Creating a Continuum of Capital

Capital Markets Team
The Capital Lifecycle

### INVESTIGATION
- Pre-Seed Funds
  - SmartZones™
- Angel Tax Incentive
- 21st Century Commercialization Program
  - Follow On Fund, Accelerator Fund

### SEED
- Venture Michigan Fund I and II

### DEVELOPMENT
- 21st Century Investment Fund

### EARLY
- Loan Enhancement Programs
  - (CAP, Collateral Support, Loan Participation, Mezzanine)

### GROWTH
- CDBG Revolving Loan Fund
- Invest Michigan!

### MATURITY
- Private Activity Bonds

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**ProFIT**
- FRIENDS, FOUNDERS, FAMILY
- ANGELS, GRANTS
- VENTURE CAPITAL
- EQUITY MARKETS, BANKS

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**TIME**

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**PURE MICHIGAN**

Michigan Economic Development Corporation
<table>
<thead>
<tr>
<th>OLD FUNDING MODEL</th>
<th>NEW FUNDING MODEL</th>
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</thead>
<tbody>
<tr>
<td>• Sector specific</td>
<td>• Sector agnostic</td>
</tr>
<tr>
<td>• Investment decisions made by public sector</td>
<td>• Investment decisions made by private sector</td>
</tr>
<tr>
<td>• Terms designed by the public sector</td>
<td>• Terms designed by the private sector</td>
</tr>
<tr>
<td>• Administration performed by public sector</td>
<td>• Administration performed by private sector</td>
</tr>
<tr>
<td>• Default risk – 100% public sector</td>
<td>• Default risk shared by public and private sectors</td>
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Program Development Criteria

1. Is there a clear inefficiency in the market and a public benefit in addressing the need?

2. Can a small amount of properly structured state dollars create enough leverage to have a meaningful impact on the problem?

3. Can the state’s capital be deployed by expert, private sector decision-makers whose interests are aligned with the state?
Pre-seed Funds

• Over $40 million allocated to multiple organizations, including:
  o Spark
  o Automation Alley
  o BRCC

• Minimum 1 to 1 match, up to $250,000

• Over 60 investments to date
Angel Investment Incentive

- Tax Credit program expired 12/31/2011
- Staff currently developing replacement program
Early Stage Venture Funding

1. Accelerator Funds
   - Michigan Accelerator Fund
   - Huron River Ventures

2. Venture Development Fund
   - $9 million allocation to fund 4 new venture funds in MI

3. Venture Match Fund
   - Match up to $500k on qualified venture financing round
21st Century Investment Fund
Venture Michigan Fund

• $300 million to VC, mezzanine, and private equity funds

• Over $600 million in private leverage

• Fund of Fund structure

• Managed by Credit Suisse
Invest Michigan

- $300 million Pension Fund Investment
- 3 Distinct strategies
- Growth Stage Companies
- Return Driven
Subordinated Debt Programs

- **Grow Michigan**
  - $60 million targeted fund
  - Primarily bank investors
  - Growth-Oriented Operating Companies

- **Develop Michigan**
  - $100 million targeted fund
  - Diffuse investor base
  - Real Estate Development Gap Financing

- **Michigan Income & Principal-Protected Growth Fund**
  - $200 million targeted fund
  - Diffuse investor base
  - Growth-Oriented Operating Companies
Loan Enhancement Programs

SSBCI - $79.1 million federal award, funds:

• Capital Access Program
• Collateral Support
• Loan Participation
• Mezzanine Fund
CDBG Revolving Loan Fund

- $25 million from federal CDBG program allocated to local RLF funds
- Recently implemented a regionalization strategy to promote more efficient use of funds
Private Activity Bonds

- Over $200 million federal allocation in tax exempt bonds
- Eligible projects include manufacturing, waste disposal, and non-profit projects