

SUBSTITUTE FOR
SENATE BILL NO. 525

A bill to amend 2003 PA 296, entitled
"Michigan early stage venture investment act of 2003,"
by amending sections 5 and 15 (MCL 125.2235 and 125.2245).

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 5. (1) A Michigan early stage venture investment
2 corporation is a nonprofit corporation incorporated under the
3 nonprofit corporation act, 1982 PA 162, MCL 450.2101 to 450.3192,
4 that meets the registration requirements of this act.

5 (2) A Michigan early stage venture investment corporation
6 shall be incorporated as a nonprofit corporation that has received,
7 on or before ~~September 1, 2004~~ **AUGUST 1, 2005**, a favorable
8 determination from the internal revenue service that the
9 corporation is exempt from taxation under section 501(c)(3) or

1 501(c)(4) of the internal revenue code. The department of treasury
2 may allow up to 3, 30-day extensions of the date under this section
3 for purposes of reviewing and approving an application for
4 registration under section 11.

5 (3) Except as otherwise provided in this act to the contrary,
6 a Michigan early stage venture investment corporation is subject to
7 the laws of this state that are applicable to nonprofit
8 corporations.

9 (4) A Michigan early stage venture investment corporation is a
10 charitable and benevolent institution, and its funds, income, and
11 property are exempt from taxation by this state or any political
12 subdivision of this state.

13 (5) A corporation shall not act as a Michigan early stage
14 venture investment corporation except as authorized under this act.

15 Sec. 15. (1) Except as otherwise provided in this act, in the
16 nonprofit corporation act, 1982 PA 162, MCL 450.2101 to 450.3192,
17 by law, or in its articles of incorporation, a Michigan early stage
18 venture investment corporation may do or delegate any act
19 consistent with this act and the purposes of the nonprofit
20 corporation, including, but not limited to, the following:

21 (a) Enter into contracts and all necessary activities in the
22 regular course of business of the Michigan early stage venture
23 investment corporation.

24 (b) Charge reasonable fees for the implementation of this act
25 and the ongoing operation of the Michigan early stage venture
26 investment corporation.

27 (c) Perform acts or enter into financial or other transactions

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1 necessary to carry out its powers and duties under this act.

2 (d) Invest in venture capital funds through equity securities.

3 (e) Employ ~~a fund manager~~ **FUND MANAGERS** and other persons it
4 considers necessary to implement this act. <<~~The Michigan early stage~~
5 ~~venture investment corporation shall employ only 1 fund manager at~~
6 ~~any 1 time.>>~~

7 (2) The fund manager shall exercise the duties of a fiduciary
8 toward the corporation and shall discharge his or her duties with
9 the degree of diligence, care, and skill that an ordinarily prudent
10 person would exercise under the same or similar circumstances in a
11 like position.

12 (3) The fund manager shall solicit investors pursuant to
13 section 17.

14 (4) The Michigan early stage venture investment corporation
15 shall require the fund manager to develop procedures to evaluate
16 types of business and industry for investment purposes and to set
17 priorities as to which businesses are most likely to meet the
18 desired outcomes of the investment plan established under section
19 19 and which businesses conduct activities that are consistent with
20 the purposes of this act and of the fund. This evaluation shall
21 include, but not be limited to, the location of the firm and the
22 direct and indirect impact of the business on the economic
23 development of this state.