

**MICHIGAN EARLY STAGE VENTURE INVESTMENT ACT OF 2003 (EXCERPT)**  
**Act 296 of 2003**

**125.2249 Michigan early stage venture investment fund; investment plan; criteria; modification of existing agreement or investment.**

Sec. 19. (1) A Michigan early stage venture investment corporation shall create a Michigan early stage venture investment fund, which shall be a restricted fund.

(2) The fund manager shall establish an investment plan approved by the board for the investment of the money in the fund using the following criteria:

(a) Not more than 15% of the total capital and outstanding commitments of the fund shall be invested in any single venture capital company.

(b) The fund manager with the approval of the board shall undertake to invest the fund in such a way as to promote that at least \$2.00 will be invested in qualified businesses for every \$1.00 of principal for which tax vouchers may be used to pay a liability under former 1975 PA 228, the Michigan business tax act, 2007 PA 36, MCL 208.1101 to 208.1601, or the income tax act of 1967, 1967 PA 281, MCL 206.1 to 206.713.

(c) That investments facilitate the transfer of technologies from the state's various universities and research institutions.

(d) Any other professional portfolio management criteria that the fund manager and board consider appropriate.

(e) Priorities for investment in venture capital may be based on an evaluation, which shall consider the following criteria:

(i) The retention of those businesses that would be likely to leave this state absent the investment.

(ii) The revitalization and diversification of the economic base of this state.

(iii) Generating and retaining jobs and investment in this state.

(3) Consistent with the plan established under subsection (2), the fund manager shall select venture capital companies from among those venture capital companies that apply for money from the fund considering the following criteria:

(a) The venture capital company's probability of success in generating above-average returns through investing in qualified businesses.

(b) The venture capital company's probability of success in soliciting investments. The level of investment from the fund committed to each venture capital company shall not be more than 25% of the venture capital company's total capital under management.

(c) The venture capital company's probability of success as it relates to the investment plan criteria under subsection (2)(b).

(d) The venture capital company has a significant presence in this state as determined by the Michigan early stage venture investment corporation.

(e) The venture capital company will undertake to invest in qualified businesses, as determined at the point of initial investment, a percentage of invested capital equal to or greater than the percentage of invested capital that the venture capital company received from the fund.

(f) The venture capital company's consideration of minority owned businesses in its investment activities.

(4) A Michigan early stage venture investment corporation shall not create a Michigan early stage venture investment fund and a Michigan early stage venture investment corporation shall not make any new commitments to contribute capital to a venture capital company after the effective date of the amendatory act that added this subsection. However, a fund may modify an existing agreement or investment with a venture capital company as long as no additional funds are committed to the venture capital company after the effective date of the amendatory act that added this subsection.

**History:** 2003, Act 296, Imd. Eff. Jan. 8, 2004;—Am. 2005, Act 102, Imd. Eff. July 22, 2005;—Am. 2007, Act 173, Imd. Eff. Dec. 21, 2007;—Am. 2015, Act 192, Imd. Eff. Nov. 16, 2015.