

MICHIGAN STRATEGIC FUND ACT (EXCERPT)
Act 270 of 1984

125.2088u Michigan innovation fund program.

Sec. 88u.

(1) The fund shall create the Michigan innovation fund program to provide support in this state for investments under section 88h, qualified evergreen venture funds, qualified emerging evergreen funds, qualified venture capital funds, and qualified start-up support services. The Michigan innovation fund program shall be operated and administered by the authorized officers, employees, and agents of the fund, including the MEDC and its employees. Money deposited in the 21st century jobs trust fund under section 7(1)(c) of the Michigan trust fund act, 2000 PA 489, MCL 12.257, must be expended by the fund to support the Michigan innovation fund program as provided in this section.

(2) Subject to subsection (5), the fund shall expend money deposited in the 21st century jobs trust fund under section 7(1)(c) of the Michigan trust fund act, 2000 PA 489, MCL 12.257, each fiscal year through the fiscal year ending September 30, 2054, as follows:

- (a) 5% for transfer to and deposit in the investment fund for investment under section 88h(3)(a), (d), or (e).
- (b) 80% for grants to qualified evergreen venture funds for eligible activities.
- (c) 8% for grants to 1 or more qualified emerging evergreen funds for eligible activities.
- (d) 7% for grants to qualified nonprofits for qualified start-up support services.

(3) Money deposited in the 21st century jobs trust fund under section 7(1)(c) of the Michigan trust fund act, 2000 PA 489, MCL 12.257, for grants under subsection (2)(b) or (c) must be awarded by the fund under this section not later than 182 days after the deposit of the money in the 21st century jobs trust fund. The fund shall award grants under subsection (2)(b) or (c) to all eligible applicants. For all grants made by the fund in a fiscal year under subsection (2)(b), the total amount of grants provided to qualified evergreen venture funds that invest in 2 or more industry sectors must be not less than 200% of the total amount of grants provided to qualified evergreen venture funds that invest in only 1 industry sector. The fund may enter into grant agreements to ensure compliance with this section. For a grant under subsection (2)(b) or (c), all of the following apply regarding a grant agreement under this subsection:

(a) The grant agreement must require a grant award to be committed by the recipient not later than 5 years after the receipt of the grant by the recipient.

(b) The grant agreement may permit not more than 15% of the amount of the grant award to be used for both of the following:

(i) Administration of the grant award by the recipient.

(ii) Technical assistance related to investments made by the qualified evergreen venture fund or qualified emerging evergreen fund, including, but not limited to, coaching, mentoring, and programming to support business founders.

(c) The grant agreement must require at least 5% of the grant money invested to be invested in geographically disadvantaged business enterprises.

(d) The grant agreement must require a grant award recipient to report annually, by April 15 of each year, on its activities under this section on a standard form that is prescribed by the fund and the annual report must be published on the fund's website and on the recipient's website. Except as otherwise provided in subsection (4), an annual report required under this subdivision must include all of the following information:

(i) A list of investments made with grant award proceeds during the immediately preceding calendar year that includes all of the following:

(A) The name of the recipient of each investment.

(B) The date of each investment.

(C) The amount of each investment.

(D) The physical address of the recipient of each investment.

(E) A description of the type of investment.

(F) A description of the industry or economic sector in which the recipient operates.

(G) An indication of whether the investment is a new investment in the recipient or a follow-on investment.

(H) An indication of the number of jobs created or jobs retained, or both, as a result of the investment.

(ii) A summary of expenditures for administration and operations that includes a summary of administrative and operational costs incurred, including, but not limited to, any professional fees and expenses incurred.

(iii) The amount, the date, and a description of any returns received from each investment made with grant proceeds.

(e) A grant agreement must include a provision that requires the recipient of the grant to use returns from the investment of money using grant proceeds as follows:

- (i) Not more than 15% may be used for expenses described in subdivision (b)(i) or (ii).
- (ii) Not less than 85% must be reinvested.
- (f) A grant agreement must include a provision that requires the recipient of the grant to notify the fund within 90 days after there is a change in that recipient's senior leadership team.
- (g) A grant agreement must include a provision that if the recipient of a grant realizes an earned return on an investment under this section that exceeds \$8,000,000.00 within 15 years after the initial investment, then the recipient shall, not later than 1 year after the return realized exceeds the cap under this subdivision, distribute an amount equal to 10% of that return to the state treasurer for deposit to the general fund in this state.
- (4) A grant award recipient is not required to provide information in an annual report under subsection (3)(d) if the information is exempt from disclosure under the freedom of information act, 1976 PA 442, MCL 15.231 to 15.246.
- (5) It is the intent of the legislature that grants and investments under this section are for the public purpose of encouraging economic development and job creation in this state. The fund shall not enter into any new grant agreements or make new commitments to recipients under this section after December 31, 2054.
- (6) Not later than 90 days after receipt of notification from a grant recipient of a change in the recipient's senior leadership team, the fund must conduct a performance review of all investments made by that recipient and submit a report to the senate and house appropriations subcommittees on general government, the senate and house fiscal agencies, the senate and house policy offices, and the state budget office on those investments and include any considerations the fund deems relevant regarding the change in leadership.
- (7) Not later than January 1, 2030, the fund shall conduct a formal review of the Michigan innovation fund program and submit a report to the senate and house appropriations subcommittees on general government, the senate and house fiscal agencies, the senate and house policy offices, and the state budget office on the performance and effectiveness of the Michigan innovation fund program.
- (8) As used in this section:
 - (a) "Eligible activity" means all of the following:
 - (i) An investment through an investment instrument in an early-stage start-up company that is located in this state and engaged in 1 or more competitive edge technologies. As used in this subparagraph, "investment instrument" includes, but is not limited to, convertible notes, simple agreements for future equity (SAFEs), and an equity investment as that term is defined in 12 CFR 1805.104.
 - (ii) Technical assistance related to an investment described in subparagraph (i).
 - (iii) Grants related to the activities described in subparagraphs (i) and (ii).
 - (b) "Evergreen fund" means an investment plan or program of a Michigan nonprofit corporation that is exempt from taxation under section 501(c)(6) of the internal revenue code of 1986, 26 USC 501, or an investment fund that meets all of the following requirements:
 - (i) Is organized for the purpose of investing in private debt or equity with limited restrictions on or no provision for investor withdrawal and redemption rights.
 - (ii) Operates on an open-end basis without a definitive closing date or fixed end date.
 - (iii) Permits capital to be raised on an ongoing basis and the reinvestment of investment returns.
 - (c) "Geographically disadvantaged business enterprise" means a person that meets 1 or more of the following requirements:
 - (i) Is certified as a HUBZone small business concern by the United States Small Business Administration.
 - (ii) Has a principal place of business located within a qualified opportunity zone within this state.
 - (iii) More than half of its employees have a principal residence located within a qualified opportunity zone within this state.
 - (d) "Qualified emerging evergreen fund" means any of the following:
 - (i) A public institution of higher education or a Michigan nonprofit corporation that is exempt from taxation under section 501(c)(3) or (6) of the internal revenue code of 1986, 26 USC 501, that administers, manages, or operates 1 or more evergreen funds if at least 1 of those evergreen funds meets both of the following requirements:
 - (A) Is organized to provide early stage venture capital funding to entities within this state.
 - (B) Has a principal office located in a county with a population of more than 600,000 and less than 700,000.
 - (ii) A Michigan nonprofit corporation that meets both of the following requirements:
 - (A) Is organized for the purpose of enhancing the vitality of the communities affected by this state's Upper Peninsula by leveraging local resources with capital and expertise and fostering economic opportunity throughout the area.
 - (B) Administers, manages, or operates 1 or more evergreen funds.
 - (iii) A Michigan nonprofit corporation that meets all of the following requirements:
 - (A) Is organized to provide early stage venture capital funding to entities within this state.
 - (B) Has a principal office located in a county with a population of more than 90,000 and less than 99,000.
 - (C) Administers, manages, or operates 1 or more evergreen funds and grants.
 - (e) "Qualified evergreen venture fund" means a qualified higher education institution or a Michigan nonprofit corporation that is exempt from taxation under section 501(c)(3) or (6) of the internal revenue code of 1986, 26

USC 501, that administers, manages, or operates 1 or more evergreen funds if at least 1 of those evergreen funds meets all of the following requirements:

- (i) Provides early-stage venture capital funding to entities within this state.
- (ii) Has been actively operating in this state for not less than 3 years.
- (iii) Has 4 years or more experience in making early-stage venture capital investments and in mentoring start-up companies.

(iv) Before January 1, 2024, has not less than \$15,000,000.00 in deployable capital or invested not less than \$15,000,000.00.

(f) "Qualified higher education institution" means an institution of higher education specified in section 4 of article VIII of the state constitution of 1963. Qualified higher education institution also includes both of the following:

(i) A Michigan nonprofit corporation that is incorporated under the nonprofit corporation act, 1982 PA 162, MCL 450.2101 to 450.3192, and meets all of the following requirements:

(A) The corporation is incorporated for the purpose of providing support for the objects and purposes of an institution of higher education specified in section 5 of article VIII of the state constitution of 1963.

(B) The corporation is incorporated for the purpose of assisting in an exclusively educational and charitable manner in the accomplishment of the educational purposes of an institution of higher education specified in section 5 of article VIII of the state constitution of 1963.

(C) The name of the corporation or an assumed name of the corporation under section 212(3) of the nonprofit corporation act, 1982 PA 162, MCL 450.2212, includes the word "foundation".

(ii) A Michigan corporation that is incorporated under the business corporation act, 1972 PA 284, MCL 450.1101 to 450.2098, and meets all of the following requirements:

(A) An institution of higher education specified in section 4 of article VIII of the state constitution of 1963 is the only shareholder of the corporation and owns all of the shares of the corporation.

(B) The name of the corporation or an assumed name of the corporation under section 217 of the business corporation act, 1972 PA 284, MCL 450.1217, includes the words "biosciences" and "research".

(g) "Qualified nonprofit" means a nonprofit corporation that provides programming, technical assistance, or other support that promotes the growth and development of start-up companies and their founders in this state, and entities in this state that administer, manage, or operate funds that invest in start-up companies in this state.

(h) "Qualified start-up support services" means 1 or more of the following:

(i) Activity that supports the growth of the venture capital talent pool in this state and the development of the next generation of venture capital fund leadership in this state, including, but not limited to, a venture capital fellows program.

(ii) Activity that supports the creation and growth of start-up companies in this state.

(iii) Activity that supports the professional development and growth of the founders of start-up companies in this state, including, but not limited to, mentoring and coaching.

(i) "21st century jobs trust fund" means the 21st century jobs trust fund established in section 7 of the Michigan trust fund act, 2000 PA 489, MCL 12.257.

History: Add. 2024, Act 190, Eff. Apr. 2, 2025

Popular Name: Strategic Fund