



For Immediate Release

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Bipartisan Bills Creating Michigan Innovation Fund Introduced in Lansing

Funding would provide crucial support for entrepreneurs and startups by helping to create self-sustaining nonprofit early-stage evergreen funds and leverage existing fund infrastructure

Lansing, Michigan - A bipartisan group of lawmakers in Lansing has introduced new bills to create the Michigan Innovation Fund, providing critical funding support to Michigan's existing early-stage evergreen venture funds and entrepreneur ecosystem. Michigan House Bills 5651, 5652 and 5653, sponsored by Representative Alabas Farhat (D-Dearborn), Jason Hoskins (D-Southfield) and Greg VanWoerkom (R- Norton Shores), would provide \$105m to a coalition of five impactful, established Michigan based nonprofit early-stage evergreen funds as well as provide additional increased funding to key partners in the ecosystem that support startup companies, founders and funds. The Michigan Innovation Fund is designed to provide long-term investments in Michigan's startup companies, grow and diversify the economy, create jobs; and build a strong, competitive, and sustainable financial network to support startup companies across Michigan.

"House members on both sides of the aisle recognize the importance of supporting Michigan startups and entrepreneurs," said Representative Farhat. "We can't continue to overlook the importance of helping grow all areas of our economy, especially Michigan entrepreneurs and the impact they can have on future jobs and economic growth. With the Michigan Innovation Fund, we have a powerful tool to support new business creation and stop the trend of companies leaving Michigan to find the startup capital they need. The investments we make in budding entrepreneurs, innovative technologies, and new industries today will power Michigan's economic future as well as help support an innovation economy and attract talent."

Recent studies show that Michigan is losing significant jobs, talent and investment opportunities due to the lack of early-stage investment capital available to would-be entrepreneurs. Overall, new early-stage, pre-seed investment capital in Michigan has decreased over 40% in the past several years, creating a major challenge to companies looking for early-stage funding, even for companies with high growth potential.

"The Michigan Innovation Fund will be a key component to the state's economic ecosystem by supporting entrepreneurs to create the next great Michigan business," said Rep. VanWoerkom, Republican vice chair of the House Appropriations Subcommittee on Labor and Economic Opportunity. "This fund will fill a missing component to help our risk-takers be successful."

Michigan suffers one of the largest disparities between academic research expenditures and invested venture capital. For every \$149 of academic research expenditures in Michigan there is \$1 of funding. In California, the ratio is \$7 of academic research expenditures for \$1 of funding. Additionally, many companies that get their start in state are forced to leave to follow investment capital in other states, increasingly to Ohio. The Michigan Innovation Fund will help provide critical early-stage funding and keep companies here in Michigan.

“Michigan has amazing talent and strong research institutions,” said Rep. Hoskins. “There is real potential to be a leader in creating and growing innovative startups. Other states, especially on the coasts, figured this out a long time ago and more recently our neighboring states. The Michigan Innovation Fund is key if we truly want to generate more opportunities for entrepreneurs, leverage the state’s research universities, and see our state emerge as a leader in business growth and compete with our Midwest states.”

The Michigan Innovation Fund will give Michigan a chance to become a leader in early-stage, pre-seed funding, combining entrepreneurial support services and early-stage capital to create and nurture an entrepreneurial ecosystem that can grow over time, reinvest in new and growing assets and develop a sustainable network of support for entrepreneurial activity across the state. It will provide \$105m to a coalition of five impactful, established Michigan-based nonprofit early-stage evergreen funds as well as provide additional increased funding to key partners in the ecosystem that support startup companies, founders and funds.

Under the plan, funding would be awarded to nonprofit and university-backed funds with proven track records and all investment returns would be recycled back into the respective funds for future investment in MI companies, ensuring long-term impact. The Michigan Innovation Fund's investment in these funds would go a long way to creating evergreen, self-sustaining funds that recycle capital and provide long-term investments in Michigan startups. Funding for the Michigan Innovation Fund will not impact the general fund but rather re-direct returns from the Venture Michigan Funds I and II (VMF) which were created by Public Act 296 of 2003 to support early-stage companies. The VMF has seen recent returns equaling more than \$100M and the bills call for the state to re-direct \$105M in VMF funding for the Michigan Innovation Fund this year as well as dedicate future returns from VMF to the Innovation Fund.

“We want to thank Governor Whitmer for including the Michigan Innovation Fund in her budget recommendation this year and we are grateful to representatives Farhat, Hoskins and VanWoerkom for their leadership and championing this important issue,” said Patti Glaza, executive vice president, Invest Detroit and Managing Partner, ID Ventures. “The Michigan Innovation Fund is a major step forward in Michigan's journey toward becoming a leading hub for startups and entrepreneurial talent. This initiative not only emphasizes our state's dedication to fostering innovation and growth but also showcases our collective commitment to creating a nurturing environment for diverse and ambitious founders.”

Learn more at <https://idventures.com/mi-innovation-fund/>

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Quotes from MI Innovation Fund Coalition Partners and Supporters:

Jeff Donofrio, President & CEO, Business Leaders for Michigan

"Leading states know that economic growth is driven by entrepreneurs and innovations that solve problems for consumers and our world. The Michigan Innovation Fund would give us another important tool to help Michigan's entrepreneurs create high-wage jobs, bring new technologies and grow our economy," said Jeff Donofrio, president and CEO of Business Leaders for Michigan.

Kelly Sexton, Ph.D., Associate Vice President for Research, Innovation Partnerships and Economic Impact, University of Michigan

"At the University of Michigan, we know all too well what it's like to watch high potential startups leave Michigan for other states who can provide the essential early-stage capital needed to grow their companies." said Kelly Sexton, Ph.D., associate vice president for research, innovation partnerships and economic impact at the University of Michigan, "Other states are looking ahead and recognizing the return that investments like this bring. By acting now, we might ensure that the next "unicorn" is founded, grows and stays in Michigan."

Paul Krutko, President & CEO, Ann Arbor SPARK

"We have been an early-stage investor in Michigan since 2007, investing in over 200 Michigan-based startups, and know the economic impact these companies can have" said Paul Krutko, president and CEO of Ann Arbor SPARK. "Early-stage capital is crucial for getting startups to the next stage and becoming future growth engines for the state. But we've reached a 10-year low in the availability of startup funding in Michigan. And as a result, we've been losing some of our best companies to other states."

Jeff Wesley, Executive Director of Ventures at the MSU Research Foundation

"We're excited to stand alongside our experienced early-stage investment fund peers, which have driven past momentum in the state, and with the state legislature, in championing the creation of this permanent early-stage evergreen venture capital investment fund," said Jeff Wesley, Executive Director of Ventures at the MSU Research Foundation. "This initiative is a testament to the work we've accomplished together. And, with our teams and infrastructure already in place, it marks a crucial step toward advancing our collective entrepreneurial ecosystem. Together, we're paving the way for the state of Michigan to be more competitive with our Midwest counterparts."

Ara Topouzian, Executive Director, Michigan Venture Capital Association

At the Michigan Venture Capital Association, we want to see our strong venture capital community and entrepreneur ecosystem growing to meet the demands of the founders and companies so we can compete with our neighboring states, said Ara Topouzian, Executive Director, Michigan Venture Capital Association. "We believe the MI Innovation Fund is one way we can make big a difference in Michigan by encouraging our startup community to create companies and stay in Michigan. It is our continued hope that this will be the beginning of other tools that can be used as a catalyst to grow Michigan's economy."

Steve Haakenson, Executive Director, Biosciences Research and Commercialization Center of Western Michigan University

"The entrepreneurs in MI continue to struggle finding the earliest investors for their high-tech startup businesses. This early-stage capital is limited within the private sector. We believe Michigan has the

potential to be a leader in creating and growing innovative technology startups, but to do so the state needs to be creative at generating more opportunities for entrepreneurs by investing more public funding in its startup ecosystem.”

Jim Baker, Fund Manager, Michigan Outdoor Innovation Fund

The availability of early-stage investment capital is critical to the establishment technology-based startup companies and helping them achieve their fullest growth potential and associated impact on the State's economy and the communities where their employees live. These funds will leverage the experience and successes of an established statewide network of fund managers and support resources for founders toward the creation of permanent, or evergreen, investment funds that perpetually reinvest returns from yesterday's and today's successes into tomorrow's entrepreneurs. The Upper Peninsula is notably challenged with respect to the availability of investment capital and we are particularly grateful for the collaboration of the Michigan Innovation Fund leadership team in serving the interest of the entire State.

Mark de la Vergne, Director, Economic Innovation and Policy, Michigan Central

“We are in a battle for talent and investment on a global stage, and the Innovation Fund would be a crucial step in making Michigan more competitive and help our state to once again be a leader in innovation. Michigan Central and our partners have made incredible progress in attracting cutting edge startups from across the country and around the world, and passage of this legislation would go a long way in accelerating the progress not only in Detroit but all over Michigan. Michigan Central enthusiastically supports this legislation and thanks Representatives Farhat and Hoskins for their leadership on this crucial issue.”

Hassan Beydoun, Group Executive for Economic Development, City of Detroit

Early-stage, high-growth companies are key to Michigan's future economic growth and prosperity. We look forward to working with our partners in the legislature to give our founders and funders the tools they need. The Michigan Innovation Fund is a big step forward.

Charity Dean, President & CEO, Michigan Black Business Alliance

“One of our top priorities at the Michigan Black Business Alliance is ensuring black-owned businesses and companies in Michigan have access to the capital they need to grow. The Michigan Innovation Fund shows our commitment to creating an innovative ecosystem here in Michigan and supporting entrepreneurs across our state, as well as ensuring early-stage companies have the capital they need to grow here.”

**Monica Wheat, Managing Director, Techstars Detroit Powered by JP Morgan
Executive Director, Venture Catalysts**

"Techstars Detroit and Venture Catalysts are excited to partner and support initiatives that reverse this trend and enable key talent to accelerate in Michigan ", says Monica Wheat, Executive Director of Venture Catalysts and Managing Director of Techstars Detroit Powered by JP Morgan. "Underserved tech talent is the largest opportunity in venture today and the Michigan Innovation Fund is a strong step in that direction."