance”.
2. Applications must be submitted on line to DCED from the KIN Fiscal Agent with letters of support from key partners (Zones, IHEs, etc.).
3. The application signature page plus 6 complete copies of the application with attachments must be submitted in hard copy to:

Department of Community and Economic Development  
Technology Investment Office  
Commonwealth Keystone Building  
400 North Street, 4th Floor  
Harrisburg, PA 17120-0225

4. Please reference the WEB ID number on any documents with the signature page.
5. Program inquiries should be directed to:

Department of Community and Economic Development  
Technology Investment Office  
(717) 787-4147

6. All inquiries related to completion and submission of a Single Application, including technical difficulties with the website, shall be directed to the DCED Customer Service Center at 1-800-379-7448, 717-787-3405, or [ra-dced@pa.gov](mailto:ra-dced@pa.gov).

### B. Narrative

Each Single Application should also include a detailed narrative or proposal of **no more than ten pages**. Pages must be numbered. **Font should be 12 pt. (Times New Roman)**. To be eligible, the narrative shall address Section II above, items A through G, specifically. Additionally, each application shall provide:

1. A brief description of the KIN and the proposed programs and services as well as previously provided services by the KIZ(s), and IHE(s) (includes prior Innovation Grant(s) recipients).
2. The KIZ’s and Innovation Grant’s semi-annual reporting metrics since inception as well as the deliverables presented to the Technology Development Authority.
3. Milestones, quantifiable goals and objectives to be achieved including successful project implementation.
4. A description of the applicant’s existing technology transfer approach. This should include where appropriate, the level of success in patent filings, awards, licensing agreements, royalties received, products commercialized, and new companies created in the most recently recorded calendar or academic year.

5. The technology transfer activities to be undertaken. The activities may include the addition of personnel who are directly related to transferring technology to the local businesses.
6. How the former Innovation Grant recipients will be integrated with the KIZ and other members of the KIN, if applicable.
7. Description of the targeted industry sectors.

### C. Budget

Applicants shall refer to Section II above, specifically items B, C and E, when preparing the budget and identifying how the KIN Competitive Grant funds and all matching funds will be used.

### D. Approval Process

1. **Receipt.** Upon receipt of the application and required supporting material, the Technology Investment Office will review the application and score it accordingly.
2. **Review.** The Technology Investment Office will review the application and determine whether it meets the required parameters outlined in these guidelines. Higher priority will be given to applications which contain or address the following:
  - a. A project that demonstrates clear integration of the KIZ and IHE technology transfer efforts as well as collaboration with other KIZs and regional IHEs.
  - b. A project with strong cash match.
  - c. A strong plan for sustainability for the KIN and the proposed program beyond the receipt of the Competitive Grant.
3. **Approval.** DCED will approve funding of the applications contingent upon the Technology Development Authority's appropriation from the General Assembly and the Technology Development Authority Board's approval of KIN Competitive Grant funding.
4. **Notification.** DCED, specifically the Technology Investment Office (TIO), will notify the successful applicants.
  - a. The applicant must certify that it will comply with the commonwealth's non-discrimination policy.
  - b. The applicant and its principals must be current in payment of all state and local taxes unless they have entered into a workout agreement satisfactory to the respective taxing authority and are fully in compliance with the terms thereof.

### E. Post-Approval Process

1. Following review and notification of approval of the KIN Competitive Grant application, TIO staff will issue a funding commitment letter to the grantee, which must be signed and returned to DCED as instructed in the commitment letter.

2. Following receipt of the signed commitment letter, TIO staff will initiate a grant contract agreement between the Technology Development Authority and the grantee. This agreement will include the scope of work, budget, and match as approved within the Competitive Grant application and will be subject to any conditions or contingencies dictated by the TIO staff. The grant contract agreement will detail additional requirements with which the grantee must comply, including but not limited to: competitive bidding and subcontracting requirements, project audit or financial grant closeout report, maintenance of records, and investment of grant funds in an interest bearing account.
3. The contract agreement will not be executed until all of the following have been resolved to the satisfaction of TIO staff:
  - a. The grantee must have a valid SAP vendor number and profile on record with Pennsylvania's Central Vendor Management Unit (CVMU), which matches the address used on the application. Applicants can create a new profile in this system or add a new location to an existing profile by registering online at <https://www.vendorregistration.state.pa.us/cvmu/paper/GranteeRegistration.aspx>.
  - b. The grantee must be in compliance with DCED's Audits and Compliance Division relative to the submission of audits and/or financial grant closeout reports on any previous contracts with DCED, regardless of the program or funding source.
  - c. The grantee must be current in payment of all state and local taxes unless it has entered into an agreement satisfactory to the respective taxing authority and is fully in compliance with the terms thereof.
  - d. The grantee must certify to the Technology Development Authority that it will not discriminate against any employee or against any applicant for employment because of race, religion, color, handicap, national origin, age, or sex.
4. After the contract agreement is fully executed, payments to the grantee will be made through the Pennsylvania Electronic Payment Program (PEPP). Within 10 days following execution of the grant contract, the grantee must submit or must have already submitted a PEPP Enrollment Form. This form is available on line at: [http://www.oit.state.pa.us/bfm/lib/bfm/ACH\\_Enrollment\\_Form\\_05-2007.pdf](http://www.oit.state.pa.us/bfm/lib/bfm/ACH_Enrollment_Form_05-2007.pdf).
5. When the grant has been fully executed by the grantee and the commonwealth, the applicant may request payment in advance. Specific invoicing procedures will be provided with the contract.
6. Payments typically require at least six weeks to process from the date of payment request submission.
7. TIO staff will monitor the project to ensure that the grantee fulfills the conditions of the grant, including obtaining the stated match. Upon request and as required by the grant contract agreement, the grantee must furnish TIO staff with all data, reports, contracts, documents, and other information relevant to the project.

## **F. Penalties for Noncompliance**

1. DCED shall impose a penalty upon a recipient of a grant for any of the following:
  - a. If it is determined that the application contained material misrepresentations or funds were used for activities not permitted under the terms of the grant, the contract will be considered in default and DCED will demand immediate repayment. In addition, the matter may be referred to the appropriate authorities for criminal investigation.
  - b. If the recipient's membership in the KIZ Partnership (if applicable) is terminated voluntarily or involuntarily.

2. DCED may waive the penalty if it determines that the failure was due to circumstances outside the control of the grant recipient.
3. A penalty imposed under this paragraph shall be equal to the full amount of the grant received. The penalty shall be payable in one lump sum or in installments, with or without interest, as DCED deems appropriate.

## **Section IV – Reporting Requirements and Grant Close-out Procedures**

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### **A. Semi-Annual Reports**

1. All grant recipients are required to provide semi-annual reports quantifying the progress toward accomplishing approved deliverables.
  - a. Reporting periods run from 07/01/20XX to 12/31/20XX and 01/01/20XX to 06/30/20XX.
  - b. Semi-annual reports are due on or before January 15th and July 15th for the reporting period immediately preceding the due date.
2. Performance data provided in the semi-annual reports shall be limited to the impact that occurred as a result of and attributable to KIN grant investment in the project. The semi-annual reporting metrics for the KIN program include:
  - a. Increased Employment (job creation).
  - b. Retention of Existing Jobs (job retention).
  - c. Businesses Assisted.
  - d. Leverage of Additional Funding - Private and Public.
  - e. New Company Formation.
  - f. Development and Commercialization of New Products.
  - g. Expanded Research, Development, Testing, and Evaluation.
  - h. Intellectual Property and Licensing.
  - i. Increased Revenues.
  - j. Increased Productivity.
  - k. PA Graduates and Job Placement.
  - l. Placement of Internships and Fellowships.
  - m. Case studies.
  - n. Other project-specific deliverables as requested by the TIO.
3. The grantee may submit any other data, descriptions, or material that documents the accomplishments of the project.
4. All KINs are required to submit semi-annual reports through KIZForce.
5. Reporting shall continue as long as the KIN is in existence.

## **B. Financial Grant Closeout**

1. All grant recipients will be required to submit financial documentation to close out the project
  - a. If the grant amount is \$100,000 or greater, the grantee must submit an independent project audit to DCED's Audit and Compliance Division no later than 120 days after expiration of the grant contract agreement.
  - b. If the grant amount is less than \$100,000, the grantee must submit a Grant Closeout Report to DCED's Audit and Compliance Division no later than 30 days after expiration of the grant contract agreement.
2. Non-compliance with this requirement may prevent the grantee from obtaining funding or payment from any DCED-administered grant and/or loan programs.

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## Appendix I – Definitions

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- A. **Academic Medical Center:** A hospital or other medical center and its affiliates that combines patient care, research, and teaching.
- B. **Institution of Higher Education:** A higher education institution located in Pennsylvania and legally authorized to grant degrees in the commonwealth ([www.pdehighered.state.pa.us/higher/lib/higher/OperatingInstitutions.pdf](http://www.pdehighered.state.pa.us/higher/lib/higher/OperatingInstitutions.pdf)).  
Note: Eligible applicants exclude theological seminaries, institutions functioning through the authority of partner degree-granting institutions, and specialized associate degree-granting institutions (private licensed schools offering specialized associate or occupational degrees, not academic associate degrees). The Pennsylvania Department of Higher Education will provide continuing updates to this document. The term includes branch or satellite campuses of the institution.
- C. **Keystone Innovation Zone:** An approved geographical area by DCED comprised of portions of one or more political subdivisions. In accordance with the KIZ enabling legislation (*12 Pa.C.S. § 3701*, et seq., 2004), applications for the implementation and designation of a KIZ were to be submitted to DCED on or before July 1, 2007. Between May of 2004 and October 2007, a robust network of 29 KIZs was established; no additional KIZs will be designated.
- D. **Keystone Innovation Zone Company:** A for-profit business entity which is all of the following:
1. Located within a KIZ;
  2. Has been in operation for less than eight years; and
  3. Falls within one of the targeted industry segments adopted by the KIZ Program.
- E. **Keystone Innovation Zone Coordinator:** An employee of a non-profit organization which is all of the following:
1. Not an Institution of Higher Education;
  2. Chosen by a KIZ Partnership, with DCED approval, to administer the activities of a KIZ.
- F. **Keystone Innovation Zone Partnership:** Any association or group which is all of the following:
1. Comprised of at least one institution of higher education and a combination of private businesses, business support organizations, commercial lending institutions, venture capital companies, angel investor networks or foundations.
  2. Formed for the creation and administration of a KIZ.
- G. **Targeted industries or focus areas of technology:** A select group of industries within KIZs expected to lead economic development in the 21st century for the region and the commonwealth.