



POSITION STATEMENT: EARLY STAGE (ANGEL) INVESTMENT PROGRAMS

ISSUE OVERVIEW

The venture capital and angel investor community is committed to funding Michigan's most innovative entrepreneurs and working closely with them to transform breakthrough ideas into new companies and industries that drive job creation and economic growth. From seed funding to successful business, accessing capital is the lifeblood to realizing the power of disruptive ideas.

In late 2010 the Michigan Legislature recognized the important role of angel investors in fostering innovation and entrepreneurship. They implemented a tax incentive program designed to attract angel investors. While it didn't exist for very long, MVCA believes the legislation, along with a number of other early stage funding programs, created a momentum for investment in entrepreneurship that continues to be realized today.

MVCA believes there are three key indicators policymakers should be capitalizing on to create thriving companies from start-ups, bring and keep high-paying jobs in Michigan and make sure there are good reasons for young professionals and great ideas to stay in Michigan. They are:

- 68% increase in the amount of angel capital invested in startup companies. Michigan companies received more than \$16 million from angel groups in 2015 compared to \$9.5 million in 2010.
- 42% increase in the number of angel-backed startups. There are currently 128 startup companies in Michigan that have received funding from a Michigan angel group,
- 59% increase in the number of angel investors. Michigan's nine angel groups are comprised of 294 accredited investors.

MVCA'S POSITION

As a growing hub of innovation, there is much for Michigan angel and venture investors to feel excited about. While the fundraising environment contracts nationally, it continues to improve in Michigan, and there is no shortage of innovative, game-changing startup companies to take to the next level.

Yet in spite of all there is to be confident about, Michigan policymakers aren't doing enough to enact policies that help strengthen the innovation ecosystem and, in some cases, have abandoned proven-successful economic development programs. If policymakers were to simply reenact some of these programs, there's no telling what we could achieve.

Access to capital and mentorship at the earliest stages of development is what allows a startup company and its founders to establish Michigan as its home base. And that's what angel investors brought to 128 startups last year. The key to continuing that success will be attracting more capital to Michigan.

The Early-Stage (Angel) Investment Program proposed in House Bills 5786 and 5787 will capitalize on the momentum that is building and will increase the amount of angel capital needed to create thriving companies from start-ups, bring and keep high-paying jobs in Michigan and make sure there are good reasons for young professionals and great ideas to stay in Michigan.

The specific advantages of the proposed legislation are:

- This is a relatively low cost economic development tool that is proven to generate capital that in turn will create high-paying, high-tech jobs in Michigan. The primary use of funds received from angel investors is to hire talent.
- The program targets angel investors who are part of an angel group or network, therefore there is a higher likelihood:
 - investments will be made in C-corps, which pay corporate income tax
 - investments will be made which support the local economy